Financial Statements 2024

Landsnet hf.
Gylfaflöt 9
112 Reykjavík

Reg. no. 580804-2410

Contents

Endorsement and Signatures by the Board of Directors and the CEO 3

Independent Auditor's Report 5

Income Statement 8

Statement of Comprehensive Income 9

Balance Sheet 10

Statement of Changes in Equity 11

Statement of Cash Flows 12

Notes to the Financial Statements 13

Appendix 1: Corporate Governance Statement (unaudited) 36

Appendix 2: Non-financial information (unaudited) 41

Endorsement by the Board of Directors and the CEO

Landsnet hf. was established in 2004 and the role of Landsnet is to administer the transmission of electricity and system operation in accordance with the provisions of Chapter III of the Electricity Act No. 65/2003.

Results of the year 2024

Profit of the year amounted to 43.1 million USD and total profit amounted to 80.4 million USD. The Company's equity at year end amounted to 574.9 million USD, including share capital in the amount of 45.5 million USD.

Average number of employees was 163. The gender ratio of the company’s senior management is 61% men and 39% womeny, with the overall employee gender ratio standing at 71% men and 29% women.

Share capital at year end 2024 is divided between two shareholders as at the beginning of the year: Shareholders at year end are:

	Share
Icelandic State	93.22%
Orkuveita Reykjavíkur	6.78%

The Board of Directors of the Company is composed of three women (60%) and two men (40%). In addition, there is one woman and one man in the vice board of the Company. The Board thus meets the requirement of Article 63 of the Public Limited Companies Act that the ratio of each gender on the Board of Directors shall not be lower than 40%.

The Board of Directors proposes to pay dividends USD 18.0 million to shareholders in 2025 for the operating year 2024, in which context the Board makes reference to the annual financial statements regarding changes in equity.

Current year operations and outlook

The year's operations went well, with a profit of USD 43.1 million, slightly exceeding forecasts. Transmission revenues were somewhat below projections, primarily due to restrictions on electricity sales by producers during the year. Higher purchase prices for electricity due to transmission losses and ancillary services are reflected in both revenue and expenses, as the tariffs for ancillary service and transmission losses adjust purchase prices accordingly. General operating costs were in line with the budget, and therefore, operating profit before financial items was slightly below expectations.

The year's investments amounted to USD 83.1 million, and projects progressed well despite ongoing significant challenges in the supply chain regarding both pricing and availability. Construction of the Suðurnesjalína 2 transmission line started slower than anticipated but was well underway by the end of the year and is progressing successfully. Landowners of three properties have filed claims to annul the construction permit and the expropriation authorization, with court hearings expected in the first quarter of 2025. Nevertheless, Landsnet remains hopeful that the line will be operational in the latter half of 2025. Efforts have been made to improve the permitting process, but these have not yet resulted in faster decisions, presenting ongoing challenges.

In May 2024, Landsnet and the Nordic Investment Bank (NIB) signed a loan agreement for USD 50 million, equivalent to approximately ISK 7 billion, to finance the strengthening of the transmission system. Landsnet’s operations and grid infrastructure projects align with the bank's sustainability criteria related to climate mitigation measures. Among the funded projects is Landsnet’s first substation where equipment is insulated with green gas, marking an important milestone in the construction of new substations with more environmentally friendly options.

Throughout the year, seismic activity and geological movements continued on the Reykjanes Peninsula, with six volcanic eruptions occurring in 2024. In January and February, major events took place around Grindavík, where large fissures opened, and lava flowed toward infrastructure. Landsnet does not own significant assets in the affected area, but three towers of the Svartsengislína transmission line, which connects the Svartsengi power plant to the main grid, were in the lava flow path. During the November eruption, extensive lava flows covered previous lava fields under the line, severing its conductor and disconnecting the Svartsengi power plant from the main grid. A new tower and conductors had to be installed, and the line was restored relatively quickly. Despite these incidents, Landsnet suffered minimal asset damage, and no major infrastructure was at risk.

A major disruption occurred in Landsnet’s transmission system and RARIK’s distribution network last October, causing a widespread power outage across North and Northeast Iceland. The incident also led to electricity disturbances in the Westfjords. Once again, events within the system raise urgent questions about the resilience of the transmission and distribution networks and underscore the critical need to develop the main ring-connection in the transmission network.

Endorsement by the Board of Directors and the CEO, continued

Landsnet’s analysis indicates that the next-generation transmission line—Holtavörðuheiði Line and Blöndulína 3, which will strenghten the ring-connection from the Soutwest to the North —could have prevented this incident or significantly reduced its impact on end users. This event is yet another reminder of the importance of accelerating the development of the new ring connection in the transmission network and other key infrastructure projects within the electricity system."

On June 5, 2024, the Supreme Court ruled in case no. 2/2024, affirming Landsvirkjun’s claim that Landsnet was not authorized to charge electricity producers for transmission capacity fees related to in-feed into the transmission grid. Landsnet issued credit invoices on January 15 and reimbursed the principal amount of the total charged fees. Due to the impact of these credit notes on revenue, Landsnet increased the transmission tariff for power-intensive consumers on January 1, with distribution tariffs set to increase on March 1. The long-term financial impact of these reimbursements is assessed as negligible, with most effects expected to normalize by the end of 2025. More details can be found in note 29.

At the end of 2024, the company’s board initiated a recruitment process for a new CEO, as Guðmundur Ingi will retire in 2025. It has been announced that Ragna Árnadóttir will assume the role, with her tenure starting on August 1, 2025.

Corporate governance

The Board of Directors of Landsnet hf. emphasizes maintaining good management practices. The Board of Directors has laid down comprehensive guidelines wherein the competence of the Board is defined and its scope of work vis-à vis the CEO. These rules include i.e. rules regarding order at meetings, comprehensive rules on the competence of Directors to participate in the discussion and decision of issues presented to the Board, rules on secrecy, rules on information disclosure by the CEO to the Board and other issues. The Corporate Governance Statement, which is appendix 1 in the Financial Statements, provides further information.

Non-financial information

Landsnet hf is a public-interest entity and is therefore obliged under the Annual Accounts Act to disclose information that gives a clear overview of the Company’s performance, its position and development, as well as setting out key risks and uncertainties. Non-financial reporting is provided in Appendix 2 to the Financial Statements. Appendix 2 also contains disclosure pursuant to the requirements of the EU Taxonomy Regulation, which entered into force on 1 June 2023.

Landsnet has begun preparations for the disclosure of sustainability information in accordance with the European Sustainability Reporting Standards (ESRS), issued by the European Union. Landsnet's reporting for 2025 will comply with these new standards and the regulatory requirements set by the EU Corporate Sustainability Reporting Directive (CSRD) 2022/2464.

Statement of the Board of Directors and the CEO

According to the best of the Board of Director's and the CEO's knowledge, the financial statements are in accordance with the International Financial Reporting Standards as adopted by the EU and it is the Board's and CEO's opinion that the annual financial statements give a true and fair view of the financial performance of the Company for the financial year 2024, its assets, liabilities and financial position as at 31 December 2024 and its cash flows for the financial year 2024.

Further, in our opinion the financial statements and the endorsement by the Board of Directors and the CEO give a fair view of the development and performance of the Company's operations and its position and describes the principal risks and uncertainties faced by the Company.

The Board of Directors and the CEO have today discussed the annual financial statements of Landsnet hf. for the year 2024 and confirmed them by means of their signatures.

Reykjavik, 20 February 2025

The Board of Directors:

Sigrún Björk Jakobsdóttir
Álfheiður Eymarsdóttir
Birkir Jón Jónsson
Elín Björk Jónasdóttir
Friðrik Sigurðsson

CEO:

Guðmundur Ingi Ásmundsson

Independent Auditor's Report

To the Shareholder of Landsnet hf.

Opinion

We have audited the financial statements of Landsnet hf. for the year ended December 31, 2024 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Landsnet hf. as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Our opinion in this report on the financial statements is consistent with the content of the additional report that has been submitted to the audit committee in accordance with the EU Audit Regulation 537/2014 Article 11.

Basis for 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 Landsnet hf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. Based on the best of our knowledge and belief, no prohibited services referred to in the EU Audit Regulation 537/2014 Article 5.1 has been provided. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in our audit
Valuation of transmission lines and substations	
Transmission lines and substations are the company´s most valuable assets and its valuation is based on management estimations, therefore we consider it to be a key audit matter. Transmission lines and substations are recognised according to the revaluation method. At the year-end its carrying amount was USD 946.5 million or 76.6% of total assets. Revaluation is performed on a regular basis, when management assesses that its fair value has changed significantly. Operating value was measured using a cash flow analysis. The assets were revaluated at year-end 2024 based on management estimation. As to the valuation of the assets, we refer to fixed assets in operation note 13 and accounting policies notes 32c and 32h.	Our audit was focused on management estimations of operating value of transmission lines and substations at the year-end 2024. We examined the valuation methodology and its consistency with prior year. We also examined management assumption for the valuation. This included: • Reviewing the operating plan which is the basis for th valuation. • Reviewing the assumptions for the weighted average co: of capital (WACC) used. We assessed if the valuation's calculations were in accordance with IFRSs and assessed that the disclosures were appropriate. We have also examined management judgement related to additions and depreciation methods in accordance with IFRS.

Independent Auditor's Report, continued

Other information

Management is responsible for the other information. The other information comprises the report of board of directors, non-financial reporting and corporate governance statement which is an appendix in the Financial Statement. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except the confirmation regarding report of the board of directors as stated below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with Paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the accompanying report of the board of directors includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the financial statements.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act, and for such internal control as management determines 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 Landsnet hf.'s ability to continue as a 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 company or to cease operations, or has no realistic alternative but to do so.

The board of directors and the audit committee are responsible for overseeing Landsnet's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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 ISAs 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 taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or erro 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that ar appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Landsnet hf.'s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates an related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on th 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, an 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

In addition to our work as the auditors of Landsnet hf., Deloitte has provided the firm with permitted additional services such as review of interim financial statements, other assurance engagements, consultation on tax matters. Deloitte has in place internal procedures in order to ensure its independence before acceptance of additional services. Landsnets hf's audit committee also has in place internal procedures to approve additional services before they commence. The audit committee also evaluates the independence of the company’s auditors on yearly basis in order to ensure their independence and objectivity.

Deloitte was appointed auditor of Landsnet hf. By the general meeting of shareholders on 19 March 2024. Deloitte have been elected since the general meeting 9 April 2015.

Reykjavik, 20 February 2025

Deloitte ehf.

Gunnar Þorvarðarson
State Authorized Public Accountant

Berglind Klara Daníelsdóttir
State Authorized Public Accountant

Income Statement for the year 2024

	Notes		2024		2023
Operating revenue					
Transmission	5		185.111		166.080
Other income	6		3.842		3.171
			188.953		169.251
Operating expenses					
Energy procurement costs	7		36.414		32.608
Transmission costs	9,10		59.244		63.002
System operation	9,10		4.932		4.910
Other operating expenses	9,10		17.894		16.046
			118.484		116.566
Operating profit			70.469		52.685
Financial income			5.421		3.236
Financial expenses		(	21.152)	(	23.758)
Net financial expenses	11	(	15.731)	(	20.522)
Share in net earnings of associated company	15,16		24	(	160)
Profit before income tax			54.762		32.003
Income tax	12,23	(	11.626)	(	6.436)
Profit			43.136		25.567
Profit earnings per share:					
Basic and diluted earnings profit per each 1 share	21		0,95		0,56

Notes no. 1 to 32 are an integral part of these financial statements.

Financial Statements of Landsnet hf. 2024 8 Amounts are in USD thousand

Statement of Comprehensive Income for the year 2024

	Notes	2024	2023
Profit		43.136	25.567
Items under total (loss) profit recognised among equity:			
Revaluation of transmillion system	13	46.277	30.231
Current tax on revaluation of transmission system		(9.255)	(6.046)
		37.022	24.185
Translation difference due to subsidiaries and associated companies ...		(59)	188
Site restoration provision after income tax, change		345	1.050
Total items under total profit recognised among equity		286	1.238
Total profit of the year		80.444	50.990

Notes no. 1 to 32 are an integral part of these financial statements.

Financial Statements of Landsnet hf. 2024 9 Amounts are in USD thousand

Statement of Financial Position as at 31 December 2024

	Notes	31.12.2024	31.12.2023
Assets			
Fixed assets in operation	13	973.157	943.210
Projects under construction	13	121.726	56.655
Intangible assets	13	17.915	19.397
Investments in subsidiary and associate	15,16	4.891	4.666
Long-term notes	28	4.128	3.886
Fixed assets		1.121.817	1.027.814
Inventories	17	6.140	6.419
Receivable with parent company	28	485	351
Trade and other receivables	18	28.882	24.666
Cash and cash equivalents	19	78.842	54.324
Current assets		114.349	85.760
Total assets		1.236.166	1.113.574
Equity			
Share capital		45.549	45.549
Statutory reserve		11.387	11.387
Restricted equity		1.410	1.386
Revaluation account		239.015	210.742
Foreign currency translation		(374)	(315)
Retained earnings		277.957	238.751
Equity	20	574.944	507.500
Liabilities			
Interest bearing long-term liabilities	22	487.093	453.078
Deferred income tax liability	23	83.252	76.459
Deferred income	24	21.972	2.118
Provision due to site restoration	25	11.128	10.883
Long-term liabilities and obligations		603.445	542.538
Current maturities	22	16.960	35.735
Income tax payable	14,23	14.175	6.169
Trade and other payables	27	26.642	21.632
Short-term liabilities		57.777	63.536
Total liabilities		661.222	606.074
Total equity and liabilities		1.236.166	1.113.574

Notes no. 1 to 32 are an integral part of these financial statements.

Financial Statements of Landsnet hf. 2024 10 Amounts are in USD thousand

Statement of Changes in Equity for the year 2024

	Share capital	Statutory reserve	Restricted equity	Foreign currency translation	Revaluation account	Retained earnings	Total
Year 2023:							
Equity at 1 January 2023..	45.549	11.387	1.546	(503)	195.582	228.720	482.281
Profit of the year..						25.567	25.567
Revaluaton of transmission system....................................					30.231		30.231
Current tax on revaluation of transmission system					(6.046)		(6.046)
Foreign currency translation...				188			188
Changes in Site restoration obligation................................					1.050		1.050
Total comprehensive profit..			0	188	25.235	25.567	50.990
Share in net earnings of associated company....................			(160)			160	0
Dividends paid to shareholders..						(25.771)	(25.771)
Revaluation recognised under retained earnings					(10.075)	10.075	0
Equity at 31 December 2023...	45.549	11.387	1.386	(315)	210.742	238.751	507.500
Year 2024:							
Equity at 1 January 2024..	45.549	11.387	1.386	(315)	210.742	238.751	507.500
Profit of the year..						43.136	43.136
Revaluaton of transmission system....................................					46.277		46.277
Current tax on revaluation of transmission system					(9.255)		(9.255)
Foreign currency translation...				(59)			(59)
Changes in Site restoration obligation................................					345		345
Total comprehensive profit..			0	(59)	37.367	43.136	80.444
Share in net earnings of associated company....................			24			(24)	0
Dividends paid to shareholders..						(13.000)	(13.000)
Revaluation recognised under retained earnings					(9.094)	9.094	0
Equity at 31 December 2024...	45.549	11.387	1.410	(374)	239.015	277.957	574.944

Notes no. 1 to 32 are an integral part of these financial statements.

Financial Statement of Landsnet hf. 2024 11 Amounts are in USD thousand

Statement of Cash Flows for the year 2024

	Notes	2024	2023
Cash flow from operating activities			
Operating profit		70.469	52.685
Adjustments for:			
Loss (profit) from sales of fixed assets	6	7	(8)
Depreciation and amortisation	10	35.560	39.615
Working capital from operation before financial items and taxes		106.036	92.292
Operating assets, increase		(3.768)	1.729
Operating liabilities, increase		3.736	1.383
Net Cash from operating activities before financial items and taxes		106.004	95.404
Interest income received		4.962	3.226
Interest expenses paid and foreign exchange difference		(17.818)	(19.452)
Taxes paid		(6.169)	(6.673)
Net cash from operating activities		86.979	72.505
Cash flow from investing activities			
Investment in transmission infrastructures		(76.072)	(55.493)
Other investments		(6.772)	(8.098)
Proceeds from sale of fixed assets		26	139
Long-term note, changes		(546)	(409)
Changes in investment in associated companies		283	285
Net cash from investment activities		(83.081)	(63.576)
Cash flow from financing activities			
New long-term liabilities	22	49.922	123.282
Payments of long-term liabilities	22	(36.075)	(79.770)
Dividends paid to shareholders		(13.000)	(25.771)
Change in deferred income		20.000	0
Net cash from financing activities		20.847	17.741
Net increase in cash and cash equivalents		24.745	26.670
Effect of exchange rate changes on cash and cash equivalents		(227)	1.329
Cash and cash equivalents at 1 January		54.324	26.325
Cash and cash equivalents at 31 December	19	78.842	54.324
Investment and financing activities without cash flow effect:			
Revaluation of transmission system		46.277	30.231

Notes no. 1 to 32 are an integral part of these financial statements.

Financial Statements of Landsnet hf . 2024 12 Amounts are in USD thousand

Notes to the Financial Statements

1. Reporting entity

Landsnet hf. is domiciled at Gylfaflöt 9 in Reykjavik, Iceland. The Company is majority-owned by the Icelandic Treasury and is classified as a company in Group C of the Central Government. Landsnet was established in 2004 on the basis of the Electricity Act passed by the Icelandic parliament, the Althingi, in the spring of 2003. The role of Landsnet is to administer the transmission of electricity and system operation in accordance with the provisions of Chapter III of the Electricity Act No. 65/2003, which stipulates that the Company must not engage in any activities other than necessary to perform its duties under the Act.

2. Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statements were approved by the Board of Directors on 20 February 2025.
Details of the Company's accounting policies are included in note 32.
In case of discrepancy between the Icelandic version and the English translation, the Icelandic original will prevail.

3. Functional and presentational currency

The financial statements are presented in USD, which is the Company's functional currency. Amounts are presented in USD thousand unless otherwise stated. The financial statements have been prepared on the historical cost basis, except for the Company's transmission system is recognised at a revalued amount.

4. Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant judgements made by management in applying the Companies accounting policies and key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2023.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 13 and 32c - Fixed assets in operation
- Note 14 and 32d - Intangible assets
- Note 25 and 32j - Estimation of provision due to site restoration
- Note 23 and 32n - Income tax

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Landsnet revaluates part of fixed assets to fair value, as stated in note 13. Other assets and liabilities are not recognised at fair value. For non-derivative financial liabilities, fair value, which is determined for disclosure purposes as stated in note 27, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Transmission revenue

See accounting policies in note 32k

Transmission revenue consist of:

	2024	2023
Energy transmission to power-intensive consumers	92.277	74.623
Energy transmission to distribution system operators	53.153	47.170
Transmission losses and ancillary services	37.552	32.138
In-feed fees	1.191	11.333
Service income	938	816
Transmission revenue total	185.111	166.080

The company's main customers are electricity producers, electricity distributors and large consumers. About one third of the transmission income was due to transactions with electricity distributors and 2/3 of transmission

6. Other income

Other income consist of:

	2024	2023
Income from work sold	2.851	626
Rental income	343	459
Income from guarantees of origin and certification	601	822
Sales profit from fixed assets	0	8
Other income	47	1.256
Other income total	3.842	3.171

7. Energy procurement costs

Energy procurement costs consist of:

	2024	2023
Electricity purchases due to transmission losses	24.425	20.265
Purchase of ancillary services	11.989	12.343
Energy procurement costs total	36.414	32.608

8. Fee to auditors

Fee to auditors consist of:

	2024		2023	
	Audit of Financial Statement	Other service	Audit of Financial Statement	Other service
Deloitte ehf.	57	17	72	14

Audit of Financial Statement consists of costs relating to audit of the financial statement and a review of interim financial statements.

9. Personnel expenses

See accounting policies in note 32c and 32i

Salaries and other personnel expenses consist of:

	2024	2023
Salaries	19.604	18.369
Defined contribution plan payments	2.754	2.616
Other payroll expenses	1.724	1.608
Capitalised salaries	(4.131)	(3.870)
Personnell expenses total	19.951	18.723

Financial Statements of Landsnet hf 2024 14 Amounts are in USD thousand

9. Personnel expenses, contd.:

Personnel expenses are specified as follows:

	2024	2023
Transmission costs	6.134	6.524
System operation	4.438	4.159
Other operating expenses	9.379	8.040
Salaries and other personnel expenses total	19.951	18.723
Average number of employees	163	161
Full-time equivalent units at year-end	168	157

Personnel expenses in Icelandic krona increased by 7.0% but in US dollars the personnel expenses increased by 6.6%.

Remuneration of the Board of Directors, CEO and Executive Directors were as follows:

	Thousand ISK		Thousand USD	
	2024	2023	2024	2023
Remuneration of the Board of Directors	18.454	17.226	134	125
Remuneration and benefits of the CEO	47.674	46.454	346	337
Remuneration of six Excecutive Directors	180.007	158.657	1.305	1.150

10. Depreciation and amortisation

See accounting policies in notes 32c and 32d

Depreciation and amortisation are specified as follows:

	2024	2023
Depreciation of fixed assets in operation, see Note 13	34.655	37.972
Amortisation and impairment losses, see Note 14	905	1.643
Depreciation and amortisation recognised in the income statement	35.560	39.615

Depreciation and amortisation are allocated as follows to operating items:

	2024	2023
Transmission costs	34.377	38.394
System operation	316	379
Other operating expenses	867	842
Depreciation and amortisation recognised in the income statement	35.560	39.615

11. Financial income and expenses

See accounting policies in note 32m

Financial income and expenses are specified as follows:

	2024	2023
Interest income	3.486	2.743
Net gain in fair value of marketable securities	1.489	493
Exchange rate difference	446	0
Total financial income	5.421	3.236
Interest expenses	(23.092)	(21.039)
Indexation	(1.634)	(2.728)
Exchange rate difference	0	(1.045)
Change in present value of the provision due to site restoration	(676)	(658)
Capitalised interest expense	4.250	1.712
Total financial expenses	(21.152)	(23.758)
Net financial expenses	(15.731)	(20.522)

Net financial expenses due to the construction of a transmission infrastructure and capitalised development cost amounting to 4.3 million USD (2023: 1.7 million USD) is capitalised and has been reported as a reduction in financial expenses.

Capitalised financial expenses were 5.0% of capital tied in transmission structures under construction during the year (2023: 5.1%). This is the Company's average finance cost for the year.

Financial Statements of Landsnet hf 2024 15 Amounts are in USD thousand

12. Income tax

See accounting policies in note 332n

	2024	2023
Income tax recognised in the income statement is specified as follows:		
Deferred income tax for the year	2.463	(530)
Income tax recognised among comprehensive income	86	263
Income tax payable	(14.175)	(6.169)
Income tax recognised in the income statement	(11.626)	(6.436)
Effective tax rate	21,2%	20,1%

13. Fixed assets in operation:

See accounting policies in note 32c

Fixed assets in operation:

	Substations	Transmission lines	Other	Total
Cost				
Balance at 1.1.2023	560.940	791.680	43.434	1.396.054
Revaluation	19.088	27.111	0	46.199
Additions	2.137	5.066	3.774	10.977
Transferred from projects under construction	8.130	14.909	0	23.039
Sold	0	0	(364)	(364)
Balance at 31.12.2023	590.295	838.766	46.844	1.475.905
Revaluation	29.932	43.213	0	73.145
Additions	819	1.466	2.716	5.001
Transferred from projects under construction	4.676	8.681	0	13.357
Sold	0	0	(79)	(79)
Balance at 31.12.2024	625.722	892.126	49.481	1.567.329
Depreciation				
Balance at 1.1.2023	185.067	274.284	19.637	478.988
Revaluation	6.693	9.275	0	15.968
Depreciation	15.517	20.714	1.741	37.972
Sold	0	0	(233)	(233)
Balance at 31.12.2023	207.277	304.273	21.145	532.695
Revaluation	10.496	16.373	0	26.869
Depreciation	15.297	17.623	1.735	34.655
Sold	0	0	(47)	(47)
Balance at 31.12.2024	233.070	338.269	22.833	594.172
Carrying amount				
1.1.2023	375.873	517.396	23.797	917.066
31.12.2023	383.018	534.493	25.699	943.210
31.12.2024	392.652	553.857	26.648	973.157
Carrying amount without revaluation				
1.1.2023	282.022	365.620	23.797	671.439
31.12.2023	281.174	378.515	25.699	685.388
31.12.2024	276.009	372.392	26.648	675.049

Financial Statements of Landsnet hf 2024 16 Amounts are in USD thousand

13. Fixed assets in operation, contd.:

Basis of revaluation of fixed assets in operation

In accordance with the provisions of the International Accounting Standard, the Company's transmission lines and substations were revalued as at year-end and before that they were revalued at year-end 2023. For the revaluation the Company's operating value was estimated using cash flow analysis. The valuation period was from 2025 to 2034, with the future operating value calculated thereafter. The revaluation conducted during the year was based on the operating value of the Company's current assets using the assumption that investment would equal the depreciation of the current asset base. The discounting of future cash flows was based on the market interest rate (WACC) in accordance to the method applied to determine for the Company with respect to power-intensive consumers and distribution system operators, an averaging 5.79%. Future growth is not expected, as the company is subject to a revenue cap. The valuation was also based on the transmission system's reconstruction as estimated by independent experts at the end of the-year. The carrying amount of assets passed impairment test at the year-end and and the lines and substations were revalued by USD 46.3 million at the end of the year.

Leased assets:

The company leases part of the transmission structures it uses from domestic energy companies, office premises and substations sites.

Changes in lease assets, which are disclosed with Fixed asset under operation, from the beginning to the end of the period are as follows:

	Substations	Other	Total
Balance at 1.1. 2023	857	810	1.667
Indexation	0	30	30
Impact of revaluation of lease liabilities	101	48	149
Depreciation of the year	(17)	(73)	(90)
Balance at 31.12.2023	941	815	1.756
Indexation	0	19	19
Impact of revaluation of lease liabilities	(12)	0	(12)
Depreciation of the year	(17)	(60)	(77)
Balance at 31.12.2024	912	774	1.686

Projects under construction:

	2024	2023
Balance at 1.1.	56.655	29.655
Additions	72.940	48.213
Transferred to fixed assets in operation	(13.356)	(23.039)
Transferred frá intangible assets	5.487	1.826
Balance at 31.12.	121.726	56.655

Rateable value and insurance value

The rateable value of the Company's real property amounts to upwards of 79.0 million USD (2023: 69.7 million USD). Assessed value for the same property's fire insurance amounts to 162.5 million USD (2023: 140.8 million USD) and book value amounts to 107.7 million USD (2023: 87.8 million USD). The insurance value of the Company's assets amounts to 699.4 million USD (2023: 678.9 million USD), excluding transmission lines and cables, which are insured by an emergency insurance fund. The Company's emergency insurance amounts to 1,403.1 million USD (2023: 1,348.0 million USD).

Financial Statements of Landsnet hf 2024 17 Amounts are in USD thousand

14. Intangible assets:

See accounting policies in note 32d and 32h

	Capitalised development cost	Software	Total
Cost			
Balance at 1.1.2023	24.365	6.601	30.966
Additions	4.139	263	4.402
Transferred to projects under construction	(1.826)	0	(1.826)
Balance at 31.12.2023	26.678	6.864	33.542
Additions	4.760	150	4.910
Transferred to projects under construction	(5.487)	0	(5.487)
Balance at 31.12.2024	25.951	7.014	32.965
Amortisation and impairment losses			
Balance at 1.1.2023	8.554	3.948	12.502
Amortisation and impairment losses	1.484	159	1.643
Balance at 31.12.2023	10.038	4.107	14.145
Amortisation and impairment losses	729	176	905
Balance at 31.12.2024	10.767	4.283	15.050
Carrying amount			
1.1.2023	15.811	2.653	18.464
31.12.2023	16.640	2.757	19.397
31.12.2024	15.184	2.731	17.915

Development costs are reviewed each year by the management of Landsnet hf. and are examined for any indications of impairment. If the management believes that impairment has occurred, that development cost is expensed as impairment.

15. Investment in subsidiary

See accounting policies in note 32e

The breakdown of investment in subsidiary is as follows:

	2024 Share in net earnings	2023 Share in net earnings	31.12.2024 Carrying amount	31.12.2023 Carrying amount
ELMA orkuviðskipti ehf. 100%	(575)	(529)	(1.042)	(499)

The operations of Landsnet's subsidiary, Elma orkuviðskipti ehf., are insignificant during the year, and therefore no consolidated financial statements have been prepared.

16. Investment in associates

See accounting policies in note 32f

The breakdown of investment in associates is as follows:

	2024 Share in net earnings	2023 Share in net earnings	31.12.2024 Carrying amount	31.12.2023 Carrying amount
Orkufjarskipti hf. 48.6%	575	369	4.891	4.666

17. Inventories

See accounting policies in note 32g

Inventories are spare parts and material inventories. Write-down of the year amounted to 177 thousand USD is recognised in the financial statements for the year 2024 (2023: 121 thousand USD).

Financial Statements of Landsnet hf 2024 18 Amounts are in USD thousand

18. Trade and other receivables
See accounting policies in note 32b
Trade and other receivables:

	31.12.2024	31.12.2023
Trade receivables	27.476	23.550
Other receivables	1.406	1.116
Trade and other receivables total	28.882	24.666

At the year-end 80% of trade receivables were less than 30 days (2023: 85%).

19. Cash and cash equivalents
See accounting policies in note 32b
Cash and cash equivalents:

	31.12.2024	31.12.2023
Bank deposits in USD	48.894	47.611
Bank deposits in other currency	7.389	4.825
Money market funds in ISK	22.559	1.888
Cash and cash equivalents total	78.842	54.324

20. Equity
See accounting policies in note 32b

Share capital
The Company's total share capital according to its Articles of Association was 5,903 million ISK at year-end. The Company holds no treasury shares. Each share of ISK in the Company carries one vote. All share capital has been paid.

Revaluation account
The Company's revaluation account consists of the revaluation increase of the Company's fixed assets after income tax effects. Depreciation of the revalued price is entered in the income statement and transferred from the revaluation account to retained earnings.

Statutory reserve
Under the Public Limited Companies Act, 25% of the nominal value of the Company's share capital must be held in a statutory reserve, which is not permitted to be used to pay dividends to shareholders. 10% of each year's profit must be deposited in the reserve until it amounts to 10% of the nominal value of the share capital, when the percentage deposited becomes 5%. At the end of 2024 the statutory reserve fund amounts to 25% of the nominal value of share capital.

Foreign currency translation
Foreign currency translation is the foreign exchange difference arising due to subsidiary and associated company with other functional currencies.

Restricted equity
Under the Annual Accounts Act, the Company must transfer its share in the profit or loss of associates exceeding received dividends, or dividend payouts that have been decided, into a restricted reserve account among equity. The Company has neither received dividends nor has been assigned dividends from its associates and therefore has all share in their earnings been transfered to restricted reserve account among equity.

Dividends
Dividends in the amount of 13 million USD (1,783 million ISK) were paid out in 2024 for the financial year 2023. By comparison, dividends in the amount of 25,8 million USD (3,600 million ISK) were paid out in 2023 for the financial year 2022.

21. Profit earnings per share
See accounting policies in note 32p
Basic and diluted profit earnings per share:

	2024	2023
Profit to shareholders	43.136	25.567
Weighted average number of ordinary shares at 31 December	45.549	45.549
Basic and diluted earnings per share	0,95	0,56

Financial Statements of Landsnet hf 2024 19 Amounts are in USD thousand

22. Interest-bearing loans and borrowings

See accounting policies in note 32b

This Note provides information on the contractual terms of the Company's loans and borrowings:

	31.12.2024	31.12.2023
Long-term liabilities		
Loan agreement and notes in USD, fixed interest	467.702	450.820
Listed indexed bond loan in NASDAQ OMX in ISK, fixed interest	34.926	36.510
	502.628	487.330
Current maturities on long-term liabilities	(16.960)	(35.735)
	485.668	451.595
Lease liabilities	1.425	1.483
Long-term liabilities total	487.093	453.078

As at year-end 2024, the Company meets all current requirements of loan agreements regarding financial strength.

Terms of long-term liabilities

	Final maturity	Weighted avg. rate	31.12.2024 Carrying amount	Weighted avg. rate	31.12.2023 Carrying amount
Liabilities in USD	2024-2039	4,51%	467.702	4,36%	450.820
Liabilities in ISK, indexed	2034	5,00%	34.926	5,00%	36.510
Total loans and borrowings			502.628		487.330

Maturities by year of loans and borrowings:

Year 2025 / 2024	16.960	35.735
Year 2026 / 2025	68.115	16.879
Year 2027 / 2026	66.343	68.028
Year 2028 / 2026	43.982	66.248
Year 2029 / 2027	43.192	40.430
Later	264.036	260.010
	502.628	487.330

Change in long-term liabilities are as follows:

	2024	2023
Long-term liabilities at the beginning of the year	487.330	439.177
New long-term liabilities	49.922	123.282
Payment of long-term liabilities	(36.028)	(79.701)
Exchange rate difference on long-term liabilities	(563)	1.488
Indexation and changes of discount on long-term liabilities	1.967	3.084
Long-term liabilities at the end of the year	502.628	487.330

The Company has an agreement with a credit line facility with Landsbankinn hf. in the amount of ISK 45 million USD (31.12.23: 80 million USD) and with Íslandsbanki hf. In the amount of ISK 15 million USD (31.12.2023: 0 million USD). Both facilities were undrawn at the end of the year (31.12.23: 0 million USD).

Financial Statements of Landsnet hf 2024 20 Amounts are in USD thousand

22. Interest-bearing loans and borrowings, contd.:

Lease liabilities

Lease liabilities are disclosed in the statement of financial position with Interest bearing long-term liabilities 1,425 thousand USD (31.12.23: 1,483 thousand USD) and with Trade and other payables 114 thousand USD (31.12.2023: 129 thousand USD).

Changes in lease liabilities from the beginning to the end of the period are as follows:

	2024	2023
Lease liabilities on 1 January	1.612	1.440
Revaluation due to indexation of lease payments	19	30
Other canges on lease obligations	(12)	149
Repayment of lease liabilities during the year	(58)	(68)
Exchange rate difference	(23)	61
Carrying amount on 31 December	1.538	1.612

Impact on profit or loss are as follow:	2024	2023
Interest expense on lease liabilities	(74)	(74)
Depreciation of leased assets	(77)	(90)
Currency exchange difference	(23)	61

Maturity analyses - undiscounted contractual maturities:	2024	2023
Payments within a year	116	132
Payments one to five years	434	452
Payments five years and later	2.709	2.829
Undiscounted contractual maturities total:	3.259	3.413

23. Deferred tax liability

See accounting policies in note 32n

The breakdown of deferred tax liability is as follows:	2024	2023
Deferred tax liability at 1 January	76.459	69.883
Calculated income tax for the year	11.626	6.436
Deferred tax liability due to changes in site restoration obligation	86	263
Current tax on revaluation of transmission system	9.256	6.046
Income tax payable	(14.175)	(6.169)
Deferred tax liability at 31 December	83.252	76.459

The breakdown of deferred tax liability was as follows at year-end:	31.12.2024	31.12.2023
Fixed assets in operation	87.753	76.344
Intangible assets	1.671	2.190
Other assets	794	794
Provision due to site restoration	(2.225)	(2.177)
Other obligations	(4.731)	(775)
Unrealized exchange rate difference	(10)	83
Deferred tax liability at 31 December	83.252	76.459

Financial Statements of Landsnet hf 2024 21 Amounts are in USD thousand

24. Deferred income

Deferred income is recognised mostly with regard to connection charges paid by electricity buyers to the Company during the year. At year-end, deferred income amounted to 22.0 million USD (2023: 2.1 million USD). This year's increase is due to Landsvirkjun's construction in Búrfellslundur, with revenue recognition expected to commence in 2026. The part of deferred income that will be recognised in the income statement next year is recognised in current liabilities. Connection charges recognised in profit or loss for 2024 amounted to 0.1 million USD (2023: 0.1 million USD).

25. Provision due to site restoration

See accounting policies in note 32j

Change in the provision due to site restoration is specified as follows:	2024	2023
Balance at 1 January	10.883	11.716
Changes in timing of discount effect accounted for in financial items	676	658
Additions	0	10
Discontinued	0	(188)
Change in the provision through other comprehensive income	(431)	(1.313)
Balance at 31 December	11.128	10.883

The initial value of property, plant and equipment includes the estimated cost of the demolition thereof after use. The estimated demolition cost of lines has been valuated and discounted based on life-cycle criteria. The discounted value is recognised as a provision under long-term liabilities. The change in the discounting provision is based on a 6.4% interest rate (2023: 6.0%) is included in the company´s equity.

26. Trade and other payables

See accounting policies in note 32b

Trade and other payables are specified as follows:	31.12.2024	31.12.2023
Trade payables	17.380	13.253
Other payables	8.247	7.882
Liability due to a subsidiary (note 15)	1.015	497
Trade and other payables total	26.642	21.632

27. Financial instruments

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This Note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and its management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors seeks consultation both from its employees and external consultants and discusses it regularly at Board meetings.

The Company's objective is to discover and analyse the risks it faces, set a benchmark for risk exposure and control it. The Company's risk management policy is regularily reviewed to analyse market changes and changes within the Company.

Financial Statements of Landsnet hf 2024 22 Amounts are in USD thousand

Notes, continued

27. Financial instruments, contd.:

a. Credit risk

Credit risk is the risk of financial loss of the Company owing to the failure of a customer or counterparty to a financial instrument to meet its contractual obligations. The Company's credit risk is mainly due to trade receivables and is dependant on the financial condition and operations of each customer and also cash and cash equivalent.

Trade and other receivables

The company's main customers are electricity producers, electricity distributors and large consumers. About one third of the transmission income was due to transactions with electricity distributors and 2/3 of transmission income was due to transactions with electricity producers and large users.

Highest possible loss due to credit risk

The Company's highest possible loss due to financial assets is their book value, which was as follows at year-end:

	31.12.2024	31.12.2023
Long-term note	4.626	4.095
Receivables with affiliated companies	485	353
Trade and other receivables	28.882	24.666
Cash and cash equivalents	78.842	54.324
Highest possible loss due to credit risk total	112.835	83.438

Impairment losses

In the year 2024, an impairment loss of 0,1 million USD was recognised of accounts receivable, while no impairment loss was recognised in the year 2023. The write-down of receivables is based on the management's assessment and experience, i.a. based on the long business history of the largest customers. Based on that, the credit risk is considered insignificant. Also, cash is bank deposits with established banks that are considered to have a low credit risk. The Company's collection issues are reviewed on a regular basis.

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial commitments as they fall due. Landsnet´s aim is to manage its cash position so as to ensure that it has sufficient cash at all times to meet its commitments. In addition, the Company has a credit line facility with Landsbankinn in the amount of 45 million USD and with Íslandsbanki in the amount of 15 million USD. Both credit line facilities are undrawn at year end.

The following are the contractual maturities of financial liabilities, including future interest payments:

Non-derivative financial liabilities: 31.12.2024	Carrying amount	Contractual cash flow	Within 12 months	1-2 years	2-5 years	After 5 years
Long-term liabilities	506.605	637.568	39.856	90.352	201.204	306.156
Trade and other payables	19.034	19.034	19.034	0	0	0
	525.639	656.602	58.890	90.352	201.204	306.156
31.12.2023						
Long-term liabilities	491.267	619.681	56.981	37.052	223.083	302.565
Trade and other payables	13.598	13.598	13.598	0	0	0
	504.865	633.279	70.579	37.052	223.083	302.565

Financial Statements of Landsnet hf 2024 23 Amounts are in USD thousand

27. Financial instruments, contd.:

c. Market risk

Market risk is the risk that changes in the market prices of foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return. Market risk consist of currency risk, interest rate risk and indexation risk.

(i) Currency risk

Currency risk is the risk of a loss because of unfavorable changes in the rate of currencies. The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the Company´s functional currency. The Company´s functional currency is US dollars and therefore a currency risk arises from the net cash flow and opening balance in currencies other than USD. Majority of the Company´s income derives from USD, but other income is in Icelandic króna (ISK). Currency risk regarding income in ISK is limited by being almost offset by purchasing in ISK, on the basis of cash flow. During the year the Icelandic króna (ISK) in particular, posed balance sheet currency risk, while other currencies created an insignificant risk. At year-end, 93.0% of the Company´s long-term debt was denominated in USD, with 7.0% denominated in Icelandic króna.

The Company does in general not hedge against foreign exchange risk but reviews on a regular basis the currency combination of its liabilities against the currency combination of its income.

The Company's exposure to foreign currency risk, based on nominal amounts, was as follows:

	EUR	ISK
31.12.2024		
Cash and cash equivalent	7	29.939
Trade and other receivables	7	17.213
Long-term notes	0	4.626
Trade and other payables	(2.229)	(20.396)
Other long-term liabilities	0	(34.926)
Net currency risk	(2.215)	(3.544)
31.12.2023		
Cash and cash equivalent	10	1.888
Trade and other receivables	7	14.431
Long-term notes	0	4.095
Trade and other payables	(357)	(16.548)
Other long-term liabilities	0	(36.510)
Net currency risk	(340)	(32.644)

	Av. exch. rate for the year		Year-end exch. rate	
	2024	2023	31.12.2024	31.12.2023
Currency risk				
EUR	0,92	0,93	0,96	0,90
ISK	0,01	0,01	0,01	0,01

Sensitivity analysis

A 10% strengthening of the USD against the following currencies at 31 December would have increased (decreased) after-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2023.

	31.12.2024	31.12.2023
EUR	177	27
ISK	284	2.612

A 10% weakening of the USD against the above currencies at 31 December would have had the equal but opposite effect on profit or loss after tax to the amounts shown above, given that all other variables remain constant.

Financial Statements of Landsnet hf 2024 24 Amounts are in USD thousand

27. Financial instruments, contd.:

(ii) Interest rate risk

The Company´s interest rate risk arises from interest bearing assets and liabilities. The Company's borrowings bear fixed interest and one borrowing bears inflation-indexed interest, cf. Note 22.

The breakdown of the Company's interest-bearing financial instruments at year-end was as follows:

	Carrying amount	
	31.12.2024	**31.12.2023**
Financial instruments with floating interest rate		
Financial assets	78.842	54.324
Financial instruments with fixed interest rate		
Financial assets	4.626	4.094
Financial liabilities	(502.628)	(487.329)
	(498.002)	(483.235)

Cash-flow sensitivity analysis for fixed-interest-rate instruments

The Company's liabilities all carry fixed interest rates. These liabilities are not recognised at fair value. Therefore, interest changes on the settlement date should not affect the Company's income statement.

Cash-flow sensitivity analysis for floating interest rate instruments

An increase in interest rates of 100 basis points at the reporting date would have increased (decreased) equity and profit or loss after tax by the amounts stated below. The analysis was performed in the same manner for the year 2023.

	Earnings	
	100bp increase	**100bp decrease**
31.12.2024		
Financial instruments with floating interest rates	530	(530)
Cash flow sensitivy (net)	530	(530)
31.12.2023		
Financial instruments with floating interest rates	327	(327)
Cash flow sensitivy (net)	327	(327)

Fair value

Fair value versus carrying amounts

The fair values and carrying amounts of financial assets and liabilities as reported in the balance sheet are specified as follows:

	31.12.2024		31.12.2023	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Long-term liabilities	(502.628)	(505.589)	(487.330)	(489.513)
	(502.628)	(505.589)	(487.330)	(489.513)

The fair values of other financial assets and liabilities are equivalent to its carrying amounts.

Interest rate in valuation of fair value

Where applicable, expected contractual cash flow is discounted using the interest rate on government bonds plus a 1% margin on the reporting date as in 2023.

Financial Statements of Landsnet hf 2024 25 Amounts are in USD thousand

27. Financial instruments, contd.:

Classification of financial assets and liabilities

The following table shows the Company's classification of financial assets and liabilities:

	Financial assets designated at fair value	Financial assets at amortised cost	Financial liabilities at amortised cost	Carrying amount
31.12.2024				
Long-term note		4.128		4.128
Receivables from related parties		485		485
Trade and other receivables		28.145		28.145
Cash and cash equivalents		78.842		78.842
	0	111.600	0	111.600
Long-term liabilities			502.628	502.628
Trade and other payables			21.973	21.973
	0	0	524.601	524.601
31.12.2023				
Long-term note		3.886		3.886
Receivables from related parties		351		351
Trade and other receivables		25.407		25.407
Cash and cash equivalents		54.324		54.324
	0	83.968	0	83.968
Loans from parent company				
Other long-term liabilities			487.330	487.330
Trade and other payables			17.536	17.536
	0	0	504.866	504.866

(ii) Indexation risk

Indexation risk is the risk of fluctuation in the Consumer Price Index (CPI) affecting the Company´s financial position and the cash flows of inflation-indexed financial instruments. At year-end, indexed liabilities comprised 7.0% of total long-term liabilities (2023: 7.6%).

An increase in the Consumer Price Index of 100 basis points at the reporting date would have (decreased) increased equity and profit or loss after tax by the amounts stated below. This analysis assumes that all other variables, in particular the exchange rates, remain constant. The analysis was performed in the same manner for the year 2023.

	Earnings	
	100bp increase	100bp decrease
31.12.2024		
Inflation-indexed financial instruments	(295)	295
Cash flow sensitivy (net)	(295)	295
31.12.2023		
Inflation-indexed financial instruments	(303)	303
Cash flow sensitivy (net)	(303)	303

Other market price risk

Other market price risk is limited because investment in bonds and shares is an insubstantial part of the Company's operations.

Capital management

Landsnet places emphasis on maintaining a strong equtiy base that reflects the considerations underlying regulatory decisions on the Company´s profitability in the form of the revenue cap and supports the Company´s development.

Financial Statements of Landsnet hf 2024 26 Amounts are in USD thousand

28. Related parties

Definition of related parties

The Company has a related-party relationship with its shareholders, subsidiary, associate, directors, excecutive officers and companies in their possession. Transactions with related parties are on the same basis as transactions with non-related parties. Landsnet applies an exemption from disclosure requirements of IAS 24 as Landsnet is owned by the State.

The operations of Landsnet's subsidiary, Elma orkuviðskipti ehf., are insignificant during the year, and therefore no consolidated financial statements have been prepared.

Payments to senior management

In addition to receiving salaries, the CEO and Managing Directors (Vice Presidents) of the Company receive a contribution to a defined benefit pension fund. They also receive a car allowance. Management’s salaries are accounted for in Note 9.

Transactions with related parties

	2024	2023
Sale of goods and services:		
Subsidiary and associate	64	20
Landsnet's other shareholders	38.524	34.485
Sale of goods and services to related parties total	38.588	34.505
Cost of goods and services:		
Subsidiary and associate	2.427	2.245
Landsnet's other shareholders	3.208	2.495
Cost of goods and services to related parties total	5.635	4.740

The Company also received minor interest income from a long-term receivable from the subsidiary and associated company.

Balance:

Trade receivables and trade payables with related parties are as follows:

	31.12.2024		31.12.2023	
	Receivables	Payables	Receivables	Payables
Landsnet's subsidiary and associated company	485	(1.015)	287	0
Landsnet's other shareholders	4.426	0	3.792	0
Total	4.911	(1.015)	4.079	0

Other receivables and payables with related parties are as follows:

	31.12.2024	31.12.2023
Interest-bearing long-term note to subsidiary and associate	4.128	3.886
Total	4.128	3.886

29. Other matters

With the ruling of the Supreme Court in case no. 2/2024, which was delivered on June 5th, it was confirmed at the request of Landsvirkjun that Landsnet was not allowed to charge electricity producers for a capacity fee for in-feed of electricity to the transmission system of Landsnet. Such a fee was collected during the period from April 1, 2022, to September 30, 2023, amounted to a total of 3.1 billion ISK. During the same period, the transmission fee collected from electricity users was reduced accordingly, as the total income of the company was determined based on provisions in the Electricity Act. The ruling indicates that unless there are changes to the Electricity Act, only electricity users may be required to pay for the transmission of electricity. However, the court's decision has no impact on the revenue caps of Landsnet according to Article 12 of the Electricity Act no. 65/2003 or the amounts thereof. Therefore, the ruling does not affect the total revenues that Landsnet is allowed to collect, and as before, all of Landsnet's system assets continue to be the basis for revenue caps.

Financial Statements of Landsnet hf 2024 27 Amounts are in USD thousand

29. Other matters, contd.:

After discussions with stakeholders and following communication with the National Energy Regulatory, Landsnet issued credit invoices on January 15th for previously collected revenues based on capacity fees for in-feed and refunded the principal amount of the total amount collected on that basis during the aforementioned period to all electricity producers who paid the fee. Due to the impact of issuing credit invoices on revenues, Landsnet increased the Tariff for power-intensive consumers on January 1st, and the Tariff for distribution utilities will increase on March 1st. The long-term effects of the repayment is therefore estimated to be insignificant, with the effects largely reversing by the end of 2025. Different opinions exist regarding the right of electricity producers to receive interest on the funds that have been repaid. Landsnet has engaged in discussions with electricity producers in order to find an acceptable solution through agreement. The outcome of the negotiations is uncertain, but management's assessment is that the impact of interest payments will be insignificant.

Four parties have appealed the procedure and response of the Electricity Regulatory Authority regarding Landsnet hf.'s increase in the transmission tariff for power-intensive users, tariff no. 54, which took effect on January 1st of this year, to the Electricity Disputes Tribunal. In all cases, the complainants are demanding that the tariff be annulled. The main argument presented by the complainants for invalidating the tariff is that the increase in the transmission tariff is unlawful because the tariff hike is being used, in an illegitimate manner, to increase Landsnet's revenue cap in order to finance the reimbursement of the in-feed tariff to electricity producers following a ruling by the Supreme Court of Iceland on June 5th of last year. Landsnet argues that the complainants' reasoning is unfounded, as the court ruling did not affect Landsnet's revenue cap. Landsnet's increase in the specified tariff is based on the premise that, with the issuance of credit notes and the reimbursement of the in-feed tariff, room was created within Landsnet's existing revenue cap for the increase implemented in tariff no. 54. The National Energy Regulatory has reviewed the tariff and did not raise any
The management's assessment is that it is unlikely that the complainants' arguments will be upheld.

30. Financial ratios

The company's key financial ratios:

Financial performance:	**2024**	**2023**
EBIT	70.469	52.685
EBITDA	106.029	92.300
Financial position:	**31.12.2024**	**31.12.2023**
Current ratio – current assets/current liabilities	1,98	1,35
Equity ratio – equity/total assets	46,5%	45,6%
Return on average equity	8,0%	5,2%

31. Basis of measurement

The financial statements have been prepared on the historical cost basis, except for:
- The Company's transmission system is recognised at a revalued amount.
- Financial assets at fair value through profit and loss are recognised at fair value.

Financial Statements of Landsnet hf 2024 28 Amounts are in USD thousand

32. Accounting policies

The following accounting methods have been consistently applied to all disclosed periods in the financial statements.

The following table of contents shows the pages on which various accounting policies may be found.

a. Foreign currency 30
b. Financial instruments 30
c. Property, plant and equipment 31
d. Intangible assets 32
e. Investment in subsidiaries 33
f. Investment in associates 33
g. Inventories 33
h. Impairment 33
i. Pension payments 34
j. Provisions 34
k. Transmission revenues 34
l. Lease payments 34
m. Finance income and expenses 35
n. Income tax 35
o. Segment reporting 36
p. Earnings per share 36
q. New and amended IFRSs 36

a. Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency at the exchange rate on that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate on the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

b. Financial instruments

(i) Non-derivative financial instruments

The Company initially recognises loans, receivables and cash and cash equivalents on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest is such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifes non-deravative financial assets into the following catagories: financial assets at fair value through profit or loss and financial assets at amortised cost.

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit and loss are trading assets and financial assets that are at initial recognition designated at fair value through profit and loss in accordance with the fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

32. Accounting policies, contd.:

Financial assets at amortised cost

Financial assets at amortised cost are debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are initially measured at fair value with any transaction costs directly attributable to the acquistion of the asset added to the fair value. Such assets are subsequently accounted for at amortised cost. The Company´s financial assets measured at amortised cost are non-current receivables, trade and other current receivables, bank balances and cash.

Cash and cash equivalents comprise cash balances and call deposits.

(ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

Borrowing costs are recognised as a deduction of the financial liability and amortised using the effective interest method.

(iii) Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of shares are recognised as a deduction from equity.

c. Property, plant and equipment

(i) Fixed assets in operation

Items of fixed assets in operation other than transmission lines and substations are measured at cost less accumulated depreciation and impairment losses.

The cost includes expenditures directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items as well as restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

In accordance with the provisions of the International Accounting Standards, the Company's transmission lines and substations are recognised on the basis of the revaluation method. The Company's transmission lines and substations are thus stated at a revalued cost in the balance sheet, which is their fair value on the revaluation date less revalued depreciation from the assets' acquisition date. The revaluation of those assets will be performed on a regular basis and when the management believes that their fair value has changed significantly.

The company has established a policy on the revaluation of property, plant and equipment to meet requirements regarding the use of a revaluation method. Under the policy, fixed property, plant and equipment must be revalued if there are indications that there is difference in the carrying amount of revalued real property. The Company conducts a formal appraisal of this balance yearly.

In accordance with the provisions of the International Accounting Standard, the Company’s transmission lines and substations were revalued as at year-end 2024. Two methods were applied in the revaluation. First, it was based on the transmission system’s reconstruction cost as estimated by independent experts at year-end. Second, the Company’s operating value was estimated using cash flow analysis. The valuation period was from 2025 to 2034, with the future operating value calculated thereafter. The revaluation conducted during the year was based on the operating value of the Company’s current assets using the assumption that investment would equal the depreciation of the current asset base. The discounting of future cash flows was based on the market interest rate (WACC) in accordance to the method applied to determine for the Company with respect to power-intensive consumers and distribution system operators.

32. Accounting policies, contd.:

All value increases due to the revaluation are entered in a revaluation account among equity after income tax. Depreciation of the revalued price is recognised in the income statement. Upon sale or disposal of an asset, the part of the revaluation account pertaining to that asset is recognised in retained earnings.

Any gain on disposal of an item of fixed assets in operating (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss as other income but any loss on disposal of an item of fixed assets in operation is recognised in profit or loss as other operating expenses.

(ii) Transmission structures under construction

Projects under construction are capitalised on the basis of the cost of purchased services, materials, direct wages and other costs directly attributable to the property. Assets that have not been put to use are not depreciated. Cost of capital for financing the cost of projects under construction is capitalised in the period that the asset is being constructed and is considered a part of the cost of the asset. Capitalised cost of capital is the Company's weighted average cost of capital.

(iii) Leased assets

Leases that are not included in the calculation of liabilities and leaseholds in accordance with IFRS 16 are defined as operating leases and leased assets are not recognized in the company's balance sheet.

(iv) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of day-to-day servicing of fixed assets in operation are recognised in profit or loss when incurred.

(v) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant or equipment until the salvage value is reached. The estimated useful lives are as follows:

Substations	20 - 40 years
Transmission lines	20 - 70 years
Buildings	50 years
Other assets	4 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

d. Intangible assets

(i) Developement cost

Developement cost is capitalised within fixed assets. This cost consists largely of expenses relating to exploration for transmission line sites, preparation for transmission structures and environmental impact assessments of proposed projects. Cost of capital attributable to developement costs is capitalised except when there is a extended delay on the projects. Developement cost is not depreciated at this stage, but possible impairment losses have been considered, as discussed in Note 32h.

The Company has concluded agreements whereby the prospective buyers of electricity shall bear all expenses of the project if it is cancelled.

When the decision to construct a transmission structure has been made and all neccessary approvals have been obtained, the development cost of the transmission structure is capitalised in fixed assets as a project under construction.
At each accounting date, capitalised development cost is reviewed by management and impairment is recognised if premises for the recognition of development cost no longer exist.
Expenditure on research activities is recognised in profit or loss when incurred.

(ii) Software and other intangible assets

Software and other intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

32. Accounting policies, contd.:

(iii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives of software are 4 years.

e. Investment in subsidiaries

The company owns the subsidiary ELMA orkuviðskipti ehf. The financial statements include a share in the subsidiary's earnings and equity movements from the beginning of the impact to its end. However, the company's operations were insignificant during the year, and therefore no consolidated financial statements have been prepared.

f. Investment in associates

Associates are those entities in which the Company has significant influence, but not control, over financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method and are initially recognised at cost. The financial statements include the Company's share of the total recognised gains and losses of equity movements of associates on an equity-accounted basis from the date that significant influence commences until the date that the significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount, including any long-term investments, is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has undertaken an obligation for or made payments on behalf of the investee.

g. Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the expected sales price in normal operation net of any cost of selling the product. The cost of inventories is based on the first-in-first-out (FIFO) principle of inventory valuation and includes cost incurred in acquiring the inventories and bringing them to their existing location and condition.

h. Impairment

(i) Financial assets

The impairment model in IFRS 9 classifies financial asstes in 3 stages: Stage 1: expected credit loss is estimated based on 12 months expectation of default, Stage 2: expected credit loss is estimated based on lifetime default, Stage 3: objective evidence of impairment is in place about the expected credit loss of the financial asset.

At initial recognition, financial assets are classified in stage 1, with the exception of purchased or originated credit impaired financial assets.

Financial assets are classified in stage 2 when there is a significant increase in credit risk from initial recognition. The Company has elected to classify trade receivables that do not include significant finance component, in stage 2 at initial recognition in accordance with the simplified approach in the standard.

At each financial reporting date, management estimates if there is an objective evidence of impairment of financial assets (stage 3). Financial assets are impaired if there is an objective evidence, as a result of one or more events that occurred after the initial recognition of the asset, that indicated that the expected cash flow from the assets is affected and impairment can be measured reliably.

Change in estimated impairment for financial assets is recognised in profit or loss in the period when the estimate is performed.

Impairment is reversed if there is an objective evidence that an event has occurred after the impairment was recognised that changes the previous estimate of impairment.

(ii) Other assets

The carrying amount of the Company's other assets, except for inventories, is reviewed at each reporting date to determine whether there is any indication of an impairment loss. If any such indication exists, the asset's recoverable amount is estimated.

32. Accounting policies, contd.:

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows of other assets or groups of assets (the "cash-generating unit"). Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. An impairment loss of revalued assets is recognised in revaluation account amongst retained earnings.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

i. Pension payments

(i) Defined contribution plans

The Company pays a contribution for part of its employees to defined contribution pension funds. The Company has no responsibility regarding the obligations of the pension funds. The contributions are recognised as an expense under salary and salary related expenses as incurred.

j. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are estimated by discounting the expected future cash flows at marked rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

(i) Site restoration

The Company has estimated the cost of demolition of current line lots. The estimation is based on expert assessment. The demolition cost has been discounted based on the estimated useful life of the Company's power transmission lines. The discounted value is entered, on the one hand, as an increase for the relevant asset and, on the other hand, as an obligation in the balance sheet.

k. Transmission revenues

Landsnet is responsible for the transmission of electricity and system management under the provisions of Chapter III of the Electricity Act No. 65/2003. Income from transmission is recognised on the basis of measured delivery of electricity and the tariff in force at any given time. The tariff is subject to a revenue cap set for the Company on the basis of Article 12 of the Electricity Act and regulated by the National Energy Regulatory. Income relating to transmission losses and ancillary services is also recognised on the basis of measured delivery and the tariff in force. The tariff is based on purchase prices determined by tendering processes. It is external to the revenue cap but subject to regulation by the National Energy Regulatory. The criteria for recognition as income and for billing for transmission are met once the electricity is transmitted and delivered. The company is authorized to charge customers for the additional costs of connecting them to the transmission system. These additional costs are recorded as prepaid revenue and recognized in accordance with contractual provisions.

l. Lease payments

The company assesses whether a contract is or contains a lease based on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Therefore, the company has, as a lessee, recognised leased assets for its right to use the underlying assets and lease liabilities due to its lease payment obligations. The accounting policies applicable to the company as a lessor are similar to previous rules, i.e. a lessor recognises each lease contract as either a finance lease or an operating lease. The application of IFRS 16 has not had any effect on the company´s financial statements as a lessor.

Leased assets

Leased assets are initially recognised at cost in the statement of financial position on their commencement date and subsequently recognised at revalued amounts, as are similar assets owned by the company. Adjustments are made for the impact of depreciation, impairment and effect of revaluation of lease liabilties, as applicable. Leased assets are disclosed among Fixed assets in operation in the statement of financial position.

32. Accounting policies, contd.:

Leased liabilities

Lease liabilities are initially recognised in the statement of financial position at commencement date of lease contracts and subsequently recognised at the present value of unpaid lease payments. Lease payments are discounted at the company´s incremental borrowing rate.

Estimating incremental borrowing rate required management to exercise judgement. In that estimation various factors were taken into account but in particular the type of leased asset and its location and condition and lease term. Interest rate were determined as 5%.

Subsequent to initial recognition the carrying amount of lease liabilities increase due to interest expense but decrease due to lease payments made. Furthermore, the carrying amount is recalculated when future lease payments change due to changes in interest or rate, estimation of expected payments to be made under a residual value guarantee and changes in assessment of whether it is reasonably certain that a purchase or extension option will be exercised or a termination option not exercised.

Lease payments are split into interest expense payment and payment of principal. In general, the interest element of lease payment will decrease during the lease term. Lease liabilities are disclosed with Other interest bearing long-term liabilities in the statement of financial position.

Landsnet also have variable lease payments not depending on index or rate. In accordance with IFRS 16 they are not included in determination of lease liabilities and leased assets but expensed as incurred.

These lease payments are leases for a part of the transmission structures it uses from domestic energy companies. The lease agreements have an indeterminate lease term and the lease price is determined by the National Energy Regulatory.

These lease payments are leases for a part of the transmission structures it uses from domestic energy companies. The lease agreements have an indeterminate lease term and the lease price is determined by the National Energy Regulatory. Expensed lease payments in 2024 amounted to 1.3 million USD (2023: 1.3 million USD).

m. Finance income and expenses

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign exchange rate differences recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, reversal of discounting of obligations, foreign exchange losses, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. Borrowing costs are recognised in income statement using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

n. Income tax

Income tax on the results for the year consists of current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised among those items.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, in addition to adjustments made to current tax of previous years. The income tax rate is 21%.

A deferred tax asset (liability) is recognised in the financial statements. It´s calculation is based on the difference in balance sheet items, according to the tax return, on the one hand, and the financial statements, on the other hand. The difference thus arising is due to the fact that the tax assessment is based on premises other than the Company´s financial statements an is in main respect a temporary difference as expenses are entered in the financial statement in another period than in the tax return. Calculation of deferred tax is based on the expected tax ration when temporary differences are estimated to be reversed based on current law at the reporting date.

32. Accounting policies, contd.:

o. Segment reporting

Under the Electricity Act, the Company may only administer the transmission of electricity and system management in Iceland and operate an electricity trading market. The Company has not begun operating an electricity trading market and considers its present operation as one single segment, for which reason it does not provide segment reporting.

p. Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is the same as basic EPS, as the Company has not issued any call options or convertible bonds.

q. New and amended IFRSs

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these Financial Statements.

- IAS 1 Presentation of Financial Statements	Classification of Liabilities as Current or Non-current
- IAS 1 Presentation of Financial Statements	Non-current Liabilities with Covenants
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures	Supplier Finance Arrangements
- IFRS 16 Leases	Lease Liability in a Sale and Leaseback

The adoption of the amendments stated above has not had any material impact on the disclosures or on the amounts reported in these Financial Statements.

The Company has not early adopted new standards or amendments to IFRSs that have been issued and are permitted for early adoption. The following amendments are effective from 1 January 2025:

- IAS 21 The Effects of Changes in Foreign Exchange Rates	Lack of Exchangeability

The Management of the Company do not expect that the adoption of the amended Standard listed above or other issued new standards and amendments scheduled that become effective in subsequent periods will have a material impact on the Financial Statements of the Company in future periods.

Appendix 1: Corporate Governance Statement

Role of Landsnet hf.

Under the Electricity Act No. 65/2003, the role of Landsnet hf. is to operate an electricity transmission system and administer its system management. The Company has a duty to ensure and maintain the capabilities of the transmission system on a long-term basis and ensure the electricity system's operational security. Our role is also to balance electricity generation against demand at all times and manage the settlement of electricity flows countrywide. In addition, the Company is also charged with promoting an efficient electricity market.

Corporate governance

The Board of Directors of Landsnet hf is committed to maintaining good corporate governance and complying with the Guidelines on Corporate Governance issued by the Icelandic Chamber of Commerce, NASDAQ OMX Iceland and the Confederation of Icelandic Employers from July 1st 2021. The Board adopts Rules of Procedure defining the scope of its powers and duties vis-à-vis the President & CEO. The current Rules of Procedure were confirmed at the Annual General Meeting of Landsnet held on 24 October 2024 and are available for inspection at the Company's head office.

Internal control and risk management

To ensure that Landsnet's financial statements accord with generally accepted accounting practice, the Company has emphasised well-defined areas of responsibility, proper segregation of duties, regular reporting and transparency in its activities. The process of monthly reporting and reviews for individual departments is an important part of monitoring financial performance and other key performance indicators. A double materiality analysis has taken place at the company, which is part of the EU's CSRD regulation. The Board of Directors monitors the Company's financial risk. Information on risk management is provided in Note 27 to the annual financial statements.

Diversity, values and Code of Conduct

Our Human Resources and Human Rights Policy is an integral part of our overall policy pledge, which places priority on human rights and diversity. We are committed to respect human rights and equality in all our activities and to ensure that all personnel working for the Company are valued on their own terms in a workplace where different viewpoints are appreciated and heard. We place a strong emphasis on non-discrimination and enjoyment of human rights by everyone regardless of origin, nationality, colour, religion, political opinions, gender, sexual orientation, age, economic position, disability, health or position in other respects. Our Gender Equality Programme sets out focus areas designed to increase diversity in the workforce. Our Human Resources and Human Rights Policy as well as our Gender Equality Programme can be found on our website, www.landsnet.is.

Landsnet's Code of Conduct was approved at a meeting of the Board of Directors on 22 August 2024 and is designed to encourage honesty, justice and fairness among staff towards each other, the Company and its customers. The Code is also intended to promote the trust and confidence of customers and the general public in Landsnet, as well as to limit the risk of reputational damage. The Board of Directors is of the view that a clear Code of Conduct that is duly observed in the Company's day-to-day activities forms the basis of its success and future growth. Landsnet's Code of Conduct applies to all its employees, including the Directors and the President & CEO. The Code of Conduct is available for inspection at Landsnet's head office and on the company's website www.landsnet.is

Future vision and policy focus areas

The core tenet of Landsnet's future vision is an "electrified future in tune with society." Modern societies increasingly rely on a secure supply of electricity, making it necessary to strengthen the grid. To ensure energy security in the future, the Company's operations need to be guided by value-added thinking. The value created by an efficient and reliable grid, responsible operations, sustainability, investment and funding, an efficient electricity market, business transparency, pricing transparency, and data-driven services based on real-time

Policy focus areas

Landsnet has defined four key focus areas reflecting its strategy for the years 2023-2025, which are divided into two categories: a solid foundation and innovation

Corporate Governance Statement, contd.:

A solid foundation:

An efficient and reliable grid

Transmission systems must meet modern demands and be able to deal with future challenges. They are under constant development, which must ensure diverse access to the electricity market whilst maintaining efficiency as a guiding principle. Success is achieved through careful preparation and planning as well as streamlining processes to make them more efficient. Successful development of the grid means better use of financial resources and enables more restraint in tariff increases.

Responsible operations, investment and funding

We are part of a larger context and can have a beneficial impact beyond the Company. We are committed to taking advantage of opportunities in the value chain with regard to cost, waste and environmental impacts. Our opportunities extend to all aspects of being able to deliver the right product at the right price and time. We strive to minimise the footprint of our infrastructure development and activities on the environment and nature, which means constantly working to improve our environmental performance. We are vigilant of the social responsibility that comes with operating the transmission system, whether with regard to the natural environment, the stewardship of financial resources or security of supply.

Innovation:

Data-driven services based on real-time information

Community and customer needs are about empowerment. Empowerment is essentially about access to the right information at the right time to be able to make the right decisions. We aim to increase our use of data in decision-making, in automation and in information dissemination. To that end, our data environment needs to be effective and accessible to society at large. Access to real-time data enables consumers to make the right decisions and maximise value in their value chain.

An efficient electricity market, business transparency and pricing transparency

An electricity market's role is to deliver the most favourable prices possible for consumers at any given time. An efficient, open and transparent electricity market is also the most effective way of ensuring electricity security, energy efficiency and equal access to electricity. Transparent pricing is a hallmark of an effective energy market and serves to ensure balance between supply and demand, which is a long- and short-term energy security priority. It is necessary to build an environment conducive to an efficient energy market in Iceland, and to this end Landsnet plays a major role. We connect buyers and sellers in a transparent and cost-effective manner, thereby allowing them to maximise mutual value and flexibility in electricity trading. By working towards electricity security, energy efficiency and access for new market players, we create the conditions for pricing transparency.

The Company has also defined two support focus areas that it considers necessary to support its key focus areas. The support focus areas are (1) human resources & culture and (2) procedures and approach.

Human resources & culture

Culture is the collective mindset of all our staff. Dedicated people feel part of a team, are willing to strive for success and encourage others to do the same. We are committed to build a culture characterised by trust and encouragement of constructive dialogue. It is important that we all take responsibility and are good role models. Co-operation and communication, whether with external or internal stakeholders, requires a constructive approach and integrity. To achieve our aims, it is important to foster the development and growth of those who work for us and to ensure for safety, mental and social wellbeing. Also to work together to achieve the goals of our customers as well as our own goals.

Procedures & approach

The customer is at the forefront of our work. Our procedures and approach to our activities have a business-oriented focus, with special attention paid to the value being delivered. By focusing on sustainability in our operations, we reduce waste and minimise our environmental footprint. We support the circular economy by making better use and using less. We always bear in mind that the best environmental approach is to "use less and use better". We optimise solutions by taking all necessary factors into consideration when preparing our projects and by striving to always meet any requirements applicable to our activities.
Landsnet puts safety and security first in all its operations. We want all employees and contractors that work for Landsnet to return home safely after work.

Landsnet's management structure

The main units of Landsnet’s management structure are the Board of Directors and the Executive Committee. The Executive Committee is composed of CEO and six Executive Vice Presidents. The Board has one sub-committee, the Audit Committee, and the Board also serves as the Remuneration Committee.

Relations between shareholders and the Board of Directors/management

Under the provisions of Act No. 75/2004 on the Establishment of Landsnet and the Electricity Act No. 65/2003, the Company’s Directors shall be independent in all respects from other companies engaging in the generation, distribution or sale of electricity, whether these companies are owners of the Company or not. The purpose of these provisions is to meet the statutory requirement that the transmission system operator maintains utmost impartiality and non-discrimination in its activities.

Board of Directors

The Board of Directors of Landsnet hf is the supreme authority in the Company’s affairs between Annual General Meetings. The Board is responsible for the Company’s policy-making and major decisions between shareholders’ meetings, as specified in, e.g., the Rules of Procedure of the Board of Directors. The Board supervises all Company operations, and works to ensure that its activities are in proper and good order at all times. The Board ensures sufficient supervision of the Company’s financial management and that its accounts and financial statements are in good order. The Board engages the Chief Executive Officer of the Company. All members of the board of directors are independent of the Company and the shareholders in accordance with article 8 of the Electicity Act No. 65/2003.

Five members are elected to Landsnet’s Board of Directors at each Annual General Meeting. The Directors were elected for continued sitting at the AGM held on 19 March 2024. At year-end, the Board consisted of the following five main Directors and two Alternate Directors:

Sigrún Björk Jakobsdóttir, Chairman of the Board

Sigrún Björk Jakobsdóttir was born in 1966. She has been a member of the board of many companies, institutions and committees and has extensive experience in the field of tourism and in local government. She was a member of the Town Council for Akureyri between 2002 and 2010 and the Mayor of Akureyri between 2007 and 2009. She is Director of Regional Airports at Isavia. Sigrún Björk Jakobsdóttir was appointed Chairman of the Board at Landsnet’s Annual General Meeting on the 7th of April, 2016. Sigrún has no personal interests in the Company or its main clients.

Álfheiður Eymarsdóttir, Board Member

Álfheiður Eymarsdóttir, Director, was born in 1969. She holds a BA degree in Political Science from the University of Iceland and a Diploma in International Politics and Political Philosophy from the University of Edinburgh. She has worked both in the private and public sector in the IT, technology and fishing industries in Iceland and for approximately 10 years in the UK. She is a Municipal Council Member in the Municipality of Árborg, vice-chairman of the Council and the vice-chairman of its Properties and Utilities Committee. Shel also sits on the board of Leigubústaðir Árborgar. She is a former Deputy Member of Parliament. She is one of the founders of the Icelandic Association of Coastal Fishing, in which she serves as an alternate director, having previously been chairperson until February 2023. Álfheiður was on the board of RARIK ohf (Iceland State Electricity) in 2017-2023 and served on its audit committee in 2022-2023. She was elected to Landsnet’s Board on 24 March 2023 and also serves on the Company’s Audit Committee. Álfheiður has no personal interests in the Company or its main clients.

Birkir Jón Jónsson, Board Member

Birkir Jón Jónsson, Director, was born in 1979. He earned an MBA from the University of Iceland in 2008 and is self-employed. He sits on the board of Hugarafl and the boards of several small companies. His other board memberships and positions of responsibility include serving on the board of the Housing Financing Fund in 2002-2006, the Municipal Council of Fjallabyggð in 2006-2010 and the Municipal Council of Kópavogur in 2014-2022, including as chairman in 2018-2022. He served on the board of RARIK ohf in 2014-2023, including as chairman in 2014-2017 and 2018-2023, and on the board of Sorpa in 2018-2022, including as chairman in 2018-2020.

Birkir Jón Jónsson, Board Member, cont.d.:
He was a member of the Civil Protection Committee for the Greater Capital Area in 2018-2022. He served for years on the board of the Icelandic Bridge Federation. He was assistant to the Minister of Social Affairs in 2000-2003 and a Member of Parliament in 2003-2013. He was elected to Landsnet's Board on 24 March 2023 and also sits on the Company's Audit Committee. Birkir Jón has no personal interests in the Company or its main clients.

Elín Björk Jónasdóttir, Board Member
Elín Björk Jónasdóttir, Director, was born in 1980. She holds BSc and MSc degrees in Meteorology and a Diploma in International Relations from the University of Iceland. She is pursuing an MA in International Relations, due for completion in the summer of 2025. On 1 October 2023, she joined the Ministry of the Environment, Energy and Climate as a climate expert as well as working independently in climate science consulting and meteorology teaching. Prior to that, she was Head of Department at the Icelandic Meteorological Office (IMO), having previously meteorologist at the IMO. In 2011-2015, she provided Landsnet with meteorological advice through the weather and climate consultancy firm Veðurvaktin. She has served on the boards of several other companies. Elín has taken on a board seat in other associations, she is the chairperson of the Left Movement - Green Candidature in Reykjavík, sits on the boards of Left Movement – Green Candidature and also the boards of the Iceland Touring Association and Green Scouts. She was elected to Landsnet's Board on 24 March 2023 and has no personal interests in the Company or its main clients.

Friðrik Fraser, Board Member
Friðrik Fraser, Director, was born in 1970. He holds academic qualifications in flight operations from the University of Iceland and Keilir Aviation Academy. He is a private investor and importer, owner and chairman of Góð hótel ehf and Norðursiglingar hf and owner and managing director of Fraser ehf. He has operated several of his own businesses for almost three decades, including hotel, retail and construction companies. He served on the Municipal Council of Húsavík and the Municipal Council of Norðurþing for most of the electoral terms from 1996 to 2016 and was President of the Municipal Council of Húsavík and the President of the Municipal of Norðurþing for part of that period. He has been the chairman of the board of both Orkuveita Húsavíkur and RARIK. He was elected to Landsnet's Board on 24 March 2023 and has no personal interests in the Company or its main clients.

The alternate members of Landsnet's Board of Directors are Hafdís Gunnarsdóttir and Gylfi Ólafsson. Hafdís was elected on 24 March 2023, while Gylfi was elected on 19 March 2024.

The Board of Directors of the Company is composed of three women and two men. The Board thus meets the requirement of Article 63 of the Public Limited Companies Act that the ratio of each gender on the Board of Directors shall not be lower than 40%.

The Board of Directors held 14 meetings in 2024. All meetings were attended by all Board members.

Landsnet´s CEO and Executive Committee

Duties of the President & CEO
The President & CEO is responsible for the Company's day-to-day activities. He/she is empowered to make decisions on all Company affairs not entrusted to others under Act No. 2/1995 and/or the Company's Articles of Association. The President & CEO conducts the operations of the Company in accordance with rules and/or decisions of the Board of Directors, the Articles of Association and the law. The President & CEO's signature constitutes an obligation on the Company's part. He/she is an authorised signatory of the Company ("procuration holder"). The President & CEO may grant power of attorney to other employees of the Company to exercise designated powers of his/her duties of office, provided that prior approval is obtained from the Board of Directors.

The President & CEO is responsible for detecting, measuring, monitoring and controlling risks relating to the Company's operations. The President & CEO must maintain an organisation chart of the Company that clearly delineates areas of responsibility, employees' powers and communication channels within the Company. The President & CEO shall set internal control targets in consultation with the Board and monitor the effectiveness of internal control mechanisms. The President & CEO prepares meetings of the Board of Directors together with its Chairman and reports regularly to the Board on the Company's activities and position.

Guðmundur Ingi Ásmundsson, CEO & President
Mr Ásmundsson was born in 1955. He took a degree in electrical engineering from the University of Iceland in 1980 and a master's degree in electrical power engineering from the Technical University of Denmark in 1982. He joined Landsvirkjun in 1982 as an engineer in the Operations department, later becoming chief engineer and Head of System Operations from 1993. He served as Landsnet's System Manager from the Company's founding on 1 January 2005 and Director of System Operations from 1 November 2005. Mr Ásmundsson became Deputy CEO of Landsnet on 1 January 2008 and CEO & President on 1 January 2015.

Members of Landsnet's Executive Committe in addition to CEO consists of:
Guðlaug Sigurðardóttir, EVP and Chief Financial Officer (CFO) and Deputy CEO
Guðný Björg Hauksdóttir, EVP HR and Continous Improvements
Jóhannes Þorleiksson, EVP Information Intelligence & Technology
Nils Gústavsson, EVP Asset Management and Operation
Svandís Hlín Karlsdóttir, EVP of Market and System Developement
Þorvaldur Jacobsen, EVP System Operation

Audit Committee

The Board of Directors appoints the Audit Committee. The current Audit Committee of Landsnet consists of:
Margret G. Flóvenz, accountant, Chairman
Álfheiður Eymarsdóttir, Director of Landsnet's Board
Birkir Jón Jónsson, Director of Landsnet's Board

The Audit Committee has adopted Rules of Procedure, which define the Committee's role as follows:
The Audit Committee shall, among other things, have the following role, regardless of the responsibilities of the Board of Directors, management staff or others in this area:

- Oversight of procedures for the preparation of financial statements.
- Oversight of the structures and functioning of the Company's internal controls, internal auditing, if applicable, and risk management.
- Oversight of the auditing of the annual financial statements and consolidated financial statements.
- Assessment of the independence of the Company's auditor or audit firm; monitoring of the work of the auditor or audit firm.

The Audit Committee annually submits a proposal to the National Audit Office (Ríkisendurskoðun) for a certified public accountant or audit firm for the Company. The National Audit Office then submits final proposals to the Company's Annual General Meeting.

A total of 10 meetings of the Committee were held in 2024 and all meetings were attended by all Board members.

Remuneration Committee

The Board of Directors of Landsnet hf performs the role of the Company's Remuneration Committee and has formulated a Remuneration Policy for the Company. The Remuneration Policy was approved at the Company's Annual General Meeting on 19 March 2024. The Remuneration Policy can be viewed on the Company's website. The business of the Remuneration Committee is transacted at meetings of the Board of Directors when applicable.

Appendix 2: Non-financial information

Role, policy and business model

Landsnet's role is to ensure the cost-efficient development and operation of the grid as a secure and uninterrupted electricity supply is one of the main pillars of modern society.

Landsnet‘s policy is informed by it´s role and future vision. The policy is reflected in the policy focus that will guide the company´s operations in the coming years. The core tenet of Landsnet’s future vision is an “electrified future in tune with society” and takes into account that modern societies increasingly rely on a secure supply of electricity. It’s therefore necessary to strengthen the grid to meet changing needs and to ensure energy for the companies and the public in Iceland. The Company emphasizes value-added thinking in its police focus and projects are evaluated on the basis of ensuring security of supply, operational efficiency but also on focusing on minimising environmental impacts and maximising efficiencies in the use of investments and resources for clients and society at large.

Landsnet is a public limited company responsible for the transmission of electricity and management of the electricity system according to Act No. 75/2004 of the establishment of Landsnet. The Company is subject to regulation by the National Energy Regulatory, whose role under Article 12 of the Electricity Act also includes determining the Company´s allowed revenue from its concession activities, i.e. its revenue cap. The revenue cap is decided five years in advance at a time a for transmission to power-intensive consumers on the one hand and distribution system operators on the other hand. The Company´s electricity transmission tariff is based on the revenue cap and forecast transmission levels and power demand. The Company also collects a fee from consumers for, on the one hand, the electricity lost in the system, called transmission losses, and, on the other hand, services relating to the system´s management, called ancillary services. The Company´s revenue for transmission losses and ancillary services is based on the cost of the service plus a permitted margin. The Company´s tariffs are regulated by the National Energy Regulatory.

Infrastructure of key importance for society at large

The electricity transmission system is among Iceland’s key infrastructures – the impacts of outages are considered to be extensive and can be serious for homes and businesses as well all as for other important infrastructures such as telecommunications. It is important for the transmission system to ensure public access to secure energy and to have the capacity to transmit the electricity traded by market participants at any given time in the quantities and at the quality agreed. For the benefit of society at large, one of our key strategic policies is to ensure security of electricity supply. To this end, our key performance indicators include the number of outage minutes, which are measured annually. Outage minutes are an average outage duration index, i.e. an indicator of outage duration calculated as a ratio between unsupplied energy and total energy supply.

Under Regulation No. 1048/2004, Landsnet must set itself targets for power quality and security of supply, with three defined indicators for which targets are set. These indicators are: (a) the Power Interruption Index (PII). The target for the year 2024 was 0.85 MW/MWyear. The result wast was 0.19 MW/MWyear (2023: 0.22 MW/MWyear) and the target was therefore reach, (b) the Average Curtailment Duration Index, outage minutes (ACDI). The company's target was not to exceed 50 minutes and that target was achieved but outage minutes were 5.46 minutes in the year 2024 (2023: 18.31 minutes) and (c) System Minutes (SM). The company's target is that there is no interruption for more than 10 system minutes. That target was met as no outage exceeded 10 system minutes as previous year. Landsnet has a defined corporate indicator for security of supply, measuring the proportion of time that the system is operational and supply is secured. The result for this indicator in 2024 was 99.9990% (up from 99.9965% in 2023), against a target of 99.9905% for both years.

Landsnet is responsible for the operation of the transmission system and manages the system, ensuring the balance between electricity usage and electricity generation. The role of the system operator is to coordinate response plans for operational unit breakdowns that affect the operation of the electricity system, to steer the development of the system after operational disruptions have occurred, to reduce the user load if the need arises and to respond to transmission constraints. Landsnet´s control centre is always active and its staff members are available around the clock.

Non-financial information, contd.:

Throughout the year, seismic activity and geological movements continued on the Reykjanes Peninsula, with six volcanic eruptions occurring in 2024. In January and February, major events took place around Grindavík, where large fissures opened, and lava flowed toward infrastructure Landsnet does not have major infrastructure assets in the area that were at risk but three transmission towers on the Svartsengi Line, which connects the Svartsengi Power Plant to the main grid, were in the lava flow path. During the November eruption, extensive lava flows covered previous lava fields under the line, severing its conductor and disconnecting the Svartsengi power plant from the main grid. A new tower and conductors had to be installed, and the line was restored relatively quickly. Despite these incidents, Landsnet suffered minimal asset damage, and no major infrastructure was at risk. Landsnet has taken an active role in protecting and rebuilding infrastructure in the area as a member of both the Electricity Sector Emergency Partnership (ESEP) and the National Crisis Coordination Centre.

In the interest of civil protection and social responsibility, Landsnet has taken part in providing reserve power for the region in addition to relocating and constructing infrastructure, as mandated by the Department of Civil Protection and Emergency Management, to ensure the supply of electricity in the area. Landsnet also protected three transmission towers on the Svartsengi Line when protective barriers were being constructed in the area to protect power plants and other infrastructure. This preventive measure saved the three towers from succumbing to a lava flow that passed just beside them in a volcanic eruption at the beginning of February 2024. By then the installation of the line had already begun and the new part was put in operation in March. That part of the line lasted until November, when a new one was built, as discussed above. The operation of the line was therefore quite stable througout the year, except for few days. In the aforementioned events, damage to Landsnet's assets has been insignificant and larger assets are not at risk.

A major disruption occurred in Landsnet’s transmission system and RARIK’s distribution network last October, causing a widespread power outage across North and Northeast Iceland. The incident also led to electricity disturbances in the Westfjords. Once again, events within the system raise urgent questions about the resilience of the transmission and distribution networks and underscore the critical need to develop the main ring-connection in the transmission network. Landsnet’s analysis indicates that the next-generation transmission line—Holtavörðuheiði Line and Blöndulína 3, which will strenghten the ring-connection from the Soutwest to the North —could have prevented this incident or significantly reduced its impact on end users. This event is yet another reminder of the importance of accelerating the development of the new ring connection in the transmission network and other key infrastructure projects within the electricity system.

The company´s policy is to work in tune with society and efforts have therefore been made to increase public access to information and to improve communication with stakeholders. A Stakeholders Forum operates under the Company’s auspices. The Forum’s purpose is to create broad consultation and serve as a roundtable for discussion between stakeholders in society on the electricity system’s development.The Stakeholders Forum is intended to be an advisor for Landsnet and a forum to discuss Landsnet's policy, plans and analyzes with regard to the needs and future challenges of society and stakeholders. Representatives of 16 stakeholders sit on the Forum, as well as a chairman appointed by the Ministry of the Environment, Energy and Climate. A more detailed description and arrangement is published on Landsnet's website.

Project teams have been launched for larger regional projects, which involves regular meetings between key stakeholders, with the exception of landowners. Also, information and consultation meetings have been held with landowners. The aim is to foster more active dialogue, understanding and better information flows between stakeholders in the run-up to decisions on Landsnet´s infrastructure projects. Focus is placed on efficiency in the grid´s development and operation for the benefit of clients and the general public.

The Company emphasizes good service to it´s current and future customers. Being a wholesale operation, the Company has relatively few customers. Owing to the importance and size of our customers, service excellence is one of our key priorities. Accordingly, service satisfaction is measured annually. Our long-term target is a customer service satisfaction score of 4.2 on a scale of 1-5. The score remained unchanged from 2023 and was also 3.9 for the year 2024. The Company's target was therefore not met.

Operational and development risks

In recent years, the company has worked strategically to strengthen its operational and development risk assessment, including through business continuity planning. Landsnets excecutives and key employees identify the financial and non-financial risks of the company and assess their importance. The company risk register is used to manage or reduce risk. The ÍST ISO31000 standard has been complied with for this work.

Non-financial information, contd.:

Operating the electricity system includes devising contingency plans against major risks faced by the company to ensure preparedness against defined emergencies such as severe weather events, earthquakes, volcanic eruptions, pandemics, cyberattacks, disturbances, etc. Contingency plans are also maintained for the operations of the electricity system and for each department of the Company.

Response exercises for outages and natural disasters are held regularly, usually in co-operation with clients and other key stakeholders. Landsnet leads the work of the Electicity System´s Emergency Partnership (ESEP), a co-operation forum for the transmission system operator, generators, distributors, power-intensive consumers and public bodies in Iceland to deal with emergencies affecting power generation, transmission or distribution and/or power-intensive consumers. Landsnet’s CEO sits on Iceland’s Civil Protection and Security Council under paragraph 2 of Article 4 of the Civil Protection Act No. 82/2008.

In recent years, the Company has faced increased risks due to heavy weather and volcanic activity. We work closely with the Department of Civil Protection and Emergency Management, with a Landsnet employee serving as a member of the Civil Protection team whenever needed. Landsnet monitors such events very closely and assesses the appropriate response each time. Landsnet has extensive contingency plans for such events and works closely with natural hazard and weather experts throughout these.

Since the beginning of the year, there have been volcanic eruptions, increased seismic activity and fissures on the southern side of Reykjanes, near Grindavík. Although only three of Landsnet’s transmission towers were at risk during these events, the company collaborated with emergency response authorities to provide reserve power and ensure electricity supply continuity.

In 2024, seismic activity, geological movements, and volcanic eruptions continued. In collaboration with the Civil Protection Department, Landsnet assisted with securing reserve power, protecting infrastructure, and constructing temporary transmission lines to ensure the delivery of electricity to the distribution area. The region remains under the supervision of geoscientists. During these events, Landsnet’s assets sustained minor damage, as a conductor broke when lava flowed beneath it, and one previously decommissioned transmission tower was engulfed by lava. The Svartsengislína transmission line connects the Svartsengi power plant to the main transmission grid. Protective measures had been implemented for this line, particularly for sections outside the protective barriers constructed by the government to safeguard infrastructure in the area. These protective measures have remained effective, and the line was relocated to a higher elevation to withstand potential future lava flows in the same location.

Landsnet has a clear legal duty to develop the transmission system in a cost-effective manner whilst ensuring security, efficiency, security of supply and power quality as well as complying with government policy on the transmission system’s development. Plans for the development of the electricity transmission system are set out in a ´system plan´, where projects are assessed on the basis of a number of factors including the impact on customers, the environment and the local community.

The grid’s development and upgrading have been delayed in recent years, and the company has defined risks relating to licensing. The preparation and construction process is a long one, with the production and delivery of components for construction projects taking up to 18 months. The licensing process includes an available complaints procedure right until the development permit is issued. Since municipalities issue development permits for one year at a time, applications for these are not made until just prior to the construction period. Landsnet has been committed to working in harmony with society and the environment. Preparing infrastructure projects includes consultation with local communities through project teams and regular Stakeholders Forum meetings attended by representatives of important stakeholders in society. Landsnet places great value on ensuring the participation of all stakeholders in the matter at hand and enabling different views to be expressed at this forum. It is important to co-ordinate procedures and ensure early dispute resolution.

Supply chains and the impact of world affairs

The transmission system is among society’s most important infrastructures. With this in mind, the Company worked to ensure business continuity. The Company put in place active contingency plans for our activities and have cooperated extensively with the Department of Civil Protection and Emergency Management (DCPEM) with regard to emergency response scenarios. The Company has adopted a management system and procedures to ensure operational continuity and has developed operational contingency plans. These plans guided our work and were adapted over time.

Non-financial information, contd.:

Changes in the global trade landscape, including the imposition of tariffs on various goods, are expected to exert pressure on global supply chains, potentially disrupting existing agreements in terms of pricing and delivery schedules.

The company closely monitors the course of events and assesses the impact of rising prices and changes in the supply chain on the company's future investments. In its decisions, Landsnet will always prioritize and adapt investment plans to the company's financial capacity and the impact on the tariff.

Management system

Landsnet focuses on improvement work and focuses on streamlining and simplifying the management system in order to increase the efficiency of the company's operations as a whole, with a focus on, among other things, customer service. We rely on international management standards and comply with relevant requirements, both legal and other related to the operation. Landsnet has a certified management system according to ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System, ISO 45001:2018 Occupational Health and Safety Management Certification, ISO 27001:2022Information Security Management System, electrical safety (RÖSK) and ÍST 85:2012 Equal Pay Certification. The management system is certified annually by BSI (British Standards Institution).

In the company's operations, plans are made, risk assessments are carried out and risk and contingency plans are monitored to ensure continuous operations. Risk management includes, among other things, controlled processes that describe the company's operations and the way of working that is proposed to ensure that the needs and expectations of stakeholders are met. Continuous improvement and follow-up cover the entire operation, where international management standards and requirements, both legal and social expectations related to the operation are supported.

Enviromental matters

Landsnet has in place a certified environmental management system in accordance with the International Standard ISO14001:2015 as well as an Environmental Policy. The Environmental Policy emphasises completing infrastructure projects in an eco-friendly manner, monitoring the carbon footprint of our activities and investigating any environmental incidents. Priority is placed on environmental responsibility and carefully consider and manage any environmental risks that may arise in our activities and could otherwise negatively impact the environment. The same environmental requirements apply to Landsnet employees and our contractors. Greenhouse gas emissions and waste generation are monitored in a structured manner and Landsnet has set targets and measures to keep track of emissions. Regular information is provided on results based on targets, e.g. with management review meetings and regular executive board meetings.

Landsnet is engaged in the preparation of projects and their environmental impact assessments in accordance with Act No. 111/2021 on Environmental Impact Assessment of Plans and Projects and Regulation No. 1382/2021, which is based on an EU directive. The law and regulation outline the methodology for conducting environmental assessments, including evaluating the effects of different alternatives on protected areas, wilderness regions, bird habitats, and ecosystems that are subject to protection. The findings from these assessments form the basis for decision-making regarding the preferred alternative and help identify appropriate mitigation measures. The results of the environmental assessments and mitigation plans are further incorporated into the permitting processes. During the construction phase, emphasis is placed on minimizing disruptions caused by the project. Additionally, restoration efforts are prioritized after project completion, utilizing soil and vegetation that were displaced during the construction process. Regular environmental audits are conducted, and monitoring is carried out on specific ecological factors, particularly those under protection.

The company is committed to reducing the visibility of electrical power structures within the transmission system. Particular attention has been paid to the design of new substations and their surroundings to minimise the visibility of the structures. The aim is to ensure that these structures blend as closely as possible with the surrounding environment.

Landsnet is among the 103 companies that committed to specific climate action targets in the run-up to the 21st UN Climate Change Conference in the autumn of 2015.

Non-financial information, contd.:

One of the key performance indicators is carbon emission. Benchmarks and targets have been set to monitor the development of emissions, and goal has been set of achieving carbon neutrality by 2040. When calculating the carbon footprint of the company's operations, the Green House Gasprotocol methodology is used, where emission factors are analyzed and classified into scope 1, which is direct emissions from the operation, scope 2 and scope 3, which cover the company's indirect emissions. Greenhouse gas emissions from the company's operations, based on scope 1, 2 and 3, in 2024 were 6,123 tons of CO_2 equivalent or 0.33 tons of CO_2 equivalent per GWh produced. The emission was 6.184 tons of CO_2 equivalent in 2023 with an additional 1,957 CO_2 equivalent due to use of reserve power because of failure of the power cable to the Westman Islands. The main factors in Landsnet's operations that contribute to the release of greenhouse gases are, transmission losses (53%), the leakage of sulphur hexafluoride, SF_6 (24%), as an insulating agent in the electrical equipment of substations, and the use of fuel in the production of reserve power (17%). These factors are collectively responsible for aroun 94% of the Company's total emissions. Other emission factors have much less importance.
The main source of direct emissions, at scope 1, is associated with leaks of SF_6. Emissions were almost 1,500 tons of CO_2 equivalent in 2024 and decreased by 5% compared to 2023. This decrease in emissions can be linked to increased monitoring and preventive maintenance of the company's equipment. Old equipment is being regularly replaced with new, and all equipment purchased today has continuous monitoring equipment for SF_6 gas, in addition to the fact that Landsnet's newest substation uses so-called green gas.

Another important source of scope 1 emissions is the use of reserve power, which varies greatly from year to year. In 2024, Landsnet had 10 portable back-up generators in use, which were used as needed across the country to ensure the delivery of electricity as needed. The emission of greenhouse gases due to the use of reserve power was more than 1,000 tons of CO_2 - equivalent in the year 2024, which is an increase of 33% between the years 2023 and 2024. This increase can largely be attributed to the disaster in Reykjanes.

In Scope 2, transmission losses account for the majority of the company's indirect emissions. These emissions amounted to 3,225 tons of CO_2 equivalents in 2024, based on Iceland's energy mix, representing a 6% reduction compared to 2023.

The main sources of indirect emissions linked to Scope 3 include waste and employee air travel, both domestic and international. In 2024, 93% of waste was recycled or reused, while 7% was disposed of. The majority of waste stems from company construction projects. Domestic flight-related emissions increased by 94% compared to 2023, while international flight-related emissions decreased by 24% year over year.

In cooperation with Kolviður, the company offset 255 tons of CO_2-equivalents in 2024. The Company’s carbon footprint is thus 5,868 tonnes of CO_2 equivalents, up by approximately 3% from 2023.

Safety and security management

Landsnet strives to foster a healthy workplace and corporate culture that supports our employees’ contribution to accident prevention and staff wellbeing.
One lost-time injury events occurred in 2024 among our staff. It was not serious and the staff members made a full recovery. Two lost-time injury events occurred in 2023 among the staff. These were not serious and both staff members made a full recovery.

Our staff safety training is designed to address the risks to which our employees are exposed. Our training focus areas reflect risks inherent in infrastructure and other projects.

One of the company’s key performance indicators is the accident frequency rate, known as the H-value, which is measured annually. The H-value is a Scandinavian metric that evaluates the frequency of lost-time injuries, taking into account company size and total working hours. Lost-time injuries refer to workplace accidents that result in employee absence. The company’s goal is always to operate without lost-time injuries, but this was not achieved in 2024, as previously noted.

We work according to that basic principle that nothing is as important than the personal safety of our personnel, our service providers and contractors. We drew lessons and changes from each incidents and take steps to prevent their repetition.

Landsnet pays close attention to access controls. Landsnet divides its places of work and premises into different security zones, to which access is controlled based on the nature of and risks in each zone.

Non-financial information, contd.:

Cybersecurity matters are an important part of Landsnet's operations. The cyber security threat is growing as threat groups, some of which are sponsored by foreign countries, are increasingly targeting infrastructure and industrial companies. Landsnet has steadily increased preparedness for cyber security threats in most areas, e.g. with the implementation of cyber security systems, disciplined work practices and increased staff awareness of cyber security issues.

In 2024, Landsnet placed increased emphasis on cybersecurity, particularly by implementing Arctic Wolf, a system specializing in cybersecurity monitoring and threat detection. Special attention was also given to the cybersecurity of industrial control systems, particularly with the introduction of digital substations. A dedicated team within Landsnet is responsible for designing security protocols.

There is significant cooperation between Landsnet and other Nordic countries regarding cybersecurity, with regular meetings held on the subject. Additionally, Landsnet collaborates extensively with European transmission companies on security matters through ENTSO-E (European Network of Transmission System Operators for Electricity).

Landsnet has ISO 27001:2013 certification for its information security management system in May 2020. The certification marks another milestone in our ongoing journey towards more risk-focused information security management.

Businesses operating under certified management standards are required to undertake continuous improvement and are likelier to succeed in their efforts than other companies. The standards systematically support safe and secure operations and effective procedures in an aim to increase quality, service levels and the personal safety of staff. At the same time, they lay a foundation for improved security levels at Landsnet through access controls to data and physical premises.

Landsnet cooperates with other Icelandic energy companies and comparable companies in the Nordic countries on safety and security, which helps us uphold the best standards and practices at any given time.

Human resources

Landsnet is committed to providing a positive workplace with an ambitious corporate culture and a strong team spirit. We strive to ensure that our interactions – whether internal or external – are guided by our corporate values of responsibility, cooperation and respect. To achieve this, our staff and management must foster open and honest exchange of views as well as robust information dissemination. A particular emphasis is placed on creating an environment free from bullying, prejudice and sexual harassment. One of our key strategic policies is to provide our employees with our opportunities to engage in exciting work and develop their skills in a professional environment thereby maintaining a sought - after workplace.

Among our key performance indicators is employee engagement. Engaged employees are emotionally invested in the organisation, proactive and highly interested in their work. Engagement is measured as part of our annual workplace survey. This survey measures key aspects of our work environment relating to staff and corporate culture, strengths and challenges. The survey is administered to all permanent employees and is managed by an external professional body.

Questions are answered on a five-point scale and our target is to achieve an employee engagement score higher than 4.4. Scores above 4.2 are counted as indicating strength. Our employee engagement score in 2024 was 4.04, slighty below our target and almost the same result as in 2023 (4.02).

Our HR and human rights policy sets the framework for our equality and human resources practices. We are committed to workplace diversity. Our recruitment practices always focus on the applicant’s capabilities and an effort is made to balance the gender ratio, whether within divisions, other business units or job categories. We are committed to employee wellbeing and providing a good work-life balance by supporting work flexibility.

Under its remuneration policy, the Company provides competitive, but not leading, remuneration in line with comparable companies in the marketplace. The remuneration policy is based on the company’s values, accepted equality principles and respect for employees, laws and rules. The company’s approach to remuneration is guided by fairness and corporate social responsibility criteria.

Non-financial information, contd.:

Landsnet's gender equality audit in 2024 found no unexplained gender pay gap, with only a minor deviation of 0.3% favoring women. Gender equality are important to the Company and the Gender Equality Committee has been active during the year. The Committee's role is to monitor our Gender Equality Programme and follow up on our targets as well as provide training on gender equality issues, support for the Programme's work in cooperation with our Human Resources Manager and present results relating to gender equality.

One of Landsnet's equality indicators is to calculate the decision-making power of women at the company. Women's decision-making power in companies refers to how much control, influence and power women have in strategic planning, decision-making and management within a company. The decision-making power of women at Landsneti in 2024 is 40.23%, has increased from 39.75%. A Gender Equality Programme for 2023-2026 was issued and approved by the Directorate of Equality.

Anti-corruption, bribery measures and human rights issues

Landsnet has adopted a code of conduct that defines financial standards, confidentiality, interests, competition and restrictions, environmental protection, use of the company´s assets and compliance with regulations. The Code of Ethics is accessible to all employees through the company's management system and employees are required to confirm that they have read them. Landsnet exercises social and moral responsibility in procurement by making extensive demands on employees and suppliers in the execution of procurement. A procurement process that forms part of the management system is intended to ensure that procedures are in accordance with laws and regulations that also apply to Landsnet´s procurement procedures. The company has introduced General Supplier Terms and Conditions that impose minimum requirements on our suppliers and provides for detailed evaluation of suppliers that supply goods or services or perform work for the transmission system. A code of conduct has been drawn up for suppliers.

The company vision is dedicated to ensuring the rights of its employees and service providers with regard to working facilities, health and safety and appropriate wages and benefits. Landsnet therefore assumes that all employees acting indirectly for the company receive their rights and benefits in accordance with collective agreements and laws.

In the company's tenders, great emphasis is placed on social responsibility, and suppliers must submit declarations to the effect that human rights are respected and the tender documents contain provisions on chain liability, whereby suppliers are responsible for ensuring that all employees, whether of suppliers, subcontractors or temporary-work agencies, receive wages and are afforded employee benefits in accordance with current collective agreements and the laws governing the professions that fall under their respective professional disciplines. The provision also requires suppliers to provide necessary information for trade unions to be able to carry out supervision and ensure employee rights. In the supplier terms and conditions, which are published on Landsnet's website, suppliers are required to comply with laws and regulations that apply to relations between parties in the labor market.

The HR and human rights policy emphasizes equality and the fact that everyone is entitled to human rights regardless of orgin, ethnicity, race, religion, political opinion, gender, sexual orientation, age, economic status, family association, disability, health or other status.

Non-financial key indicators

The company's strategic planning is reviewed regularly, in which process the company has placed much emphasis on staff participation. This includes considering challenges facing the company and defining focus areas for upcoming periods. The company's Board of Directors approved a strategic plan and focus areas for 2023-2025, with six key performance indicators defined. One of these, Return on Equity, was financial while the following five were non-financial:

Non-financial information, contd.:

Key Performance Indicator			2021	2022	2023	2024	2024 goal
Responsible	Are we delivering secure supply of energy to the society and our customers?	Network reliability	99,9990%	99,9926%	99,9965%	99,9900%	99,9905%
Effective	Are the customers satisfied with our services?	Customer satisfaction	4,0	4,1	3,9	3,9	4,2
Responsible	Is our return on equity according to regulations?	Return on equity, ROE	8,1%	6,8%	5,2%	8,0%	8,0%
Responsible	Are we delivering on our climate policies?	CO2 scope 1 (tonn equvalents)	3.574	3.249	2.591	2.777	3.127
Ambitious	Are our employees engaged?	Employee engagement	4,2	4,0	4,0	4,0	4,3
Responsible	Are our employees operating safely?	No. of accidents (H value)	0	0	2	1	0

EU Taxonomy

The EU Taxonomy Regulation entered into force in Iceland on 1 June 2023 through the enactment of Act No. 25/2023 on Sustainability-Related Disclosures in the Financial Services Sector and Classification System for Sustainable Investment.

The purpose of the regulation is to define which economic activities are considered environmentally sustainable based on the technical assessment criteria established by the European Commission and to promote transparency in sustainability reporting. For companies to be considered environmentally sustainable under the regulation, they must meet the criteria for environmentally sustainable economic activities according to Article 3 of the regulation.

The environmental objectives encompass six primary goals: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Technical screening criteria for climate change mitigation and adaptation have been transposed into Icelandic law on the basis of Commission Delegated Regulation (EU) 2021/2139, so economic activities specified therein are subject to disclosure requirements in Iceland. Delegated Regulation (EU) 2023/2486 on other environmental objectives and Commission Delegated Regulation (EU) 2023/2485 on establishing additional technical screening criteria for climate change mitigation and adaptation entered into force within the EU in 2023 and in Iceland from 1 January 2025.

Financial Statements of Landsnet hf 2024 48 Amounts are in USD thousand

Companies are required to disclose the proportion of their turnover, capital expenditure, and operating expenditure for the preceding financial period for eligible activities, i.e., activities subject to the Taxonomy Regulation. Furthermore, the same key performance indicators must be disclosed for activities that meet all the criteria of the regulation and qualify as Taxonomy-aligned or environmentally sustainable activities.

In Iceland, the regulation applies to companies required to submit non-financial information under Article 66(d) of the Annual Accounts Act No. 3/2006, which includes Landsnet.

Eligible Economic Activities

In 2023, Landsnet conducted an assessment to determine eligible economic activities under the EU Taxonomy Regulation. The evaluation revealed that section 4.9 of the Climate Delegated Act: Transmission and Distribution of Electricity applies to Landsnet. This category is the primary activity of Landsnet, involving the construction and operation of transmission systems that transport electricity through interconnected high voltage and extra-high voltage networks.

No changes were made to this assessment from the previous year.

Taxonomy Aligned Economic Activities

In order for an activity to qualify as Taxonomy-aligned and thereby meet the Taxonomy Regulation’s requirement of being environmentally sustainable, it must make a ‘substantial contribution’ and ‘do no significant harm’, in addition to having minimum safeguards in place. The requirements are quite detailed and any company wishing to declare in good conscience that it meets the objectives in a manner standing up to scrutiny first needs to undertake substantial groundwork. Landsnet undertook this work in the past year, and the results are outlined below.

Substantial Contribution - 4.9 Transmission and Distribution of Electricity (CCM)

Landsnet’s main activity, the transmission of electricity, meets the requirement of the Taxonomy Regulation that it must make a substantial contribution to climate change mitigation, since the activity is considered to meet the technical screening criterion that the transmission infrastructure or equipment must be in an electricity system where more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 g CO_2e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period. This is an activity that enables other activities to contribute to environmental objectives. Landsnet aims to meet the long-term needs of the electricity market by developing a new generation of transmission systems based on environmentally friendly solutions.

"Do no significant harm" criteria

Climate change adaptation

Landsnet has identified climate-related risks due to weather changes and has assessed those risks to determine possible measures to minimize the consequences. Current risks were evaluated based on recent climate conditions and their impact on Landsnet's infrastructure. A scenario analysis was conducted on future climate risks, considering the hottest and coldest temperature scenarios. This analysis used summaries from the IPCC's Fourth Assessment Report and the expertise of KPMG's sustainability team. The risk assessment covered all of Landsnet's facilities, including substations, high-voltage lines, and underground cables. The current assessment concluded that no climate risks significantly impact operations. However, the scenario analysis for the most pessimistic and optimistic scenarios shows that while climate risks do not significantly affect operations, a response plan as an adaptation measure is warranted in some cases. Adaptation measures include decisions on material selection for lines and substations, locations of lines, substation enclosures, and the relocation of underground cables due to subsidence. The risk assessment for Landsnet's facilities is a key component of future system development, maintenance planning, environmental impact assessments, and decisions regarding future site locations.

The risk assessment is reviewed and evaluated annually by the company's management.

Sustainable use and protection of water and marine resources

Not applicable according to the technical screening criteria for activity 4.9 Transmission and Distribution of Electricity.

Non-financial information, contd.:

Transition to a circular economy
Landsnet's sustainability policy addresses sustainable resource use, recycling, and responsible handling of hazardous substances to promote a circular economy. Landsnet has ambitious goals and actions to ensure compliance with this policy. The company adheres to a waste management plan aligned with the waste hierarchy method, focusing on effective waste sorting, proper classification—including hazardous waste—and ensuring delivery to authorized recipients. Additionally, Landsnet is certified under the ISO 14001, further reinforcing the company's commitment to environmental management practices and outcomes.

Pollution prevention and control
Landsnet has achieved ISO 14001 certification for its Environmental Management System and adheres to the principles of the World Bank's Environmental and Social Framework (ESF) guidelines on environment, health, and safety. The company conducts internal audits for health, safety, and environmental aspects while the company's projects are in progress, while external audits are performed for larger projects. Landsnet complies with the provisions of Regulation No. 1290/2015 on the maximum radiation exposure to employees and the public from activities where radiation is used. Landsnet’s activities do not use polychlorinated biphenyls.

Protection and restoration of biodiversity and ecosystems
The EU Directive on Environmental Impact Assessment has been incorporated into Icelandic law through Act No. 111/2021 on Environmental Impact Assessment of Projects and Plans. Landsnet complies with these government requirements by ensuring that work is monitored during project implementation to adhere to the specific environmental impact assessment conditions.

During the preparatory phase of construction projects or others subject to these regulations, alternative options are evaluated by comparing their potential impacts on the environment and ecosystem. This analysis informs the decision-making process, including key considerations such as the route of infrastructure lines. Special attention is given to minimizing disturbances in protected areas, in accordance with nature conservation laws, to safeguard ecosystems, habitats, and specific species.

The Nature Conservation Act No. 60/2013 is based on international commitments on nature conservation and regional agreements.

Minimum Safeguards

Article 18 of the Taxonomy Regulation prescribes minimum safeguards to ensure alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights as well as the eight fundamental conventions identified in the Declaration of the International Labour Organisation regarding fundamental principles and rights. The EU Commission’s Platform on Sustainable Finance has defined the key focus areas based on these requirements as the following: human rights, corruption and bribery, taxation and fair competition.

Human rights
Our Human Resources and Human Rights Policy is an integral part of our overall policy pledge, which places priority on human rights and diversity. We are committed to respect human rights and equality in all our activities and to ensure that all personnel working for the Company are valued on their own terms in a workplace where different viewpoints are appreciated and heard. We place a strong emphasis on non-discrimination and enjoyment of human rights by everyone regardless of origin, nationality, colour, religion, political opinions, gender, sexual orientation, age, economic position, disability, health or position in other respects.

Landsnet's Gender Equality Programme, which applies to all employees, prioritizes equality, fairness, and employee well-being. The Programme fulfills Landsnet's obligations under the Equality Act, Act No. 150/2020. The Programme defines actions, goals, and metrics, and assigns responsibility for actions. An Equality Committee operates according to the Equality Programme, and is composed of Landsnet’s employees, both managerial and non-managerial. More information about the Equality Programme can be found on Landsnet's website. The gender ratio in Landsnet's executive board is equal, but the overall female representation in the company is 28.23%.

For each year, annual workplace analyses are conducted, asking employees about engagement, bullying, sexual harassment, gender-based harassment, violence, human rights, working conditions, and job stress. In recent years, the company has focused on enhancing and fostering a constructive organizational culture by actively involving employees in this journey and conducting surveys to support this objective.

Non-financial information, contd.:

Landsnet's Equal Pay Policy applies to all employees and is an integral part of the company's Human Resources and Human Rights Policy and Remuneration Policy and Equality policy. The company makes an unwavering demand for equal pay for equal or equivalent work, regardless of gender or other factors. A certified equal pay system is in place based on the Icelandic Standard ÍST 85, and the company is obliged to maintain this certification. Annual pay analyses are conducted and presented to employees, and corrective actions are taken if the standard's requirements are not met. In 2024, the gender pay gap was 0.3%,

Our Human Resources and Human Rights Policy is an integral part of our overall policy pledge, which places priority on human rights and diversity. We are committed to respect human rights and equality in all our activities and to ensure that all personnel working for the Company are valued on their own terms in a workplace where different viewpoints are appreciated and heard. We place a strong emphasis on non-discrimination and enjoyment of human rights by everyone regardless of origin, nationality, colour, religion, political opinions, gender, sexual orientation, age, economic position, disability, health or position in other respects..

Landsnet employees are committed to respecting and upholding human rights throughout the company's value chain. Landsnet is certified under the ISO 45001 international standard for occupational health and safety management, and works to ensure that safety and working conditions are an integral part of the assessment- and decision-making process for investments, construction projects, operations, the selection of contractors and the procurement of products and services for the Company’s activities. Deviations are reviewed annually, and employees and other stakeholders are informed of the results and key issues.

Landsnet’s supplier terms and conditions, mandates their suppliers to meet all of Landsnet's equipment requirements, with the same safety requirements applying to all of Landsnet’s employees and all suppliers, contractors, and service providers. Suppliers are also required to comply with applicable labor market laws and regulations. This applies to the working conditions of supplier employees, subcontractors, and temporary staffing agencies. Suppliers must provide satisfactory documentation that all requirements are met. Landsnet has also established a Data Protection policy for both external parties and for its own employees.

Corruption and bribery
Landsnet has procedures and guidelines in place for whistleblower protection. This includes reporting channels and procedures for deliberations on and handling of reports of violations of law or reprehensible behaviour in Landsnet’s activities subject to the Protection of Whistleblowers Act No. 40/2020. Employees can report law violations or reprehensible behaviour anonymously if they so prefer. Whistleblowing reports received are handled in accordance with defined Company procedures. Reports can be submitted through the Company’s internal systems on the Company’s website, accessible to both employees and external parties.

Landsnet’s Code of Conduct applies to all Company staff, including members of the Board of Directors and the CEO. The Code of Conduct is an addition to the government regulatory framework and sets out procedures and guidelines for areas not covered by law, official rules, and guidelines. The Code of Conduct’s objectives include enhancing and maintaining professional practices and transparency as well as preventing corruption. None of the Company’s managers or other staff have ever been convicted of corruption offences in its operations. The Company has also drawn up a Supplier Code of Conduct

Competition and taxes
Landsnet complies with the provisions of Regulation No. 340/2014 on Procurement by Parties Operating in the Water, Energy, Transportation and Postal Service Sectors in all EEA tendering procedures as well as tendering procedures conducted in accordance with the Act on Tender Procedures. The provisions on reasons to exclude tenderers under Article 79 of the Regulation have been part of all contracts tendered by the Company under the Regulation, and Landsnet does not deviate from applying the reasons for exclusion where it deems this necessary. Under Article 79, any tenderer convicted for violations such as participation in organised crime, corruption, fraud, acts of terrorism, money laundering, terrorism financing, child slavery or any other human trafficking must be excluded. Provisions on mandatory measures and authorising certain other measures, including with respect to human rights and labour rights, also allow for the exclusion of tenderers.

Quality requirements are made on suppliers, including under the ISO 9001, ISO 14001 and ISO 45001 standards, the last of which includes mechanisms dealing with aspects of human rights violations, e.g. human trafficking and slavery. Following tendering procedures, the Company considers the need for separate audits of suppliers. Such audits include confirming the supplier's self-assessment with an on-site audit. The scope of such supplier audits includes the education and qualifications, facilities for employees and terms of employment. The supplier’s safety standards and environmental compliance are also examined.

Non-financial information, contd.:

Where applicable, Landsnet requires qualification assessments of suppliers as part of its tendering procedures to be based on the Achilles qualification system, which is used in the selection of participants in tenders for the procurement of equipment and services in the electricity system.

Landsnet operates under a concession arrangement and is subject to regulation by the National Energy Authority (Raforkueftirlitið). The Company is thus not in a competitive market, and hence, no competition law violations have occurred in its activities. The Company complies with all laws and regulations that apply to its operations, such as tax laws and regulations, and has established a tax policy approved by Landsnet's Board of Directors.

Neither the Company nor its management has violated laws or regulations in the areas of human rights, corruption and bribery, competition, or taxes.

Key Performance Indicators of the Taxonomy Regulation

The European Union has published guidelines for the calculation of key performance indicators in the Commission Delegated Regulation (EU) 2021/2178. The proportion of turnover, capital expenditure and operating expenditure is calculated in accordance with Article 8 of the Taxonomy Regulation. However, the applicable requirements or methodologies may be subject to change as the Regulation is updated, which may affect Landsnet’s future calculations, for example if its activities better align with other environmental objectives than those already published.

Turnover

The proportion of turnover according to the definition under the Taxonomy Regulation includes income recognised according to paragraph 82A of the International Accounting Standard 1 (IAS 1). The total turnover according to the definition is in accordance with the Group’s total turnover for the year 2024 as it appears in Note 5 and 6 to the Financial Statements. Thereof, 98.0% derives from Taxonomy-eligible activities and 98.0% derives from environmentally sustainable economic activities. The proportions are shown in the table for turnover on page 53.

Capital expenditure

We have allocated capital expenditure to eligible activities in accordance with the Taxonomy Regulation. Capital expenditure under Article 8 of the Taxonomy Regulation entails additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements, excluding fair value changes. Capital expenditure totaled 82.9 million USD for the year 2024, in accordance with the additions for the year specified in Notes 13 and 14 to the Financial Statements. Thereof, 96.6% derives from Taxonomy-eligible activities and 96.6% derives from environmentally sustainable economic activities. The proportions are shown the table for capital expenditure on page 54.

Operating expenditure

The Taxonomy Regulation’s definition of operating expenditure is narrower than the general accounting definition. Operating expenditure includes direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant, and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets. Operating expenditure totaled 11.1 million USD for the year 2024 and derived from maintenance, breakdown, and property rental costs for the Company´s transmission infrastructure as well as research and development costs. Thereof, 95.1% derived from Taxonomy-eligible activities and 95.1% derived from environmentally sustainable economic activities. The proportions are shown in the table for operating expenditure on page 55.

EU Taxonomy - Turnover

NA = not applicable

				Substantial contribution criteria						DNSH criteria (does Not Significantly Harm)										
Economic activities (1)	Code (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Safeguards (17)	Taxonomy-aligned proportion of turnover year N (18)	Taxonomy-aligned proportion of turn-over year N-1 (19)	Cate-gory (en-abling activity) (20)	Cate-gory (trans-itional activity) (21)
	#	Thousand USD	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Transmission and Distribution of Electricity	4.9	185.111	98,0	100	-	-	-	-	-	NA	Y	NA	Y	Y	Y	Y	98,0	NA	E	-
Turnover of environmentally sustainable activities (Taxonomy-aligned)(A.1)		**185.111**	**98,0**	**100**													**98,0**	**NA**		
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligend activities)																				
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0																	
Total (A.1 + A.2)		**185.111**	**98,0**																	

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES		
Turnover of Taxonomy-non-eligible activities (B)	3.842	2,0
Total (A+B)	**188.953**	**100**

Financial Statements of Landsnet hf 2024 53 Amounts are in USD thousand

EU Taxonomy - CapEx

NA = not applicable

				Substantial contribution criteria						DNSH criteria (does Not Significantly Harm)										
Economic activities (1)	Code (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Safeguards (17)	Taxonomy-aligned proportion of CapEx year N (18)	Taxonomy-aligned proportion of CapEx year N-1 (19)	Cate-gory (en-abling activity) (20)	Cate-gory (trans-itional activity) (21)
	#	Thousand USD	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Transmission and Distribution of Electricity	4.9	80.041	96,6	100	-	-	-	-	-	NA	Y	NA	Y	Y	Y	Y	96,6	NA	E	-
CapEx of environmentally sustainable activities (Taxonomy-aligned)(A.1)		**80.041**	**96,6**	**100**													**96,6**	**NA**		
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligend activities)																				
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0																	
Total (A.1 + A.2)		**80.041**	**96,6**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		2.810	3,4																	
Total (A+B)		**82.851**	**100**																	

Financial Statements of Landsnet hf 2024 54 Amounts are in USD thousand

EU Taxonomy - OpEx

				Substantial contribution criteria						DNSH criteria (does Not Significantly Harm)									NA = not applicable	
Economic activities (1)	**Code (2)**	**Absolute OpEx (3)**	**Proportion of OpEx (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water and marine resources (7)**	**Circular economy (8)**	**Pollution (9)**	**Biodiversity and ecosystems (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water and marine resources (13)**	**Circular economy (14)**	**Pollution (15)**	**Biodiversity and ecosystems (16)**	**Minimum Safeguards (17)**	**Taxonomy-aligned proportion of OpEx year N (18)**	**Taxonomy-aligned proportion of OpEx year N-1 (19)**	**Cate-gory (en-abling activity) (20)**	**Cate-gory (trans-itional activity) (21)**
	#	Thousand USD	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Transmission and Distribution of Electricity	4.9	10.527	95,1	100	-	-	-	-	-	NA	Y	NA	Y	Y	Y	Y	95,1	NA	E	-
OpEx of environmentally sustainable activities (Taxonomy-aligned)(A.1)		**10.527**	**95,1**	**100**													**95,1**	**NA**		
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligend activities)																				
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0																	
Total (A.1 + A.2)		**10.527**	**95,1**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		539	4,9																	
Total (A+B)		**11.066**	**100**																	

Financial Statements of Landsnet hf 2024 55 Amounts are in USD thousand