

LANDSNET

Financial Statements 2025

Landsnet hf.
Gylfaflöt 9
112 Reykjavík

Reg. no. 580804-2410

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Endorsement by the Board of Directors and the CEO

Landsnet hf. was established in 2004 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 2025

Profit for the year was 44.9 million US dollars (USD) compared to 43.1 million USD in 2024. In accordance with International Financial Reporting Standards, fixed assets were revalued during the year and the resulting increase in total assets was transferred to equity. Taking into account the revaluation of fixed assets, the total comprehensive income for the year was 108.5 million USD. The company's total assets amounted to 1,371.6 million USD, and the company's equity at year-end was 665.5 million USD, of which share capital was 45.5 million USD.

The number of full-time equivalent positions at the company was 167. The company's management team is comprised of 56% men and 44% women, and the overall employee gender distribution is 69% men and 31% women.

Share capital at year end 2025 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 company's board of directors consists of three men (60%) and two women (40%). In addition, there is one woman and one man on the company's alternate board. The board of directors of Landsnet hf. therefore meets the requirement of Article 63 of the Act on Public Limited Companies that the proportion of each gender on the board shall not be less than 40%.

A new board took office on 28 March 2025, after a nomination committee on behalf of the Ministry of Finance and Economic Affairs had proposed board members based on the applicants' qualifications. The new board consists of Haraldur Flosi Tryggvason Klein, Chairman of the Board, Harpa Þuríður Böðvarsdóttir, Kristján Arinbjarnar, Ruth Elfarsdóttir and Stefán Pétursson. During the year, Guðmundur Ingi Ásmundsson retired due to age and the new CEO, Ragna Árnadóttir, took over on 1 July.

Current year operations and outlook

The year's operations went well and the company's performance for the year was in line with projections, despite various challenges in the company's external environment. Volcanic activity continued on the Reykjanes peninsula, but its impact on operations was negligible. The volcanic activity has been in an area where only one line has been at risk, and therefore the risk of damage to assets was insignificant. Landsnet has statutory insurance on its properties based on property valuation, and other assets in the transmission system are insured with the Natural Catastrophe Insurance of Iceland based on replacement cost.

At the beginning of the year, Landsnet refunded approximately 22.4 million USD in capacity charges for electricity feed-in following the Supreme Court's judgment in case no. 2/2024, after agreements with the relevant parties and consultation with the National Energy Authority. The judgment stipulated that only large users and distribution system operators should pay the transmission tariff, but there was no dispute regarding Landsnet's total revenue cap under the Electricity Act. Consequently, Landsnet refunded the revenue that had been collected from producers for feeding into the system and transferred the collection to end-users, i.e., large users and distribution system operators. The refund and the revised collection from end-users were mostly completed within the year and therefore had a negligible effect on the company's operations at the end of the year, apart from interest payments amounting to approximately 3.1 million USD, which are recorded under finance costs. The temporary increase in the transmission tariff for distribution system operators and large users was withdrawn as of 1 January 2026.

Four parties appealed the transmission tariff for major users no. 54, which took effect on 1 January 2025, to the Electricity Appeals Committee. The National Energy Authority reviewed the tariff and made no objections to it, accepting Landsnet's justification for the increase in its review. The Appeals Committee dismissed the cases with rulings issued on 25 August 2025 on the grounds that the National Energy Authority's decision did not constitute an appealable administrative decision. Further discussion can be found in note 29 to the annual financial statements.

In October 2025, a failure occurred at the Norðurál aluminium smelter in Grundartangi, which, according to a company announcement, will cause Norðurál's aluminium production to be reduced by two-thirds for an indefinite period. The electricity transmission to Norðurál will be reduced accordingly. The impact of this failure was insignificant in 2025, but there is uncertainty about its impact on the 2026 financial year as it is not yet known when the smelter will return to full capacity.

Endorsement by the Board of Directors and the CEO, continued

The electricity transmission agreements with Norðurál contain take-or-pay provisions which stipulate that payment must be made for the transmission of 85% of the contracted power and energy, regardless of the actual amount transmitted, and on this basis, the impact on the expected operating results is not significant. Norðurál has announced that the failure can be attributed to force majeure, which should lead to the cancellation of the take-or-pay obligation, but that outcome would have a greater impact on the expected revenue from the company. Landsnet disagrees with this interpretation and has disputed it.

The year 2025 was one of Landsnet's largest investment year in the development of the transmission system amounting to approximately 118 million USD. The most notable event was a major step forward when the Vestmannaeyjar cables 4 and 5 were commissioned, significantly increasing the security of electricity supply to the Westman Islands. Other investment projects involved strengthening the grid, with these investments spread across the country.

In September, Landsnet and the Nordic Investment Bank (NIB) signed a loan agreement for USD 35 million. The loan was intended, among other things, to finance the laying of the cables to the Westman Islands and connections in South Iceland, but also to finance the laying of an underground cable between Akureyri and Dalvík.

The Board of Directors proposes that a dividend amounting to USD 22.5 million be paid to shareholders in 2026 for the 2025 financial year and otherwise refers to the annual financial statements regarding changes in equity.

Corporate governance

The Board of Directors of Landsnet hf. is committed to maintaining good corporate governance. The Board has established its own rules of procedure, which are published on the company's website, defining its remit and scope of work in relation to the CEO. These rules include, among other things, provisions on meeting procedures, the eligibility of board members, confidentiality, the CEO's duty to provide information to the Board, and more. For further information, please refer to the Corporate Governance Statement, which is Appendix 1 to the company's annual financial statements.

Non-financial information

Landsnet hf. is a public-interest entity and must therefore, in accordance with the Annual Accounts Act, provide information that gives a clear overview of the company's performance, position and development, along with a description of the principal risks and uncertainties. Non-financial disclosures are in Appendix 2 to the company's annual accounts. This also contains the company's disclosures in accordance with the requirements of the EU Taxonomy Regulation, which entered into force on 1 June 2023.

The company has also been preparing a sustainability report in accordance with the simplified ESRS standards issued by the European Union during the year, and it is published on the company's website alongside the publication of the annual financial statements.

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 2025, its assets, liabilities and financial position as at 31 December 2025 and its cash flows for the financial year 2025.

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 2025 and confirmed them by means of their signatures.

Reykjavik, 24 February 2026

The Board of Directors:
Haraldur Flosi Tryggvason Klein
Ruth Elfarsdóttir
Kristján Arinbjarnar
Stefán Pétursson
Harpa Puríður Böðvarsdóttir

CEO:
Ragna Árnadóttir

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, 2025 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, 2025, 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.	Our audit was focused on management estimations of operating value of transmission lines and substations at the year-end 2025. We examined the valuation methodology and its consistency with prior year. We also examined management assumption for the valuation. This included:
Transmission lines and substations are recognised according to the revaluation method. At the year-end its carrying amount was USD 1.077,5 million or 78.6% of total assets.	<ul style="list-style-type: none">• Reviewing the operating plan which is the basis for the valuation.• Reviewing the assumptions for the weighted average cost of capital (WACC) used.
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 2025 based on management estimation.	We assessed if the valuation's calculations were in accordance with IFRSs and assessed that the disclosures were appropriate.
As to the valuation of the assets, we refer to fixed assets in operation note 13 and accounting policies notes 32c and 32h.	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 error 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 are 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 and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the 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.

Independent Auditor's Report, continued

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and 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. Landsnet 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 28 March 2025. Deloitte have been elected since the general meeting 9 April 2015.

Reykjavik, 24 February 2026

Deloitte ehf.

Gunnar Þorvarðarson
State Authorized Public Accountant

Berglind Klara Daníelsdóttir
State Authorized Public Accountant

Income Statement for the year 2025

	Notes	2025	2024
Operating revenue			
Transmission	5	205,594	185,111
Other income	6	2,667	3,842
		208,261	188,953
Operating expenses			
Energy procurement costs	7	35,762	36,414
Transmission costs	9.10	72,432	59,244
System operation	9.10	5,237	4,932
Other operating expenses	9.10	17,938	17,894
		131,369	118,484
Operating profit		76,892	70,469
Financial income		3,666	5,421
Financial expenses		(24,187)	(21,152)
Net financial expenses	11	(20,521)	(15,731)
Share in net earnings of associated company	15,16	(207)	24
Profit before income tax		56,164	54,762
Income tax	12.23	(11,278)	(11,626)
Profit		44,886	43,136
Profit earnings per share:			
Basic and diluted earnings profit per each 1 share	21	0.99	0.95

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

Statement of Comprehensive Income for the year 2025

	Notes	2025	2024
Profit		44,886	43,136
Items under total (loss) profit recognised among equity:			
Revaluation of transmission system	13	79,532	46,277
Current tax on revaluation of transmission system		(15,906)	(9,255)
		63,626	37,022
Translation difference due to subsidiaries and associated companies ...		386	(59)
Site restoration provision after income tax, change		(389)	345
Total items under total profit recognised among equity		(3)	286
Total profit of the year		108,509	80,444

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

Statement of Financial Position as at 31 December 2025

	Notes	31.12.2025	31.12.2024
Assets			
Fixed assets in operation	13	1,104,847	973,157
Projects under construction	13	150,011	121,726
Intangible assets	13	17,920	17,915
Investments in subsidiary and associate	15.16	5,797	4,891
Long-term notes	28	5,679	4,128
Fixed assets		1,284,254	1,121,817
Inventories	17	6,067	6,140
Receivable with parent company	28	496	485
Trade and other receivables	18	31,900	28,882
Cash and cash equivalents	19	48,877	78,842
Current assets		87,340	114,349
Total assets		1,371,594	1,236,166
Equity			
Share capital		45,549	45,549
Statutory reserve		11,387	11,387
Restricted equity		1,203	1,410
Revaluation account		12	(374)
Foreign currency translation		291,354	239,015
Retained earnings		315,948	277,957
Equity	20	665,453	574,944
Liabilities			
Interest bearing long-term liabilities	22	458,366	487,093
Deferred income tax liability	23	99,829	83,252
Deferred income	24	10,067	21,972
Provision due to site restoration	25	12,352	11,128
Long-term liabilities and obligations		580,614	603,445
Current maturities	22	68,556	16,960
Income tax payable	14.23	10,485	14,175
Trade and other payables	27	46,486	26,642
Short-term liabilities		125,527	57,777
Total liabilities		706,141	661,222
Total equity and liabilities		1,371,594	1,236,166

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

Statement of Changes in Equity for the year 2025

	Share capital	Statutory reserve	Restricted equity	Foreign currency translation	Revaluation account	Retained earnings	Total
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)	(9,255)
Foreign currency translation.....				(59)		(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
Year 2025:							
Equity at 1 January 2025.....	45,549	11,387	1,410	(374)	239,015	277,957	574,944
Profit of the year.....						44,886	44,886
Revaluaton of transmission system.....					79,532		79,532
Current tax on revaluation of transmission system					(15,906)	(15,906)	(15,906)
Foreign currency translation.....				386			386
Changes in Site restoration obligation.....					(389)	(389)	(389)
Total comprehensive profit.....			0	386	63,237	44,886	108,509
Share in net earnings of associated company.....			(207)			207	0
Dividends paid to shareholders.....						(18,000)	(18,000)
Revaluation recognised under retained earnings					(10,898)	10,898	0
Equity at 31 December 2025.....	45,549	11,387	1,203	12	291,354	315,948	665,453

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

Statement of Cash Flows for the year 2025

	Notes	2025	2024
Cash flow from operating activities			
Operating profit		76,892	70,469
Adjustments for:			
Loss (profit) from sales of fixed assets	6	8	7
Depreciation and amortisation	10	37,910	35,560
Working capital from operation before financial items and taxes		114,810	106,036
Operating assets, increase .....	(	3,049)	(3,768)
Operating liabilities, increase		18,170	3,736
Net Cash from operating activities before financial items and taxes		129,931	106,004
Interest income received		3,621	4,962
Interest expenses paid and foreign exchange difference .....	(	21,631)	(17,818)
Taxes paid .....	(	14,200)	(6,169)
Net cash from operating activities		<u>97,721</u>	<u>86,979</u>
Cash flow from investing activities			
Investment in transmission infrastructures .....	(	111,381)	(76,072)
Other investments .....	(	6,883)	(6,772)
Proceeds from sale of fixed assets		48	26
Long-term note, changes .....	(	837)	(546)
Reduction of share capital in an associate company		306	283
Net cash from investment activities	(	<u>118,747)</u>	<u>(83,081)</u>
Cash flow from financing activities			
New long-term liabilities	22	34,945	49,922
Payments of long-term liabilities	22	(17,620)	(36,075)
Dividends paid to shareholders		(18,000)	(13,000)
Change in deferred income		(11,760)	20,000
Net cash from financing activities		<u>(12,435)</u>	<u>20,847</u>
Net (decrease) increase in cash and cash equivalents .....	(	33,461)	24,745
Effect of exchange rate changes on cash and cash equivalents		3,496	(227)
Cash and cash equivalents at 1 January		<u>78,842</u>	<u>54,324</u>
Cash and cash equivalents at 31 December	19	<u><u>48,877</u></u>	<u><u>78,842</u></u>
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.

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 24 February 2026.

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 2024.

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 revalues 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.

Notes, continued

5. Transmission revenue

See accounting policies in note 32k

Transmission revenue consist of:	2025	2024
Energy transmission to power-intensive consumers	100,186	92,277
Energy transmission to distribution system operators	66,250	53,153
Transmission losses and ancillary services	36,774	37,552
In-feed fees	1,610	1,191
Service income	774	938
Transmission revenue total	<u>205,594</u>	<u>185,111</u>

The company's main customers are electricity distributors, large-scale users and electricity producers. Almost 40% of transmission revenue came from business with electricity distributors and just over 60% from business

6. Other income

Other income consist of:	2025	2024
Income from work sold	1,502	2,851
Rental income	338	343
Income from guarantees of origin and certification	740	601
Other income	87	47
Other income total	<u>2,667</u>	<u>3,842</u>

7. Energy procurement costs

Energy procurement costs consist of:	2025	2024
Electricity purchases due to transmission losses	22,486	24,425
Purchase of ancillary services	13,276	11,989
Energy procurement costs total	<u>35,762</u>	<u>36,414</u>

8. Fee to auditors

Fee to auditors consist of:

	2025		2024	
	Audit of Financial Statement	Other service	Audit of Financial Statement	Other service
Deloitte ehf.	88	26	57	17

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:	2025	2024
Salaries	22,706	19,604
Defined contribution plan payments	3,219	2,754
Other payroll expenses	2,011	1,724
Capitalised salaries	(5,348)	(4,131)
Personnell expenses total	<u>22,588</u>	<u>19,951</u>

Notes, continued

9. Personnel expenses, contd.:

Personnel expenses are specified as follows:	2025	2024
Transmission costs	6,354	6,134
System operation	4,852	4,438
Other operating expenses	11,382	9,379
Salaries and other personnel expenses total	<u>22,588</u>	<u>19,951</u>
Average number of employees	167	163
Full-time equivalent units at year-end	170	168
Total number of staff with an employment contract at year-end	170	168

Personnel expenses in Icelandic krona increased by 7.7% but in US dollars the personnel expenses increased by 16.0%.

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

	Thousand ISK		Thousand USD	
	2025	2024	2025	2024
Remuneration of the Board of Directors	19,745	18,454	154	134
Remuneration and benefits of the CEO	71,393	47,674	556	346
Remuneration of six Executive Directors	191,660	180,007	1,493	1,305

In 2025, Guðmundur Ingi Ásmundsson stepped down as CEO of Landsnet and Ragna Árnadóttir took over. The settlement of salaries related to these changes was recorded in 2025.

10. Depreciation and amortisation

See accounting policies in notes 32c and 32d

Depreciation and amortisation are specified as follows:	2025	2024
Depreciation of fixed assets in operation, see Note 13	37,240	34,655
Amortisation and impairment losses, see Note 14	670	905
Depreciation and amortisation recognised in the income statement	<u>37,910</u>	<u>35,560</u>

Depreciation and amortisation are allocated as follows to operating items:

Transmission costs	37,007	34,377
System operation	51	316
Other operating expenses	852	867
Depreciation and amortisation recognised in the income statement	<u>37,910</u>	<u>35,560</u>

11. Financial income and expenses

See accounting policies in note 32m

Financial income and expenses are specified as follows:	2025	2024
Interest income	1,493	3,486
Net gain in fair value of marketable securities	2,173	1,489
Exchange rate difference	0	446
Total financial income	<u>3,666</u>	<u>5,421</u>
Interest expenses	(24,202)	(23,092)
Interest expenses related to refund of in-feed fee	(3,092)	0
Indexation	(1,328)	(1,634)
Exchange rate difference	(1,940)	0
Change in present value of the provision due to site restoration	(738)	(676)
Capitalised interest expense	7,113	4,250
Total financial expenses	<u>(24,187)</u>	<u>(21,152)</u>
Net financial expenses	<u>(20,521)</u>	<u>(15,731)</u>

Notes, continued

11. Financial income and expenses, contd.:

Net financial expenses due to the construction of a transmission infrastructure and capitalised development cost amounting to 7.1 million USD (2024: 4.3 million USD) is capitalised and has been reported as a reduction in financial expenses.

Capitalised financial expenses were 4.9% of capital tied in transmission structures under construction during the year (2024: 5.0%). This is the Company's average finance cost for the year.

12. Income tax

See accounting policies in note 332n

	2025	2024
Income tax recognised in the income statement is specified as follows:		
Deferred income tax for the year	(696)	2,463
Income tax recognised among comprehensive income	(97)	86
Income tax payable	(10,485)	(14,175)
Income tax recognised in the income statement	(11,278)	(11,626)
Effective tax rate	20.1%	21.0%

13. Fixed assets in operation:

See accounting policies in note 32c

Fixed assets in operation:

	Substations	Transmission lines	Other	Total
Cost				
Balance at 1.1.2024	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
Revaluation	52,173	75,547	0	127,720
Additions	178	2,149	2,203	4,530
Transferred from projects under construction	36,283	48,637	0	84,920
Sold	0	0	(216)	(216)
Balance at 31.12.2025	714,356	1,018,459	51,468	1,784,283
Depreciation				
Balance at 1.1.2024	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
Revaluation	19,565	28,624	0	48,189
Depreciation	17,089	18,660	1,486	37,235
Sold	0	0	(160)	(160)
Balance at 31.12.2025	269,724	385,553	24,159	679,436
Carrying amount				
1.1.2024	383,018	534,493	25,699	943,210
31.12.2024	392,652	553,857	26,648	973,157
31.12.2025	444,632	632,906	27,309	1,104,847
Carrying amount without revaluation				
1.1.2024	281,174	378,515	25,699	685,388
31.12.2024	276,009	372,392	26,648	675,049
31.12.2025	301,250	413,647	27,309	742,206

Notes, continued

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 2024. 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 5.58% (2024: 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 the lines and substations were revalued by USD 79.5 million (31.12.24: 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. 2024	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
Indexation	0	17	17
Impact of revaluation of lease liabilities	117	16	133
Depreciation of the year	(8)	(65)	(73)
Balance at 31.12.2025	1,021	742	1,763

Projects under construction:

	2025	2024
Balance at 1.1.	121,726	56,655
Additions	109,171	72,940
Transferred to fixed assets in operation	(84,920)	(13,356)
Transferred frá intangible assets	4,039	5,487
Depreciation of the year	(5)	0
Balance at 31.12.	150,011	121,726

Rateable value and insurance value

The rateable value of the Company's real property amounts to upwards of 91.8 million USD (2024: 79.0 million USD). Assessed value for the same property's fire insurance amounts to 184.3 million USD (2024: 162.5 million USD) and book value amounts to 108.6 million USD (2024: 107.7 million USD). The insurance value of the Company's assets amounts to 778.5 million USD (2024: 699.4 million USD), excluding transmission lines and cables, which are insured by an emergency insurance fund. The Company's emergency insurance amounts to 1,832.7 million USD (2024: 1,403.1 million USD).

Notes, continued

14. Intangible assets:

See accounting policies in note 32d and 32h

	Capitalised development cost	Software	Total
Cost			
Balance at 1.1.2024	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
Additions	2,642	2,072	4,714
Transferred to projects under construction	(4,039)	0	(4,039)
Balance at 31.12.2025	24,554	9,086	33,640
Amortisation and impairment losses			
Balance at 1.1.2024	10,038	4,107	14,145
Amortisation and impairment losses	729	176	905
Balance at 31.12.2024	10,767	4,283	15,050
Amortisation and impairment losses	473	197	670
Balance at 31.12.2025	11,240	4,480	15,720
Carrying amount			
1.1.2024	16,640	2,757	19,397
31.12.2024	15,184	2,731	17,915
31.12.2025	13,314	4,606	17,920

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:

	2025 Share in net earnings	2024 Share in net earnings	31.12.2025 Carrying amount	31.12.2024 Carrying amount
ELMA orkuviðskipti ehf. 100%	(871)	(551)	(2,074)	(1,042)

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:

	2025 Share in net earnings	2024 Share in net earnings	31.12.2025 Carrying amount	31.12.2024 Carrying amount
Orkufjarskipti hf. 48.6%	664	575	5,797	4,891

17. Inventories

See accounting policies in note 32g

Inventories are spare parts and material inventories. Write-down of the year amounted to 83 thousand USD is recognised in the financial statements for the year 2025 (2024: 177 thousand USD).

Notes, continued

18. Trade and other receivables	31.12.2025	31.12.2024
See accounting policies in note 32b		
Trade and other receivables:		
Trade receivables	29,971	27,476
Other receivables	1,929	1,406
Trade and other receivables total	31,900	28,882

At the year-end 79.5% of trade receivables were less than 30 days (2024: 80%).

19. Cash and cash equivalents	31.12.2025	31.12.2024
See accounting policies in note 32b		
Cash and cash equivalents:		
Bank deposits in USD	32,288	48,894
Bank deposits in other currency	5,104	7,389
Money market funds in ISK	11,485	22,559
Cash and cash equivalents total	48,877	78,842

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 2025 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 transferred to restricted reserve account among equity.

Dividends

Dividends in the amount of 18 million USD were paid out in 2025 for the financial year 2024. By comparison, dividends in the amount of 13 million USD were paid out in 2024 for the financial year 2023.

21. Profit earnings per share	2025	2024
See accounting policies in note 32p		
Basic and diluted profit earnings per share:		
Profit to shareholders	44,886	43,136
Weighted average number of ordinary shares at 31 December	45,549	45,549
Basic and diluted earnings per share	0.99	0.95

Notes, continued

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:

	31.12.2025	31.12.2024
Long-term liabilities		
Loan agreement and notes in USD, fixed interest	488,605	467,702
Listed indexed bond loan in NASDAQ OMX in ISK, fixed interest	36,639	34,926
	<u>525,244</u>	<u>502,628</u>
Current maturities on long-term liabilities	(68,556)	(16,960)
	<u>456,688</u>	<u>485,668</u>
Lease liabilities	1,678	1,425
Long-term liabilities total	<u>458,366</u>	<u>487,093</u>

As at year-end 2025, the Company meets all current requirements of loan agreements regarding financial strength.

Terms of long-term liabilities

			31.12.2025		31.12.2024
	Final maturity	Weighted avg. rate	Carrying amount	Weighted avg. rate	Carrying amount
Liabilities in USD	2026-2040	4.56%	488,605	4.51%	467,702
Liabilities in ISK, indexed	2034	5.00%	36,639	5.00%	34,926
Total loans and borrowings			<u>525,244</u>		<u>502,628</u>

Maturities by year of loans and borrowings:

Year 2026 / 2025	68,556	16,960
Year 2027 / 2026	70,807	68,115
Year 2028 / 2027	46,422	66,343
Year 2029 / 2028	47,058	43,982
Year 2030 / 2029	61,297	43,192
Later	231,104	264,036
	<u>525,244</u>	<u>502,628</u>

Change in long-term liabilities are as follows:

	2025	2024
Long-term liabilities at the beginning of the year	502,628	487,330
New long-term liabilities	34,945	49,922
Payment of long-term liabilities	(17,620)	(36,028)
Exchange rate difference on long-term liabilities	3,656	(563)
Indexation and changes of discount on long-term liabilities	1,635	1,967
Long-term liabilities at the end of the year	<u>525,244</u>	<u>502,628</u>

The Company has an agreement with a credit line facility with Landsbankinn hf. in the amount of ISK 45 million USD (31.12.24: 45 million USD) and with Íslandsbanki hf. in the amount of ISK 15 million USD (31.12.2024: 15 million USD). Both facilities were undrawn at the end of the year (31.12.24: 0 million USD).

Notes, continued

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 1,678 thousand USD (31.12.24: 1,425 thousand USD) and with Trade and other payables 84 thousand USD (31.12.2024: 114 thousand USD).

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

	2025	2024
Lease liabilities on 1 January	1,538	1,612
Revaluation due to indexation of lease payments	17	19
Other changes on lease obligations	133 (	12)
Repayment of lease liabilities during the year	(50) (	58)
Exchange rate difference	176 (	23)
Carrying amount on 31 December	1,814	1,538

Impact on profit or loss are as follow:

	2025	2024
Interest expense on lease liabilities	(85) (	74)
Depreciation of leased assets	(73) (	77)
Currency exchange difference	175 (	23)

Maturity analyses - undiscounted contractual maturities:

	2025	2024
Payments within a year	137	116
Payments one to five years	499	434
Payments five years and later	3,242	2,709
Undiscounted contractual maturities total:	3,878	3,259

23. Deferred tax liability

See accounting policies in note 32n

The breakdown of deferred tax liability is as follows:

	2025	2024
Deferred tax liability at 1 January	83,252	76,459
Calculated income tax for the year	11,278	11,626
Deferred tax liability due to changes in site restoration obligation	(97)	86
Correction to income tax liability	(25)	0
Current tax on revaluation of transmission system	15,906	9,256
Income tax payable	(10,485) (	14,175)
Deferred tax liability at 31 December	99,829	83,252

The breakdown of deferred tax liability was as follows at year-end:

	31.12.2025	31.12.2024
Fixed assets in operation	106,124	87,753
Intangible assets	1,579	1,671
Other assets	(418)	794
Provision due to site restoration	(2,470) (	2,225)
Other obligations	(4,757) (	4,731)
Unrealized exchange rate difference	(229) (	10)
Deferred tax liability at 31 December	99,829	83,252

Notes, continued

24. Deferred income

Deferred income is recognised with regard to system contribution and other connection charges paid by customers to the Company. At year-end, deferred income amounted to 10.1 million USD (2024: 22.0 million USD). This year's decrease is due to a change in the assumptions used for calculations for producers. Estimated refunds due to this, as well as the portion of deferred revenue that will be recognised as income next year for other connection costs, are recognised in current liabilities. Connection charges recognised in profit or loss for 2025 amounted to 0.1 million USD (2024: 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:	2025	2024
Balance at 1 January	11,128	10,883
Changes in timing of discount effect accounted for in financial items	738	676
Change in the provision through other comprehensive income	486	(431)
Balance at 31 December	<u>12,352</u>	<u>11,128</u>

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 valued 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 (2024: 6.4%) 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:	31.12.2025	31.12.2024
Trade payables	23,415	17,380
Other payables	21,670	8,247
Liability due to a subsidiary (note 15)	1,401	1,015
Trade and other payables total	<u>46,486</u>	<u>26,642</u>

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 regularly reviewed to analyse market changes and changes within the Company.

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.

Notes, continued

27. Financial instruments, contd.:

Landsnet limits counterparty risk related to customers, for example, with provisions in contracts for minimum purchases of electricity transmission and by requiring guarantees from customers where applicable. Regarding the custody of cash, Landsnet seeks to select financially stable parties to do business with. According to the company's internal criteria, its liquid assets shall be held in deposits and/or securities with the state, commercial banks or other reliable counterparties with a credit rating, and/or in funds that invest in the aforementioned

Trade and other receivables

The company's main customers are electricity distributors, large-scale users, brokers and electricity producers. Almost 40% of transmission revenue came from business with electricity distributors and just over 60% from business with large-scale users, brokers and electricity producers.

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:

	31.12.2025	31.12.2024
Long-term note	6,039	4,626
Receivables with affiliated companies	496	485
Trade and other receivables	31,900	28,882
Cash and cash equivalents	48,877	78,842
Highest possible loss due to credit risk total	87,312	112,835

Impairment losses

In the year 2025, an impairment loss of 2.9 million USD was recognised of accounts receivable (2024: 0.1 million USD). 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. 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:	Carrying amount	Contractual cash flow	Within 12 months	1-2 years	2-5 years	After 5 years
31.12.2025						
Long-term liabilities	529,683	653,921	92,841	90,844	200,822	269,414
Trade and other payables	26,652	26,652	26,652	0	0	0
	556,335	680,573	119,493	90,844	200,822	269,414
31.12.2024						
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

Notes, continued

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. About half 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
31.12.2025		
Cash and cash equivalent	14	16,571
Trade and other receivables	7	15,746
Long-term notes	0	6,039
Trade and other payables	(3,895)	(38,218)
Other long-term liabilities	0	(36,639)
Net currency risk	(3,874)	(36,501)
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)

	Av. exch. rate for the year		Year-end exch. rate	
	2025	2024	31.12.2025	31.12.2024
Currency risk				
EUR	0.89	0.92	0.85	0.96
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 2024.

	31.12.2025	31.12.2024
EUR	310	177
ISK	2,920	284

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.

Notes, continued

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	
	31.12.2025	31.12.2024
Financial instruments with floating interest rate		
Financial assets	48,877	78,842
Financial instruments with fixed interest rate		
Financial assets	6,039	4,626
Financial liabilities	(525,244)	(502,628)
	(519,205)	(498,002)

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 2024.

	Earnings	
	100bp increase	100bp decrease
31.12.2025		
Financial instruments with floating interest rates	544	(544)
Cash flow sensitivity (net)	544	(544)
31.12.2024		
Financial instruments with floating interest rates	530	(530)
Cash flow sensitivity (net)	530	(530)

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:

	31.12.2025		31.12.2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term liabilities	(525,244)	(532,681)	(502,628)	(505,589)

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 2024.

Notes, continued

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
31.12.2025				
Long-term note		5,679		5,679
Receivables from related parties		496		496
Trade and other receivables		31,187		31,187
Cash and cash equivalents		48,877		48,877
	0	86,239	0	86,239
Long-term liabilities			525,244	525,244
Trade and other payables			42,850	42,850
	0	0	568,094	568,094
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
Loans from parent company				
Other long-term liabilities			502,628	502,628
Trade and other payables			21,973	21,973
	0	0	524,601	524,601

(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 (2024: 7.0%).

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 2024.

	Earnings	
	100bp increase	100bp decrease
31.12.2025		
Inflation-indexed financial instruments	(314)	314
Cash flow sensitivity (net)	(314)	314
31.12.2024		
Inflation-indexed financial instruments	(295)	295
Cash flow sensitivity (net)	(295)	295

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 equity 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.

Notes, continued

28. Related parties

Definition of related parties

The Company has a related-party relationship with its shareholders, subsidiary, associate, directors, executive 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

	2025	2024
Sale of goods and services:		
Subsidiary and associate	147	64
Landsnet's other shareholders	44,112	38,524
Sale of goods and services to related parties total	<u>44,259</u>	<u>38,588</u>
Cost of goods and services:		
Subsidiary and associate	4,468	2,427
Landsnet's other shareholders	4,794	3,208
Cost of goods and services to related parties total	<u>9,262</u>	<u>5,635</u>

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:

	31.12.2025		31.12.2024	
	Receivables	Payables	Receivables	Payables
Landsnet's subsidiary				
and associated company	496 (	1,401)	485 (	1,015)
Landsnet's other shareholders	4,807	0	4,426	0
Total	<u>5,303 (</u>	<u>1,401)</u>	<u>4,911 (</u>	<u>1,015)</u>

Other receivables and payables with related parties are as follows:

	31.12.2025	31.12.2024
Interest-bearing long-term note to subsidiary and associate	5,679	4,128
Total	<u>5,679</u>	<u>4,128</u>

29. Other matters

With the ruling of the Supreme Court in case no. 2/2024, which was delivered on June 5th 2024, 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, and amounted to a total of 3.1 billion ISK. During the same period, the transmission charge collected from electricity users was lowered accordingly, as the company's total revenue is determined on the basis of a revenue cap set for Landsnet by the National Energy Authority in accordance with the provisions of 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.

Notes, continued

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 2025 and the Tariff for distribution utilities on March 1st 2025. The long-term effects of the repayment is therefore estimated to be insignificant, with the effects largely reversing by the end of 2025. Therefore, the effect of the refund is largely reversed by the end of 2025.

Four parties appealed the transmission tariff for major users no. 54, which took effect on 1 January 2025, to the Electricity Appeals Committee. The appellants are two major users on the one hand and two electricity producers on the other. In all cases, the appellants' claim includes a demand that the tariff be repealed. The appellants' main argument for repealing the tariff is that the increase in the transmission tariff is unlawful because the tariff increase constitutes an illegal increase in Landsnet's revenue cap in order to finance the reimbursement of the feed-in tariff to electricity producers following a Supreme Court judgment. Landsnet believes the appellants' arguments are unfounded, as the aforementioned Supreme Court ruling in case no. 2/2024 did not affect Landsnet's revenue cap. Landsnet's increase in the specified tariff is based on the fact that the issuance of credit notes and the reimbursement of the feed-in tariff created scope within the current revenue cap for the increase that tariff no. 54 entails. The National Energy Authority reviewed the tariff and made no objections to it, and in its review, it accepted Landsnet's aforementioned reasoning for the increase. The Appeals Committee dismissed the appeal cases with rulings issued on 25 August 2025 on the grounds that the National Energy Authority's decision did not constitute an appealable administrative decision.

In October 2025, a failure occurred at the Norðurál aluminium smelter in Grundartangi, which, according to a company announcement, will cause Norðurál's aluminium production to be reduced by two-thirds for an indefinite period. The electricity transmission to Norðurál will be reduced accordingly. The impact of this failure was insignificant in 2025, but there is uncertainty about its impact on the 2026 financial year as it is not yet known when the smelter will return to full capacity. The electricity transmission agreements with Norðurál contain take-or-pay provisions which stipulate that payment must be made for the transmission of 85% of the contracted power and energy, regardless of the actual amount transmitted, and on this basis, the impact on the expected operating results is not significant. Norðurál has announced that the failure can be attributed to force majeure, which should lead to the cancellation of the take-or-pay obligation, but that outcome would have a greater impact on the expected revenue from the company. Landsnet disagrees with this interpretation and has disputed it.

30. Financial ratios

The company's key financial ratios:

Financial performance:	2025	2024
EBIT	76,892	52,685
EBITDA	114,802	92,300
Financial position:	31.12.2025	31.12.2024
Current ratio – current assets/current liabilities	0.70	1.98
Equity ratio – equity/total assets	48.5%	46.5%
Return on average equity	7.2%	8.0%

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.

Notes, continued

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	29
b. Financial instruments	29
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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 in 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 classifies non-derivative financial assets into the following categories: 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.

Notes, continued

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 acquisition 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.

Notes, continued

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) Development cost

Development 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 development costs is capitalised except when there is a extended delay on the projects. Development 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 necessary 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.

Notes, continued

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 assets 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.

Notes, continued

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 liabilities, as applicable. Leased assets are disclosed among Fixed assets in operation in the statement of financial position.

Notes, continued

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 2025 amounted to 2.0 million USD (2024: 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 20%.

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 and 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.

Notes, continued

32. Accounting policies, contd.:

o. Segment reporting

According to the Electricity Act, the company is only permitted to handle the transmission of electricity and system operation in Iceland, in addition to being permitted to operate an electricity market. Landsnet's subsidiary, Elma orkuviðskipti ehf., began operating an electricity market in March 2025, but its operations are still insignificant. Therefore, the current activities are only considered as a single operating segment, and no segment information is disclosed.

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 Group has applied the following 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 2025.

- IAS 21 The Effects of Changes in Foreign Exchange Rates	How to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.
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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 the following new standards or amendments to IFRSs that have been issued but are not yet effective for the financial year 2025:

	Effective date
- IFRS 18 Presentation and Disclosures in Financial Statements	1 January 2027
- IFRS 19 Subsidiaries without public accountability: Disclosures	1 January 2027

It is management's assessment that the implementation of IFRS 18 will affect the presentation of information in the financial statements without affecting accounting estimates. Preparations for the implementation of the standard are underway, but the effects are not yet known. The European Union has not yet confirmed the implementation of IFRS 18 and IFRS 19, but confirmation of IFRS 18 is expected in the first quarter of 2026. It is also management's assessment that the implementation of other standards or improvements to standards that have been issued but have not yet taken effect will have no or an insignificant effect on the financial statements.

Appendix 1: Corporate Governance Statement

Role of Landsnet hf.

The role of Landsnet hf. under the Electricity Act No. 65/2003 is to operate the electricity transmission system and manage system operations. The company is obliged to ensure and maintain the long-term capacity of the transmission system and ensure the operational security of the electricity system. Landsnet is also responsible for balancing electricity generation and demand at all times and managing the settlement of energy flows nationwide. Furthermore, the company is to promote the efficiency of the electricity market.

Landsnet is a limited company owned by the Icelandic National Treasury (93.22%) and Orkuveita Reykjavíkur (6.78%) and began operations at the start of 2005. The company operates under a special licence and is subject to the supervision of the National Energy Authority, which determines the revenue cap on which income and tariffs are based.

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 a board meeting of Landsnet hf. on 15 May 2025 and are available on the company's website www.landsnet.is

Internal control and risk management

The Audit Committee supervises the financial reporting process, as well as the arrangement and effectiveness of internal controls. To ensure that Landsnet's financial statements comply with good accounting practices, the company has emphasised well-defined areas of responsibility, a reasonable segregation of duties, as well as regular reporting and transparency in its operations. Monthly reporting and reviews for individual divisions are an important part of monitoring performance and other key aspects of the operations.

Risk management is part of Landsnet's management system, with the aim of ensuring successful, responsible and continuous operations. The implementation of risk management is based on the principles and guidelines of international standards, and the division of responsibilities aligns with its internal controls and structure. Particular emphasis is placed on risk management being part of the company's culture, and on employees being familiar with and working in accordance with the risk management framework. The company has conducted a risk assessment of its operations. In that process, Landsnet's risk profile was divided into three categories: operational risk, financial risk and strategic risk.

The objective of the risk assessment is to analyse and identify all risk factors that may arise in the company's operations and to examine their potential impact on the business. If their impact is outside the accepted risk appetite, it is necessary to take action to reduce the risk. Subsequently, countermeasures are planned to prevent or minimise the impact of these risk factors and also, where applicable, a defined plan for responding to unexpected events. The development of defined risk factors is monitored on a regular basis, and at the same time, countermeasures are reviewed and response plans are revised.

The company has identified the main impacts, both positive and negative, risks and opportunities related to sustainability in its operations, including climate risks. Based on a double materiality assessment, sustainability risks have been identified, mapped and defined as part of risk management. Emphasis is placed on ensuring that sustainability is part of the company's strategy, risk analysis and investment decisions.

The Board of Directors supervises the company's risk. Further information on risk management can be found in note 27 to the company's annual financial statements.

Diversity, values and Code of Conduct

At Landsnet, the human resources and human rights policy is an integral part of the company's overall strategy. Landsnet emphasises respecting human rights and equality in all its operations, ensuring diversity, and that everyone who works for the company is valued on their own merits and that different perspectives are appreciated. Great emphasis is placed on equality and ensuring that everyone can enjoy their human rights regardless of origin, nationality, skin colour, religion, political opinion, gender, sexual orientation, age, economic status, disability, health, or any other status.

Corporate Governance Statement, contd.:

The company's equality plan outlines measures to increase diversity among staff. Landsnet's Human Resources and Human Rights Policy, as well as the company's equality plan, can be found on the website, www.landsnet.is. Staff must be guided by Landsnet's values in all their work and activities. The values are based on the company's role and vision and are the foundation of the desired corporate culture. Landsnet's three values are respect, cooperation and responsibility.

Landsnet's Code of Conduct was approved at a board meeting on 22 August 2024 and is established to promote integrity, fairness and equity among staff towards each other, the company and its customers. The rules are intended to strengthen the trust and confidence of customers and the public in Landsnet hf. and to limit the risk of damage to Landsnet's public reputation. It is the assessment of the Board of Directors of Landsnet hf. that a clear code of conduct, which is upheld in daily work, is the foundation for the company's success and future growth. Landsnet hf.'s Code of Conduct applies to everyone who works for the company, including board members and the CEO. Landsnet's Code of Conduct is available at the company's head office and on the company's website, www.landsnet.is.

Future vision and policy focus areas

The basis for our operational and investment priorities has been established through a three-year strategy, with the most recent one set for the years 2023–2025. Landsnet is currently developing a new strategy, thereby laying the groundwork for the company's priorities for the coming years. For 2025, the previous strategy served as the foundation, which emphasised a vision based on an “Electrified future in harmony with society”. The focus in recent years has been on the significant societal changes that have occurred, with increasing demands for access to electricity and a secure energy supply. Emphasis was placed on the value that would be created by an efficient and reliable transmission system, responsible operations, sustainability, responsible investments and financing, an active energy market, and transparency in business.

Policy focus areas

Landsnet defined four key priorities to reflect the company's strategy for the years 2023-2025.

An efficient and reliable grid

Transmission systems need to meet the demands of today while also being able to tackle future challenges. They are in constant development, which must ensure diverse access to the electricity market while being guided by the principle of economy. Success is achieved by focusing on preparation and planning, and by simplifying processes and making them more efficient. By successfully developing the transmission system, capital is better utilised and tariff increases can be kept in check.

Responsible operations, investment, funding and sustainability

The electricity transmission system is part of a larger context, and therefore the company's decisions can have a positive impact on society. The emphasis is on utilising opportunities in the value chain related to cost, waste and environmental impact. The opportunities also extend to all factors that lead to delivering the right product, at the right price, at the right time. The goal is to minimise the impact of construction and operations on the environment and nature. Social responsibility is inherent in the operation of the transmission system, whether it relates to nature, the management of funds or the secure delivery of electricity.

Data-driven services based on real-time information

The company's objective is to increasingly use data for decision-making, process automation and information dissemination. To achieve this, the data environment must be efficient and accessible to the community.

An efficient electricity market, business transparency and pricing transparency

The role of the energy market is to deliver the most favourable prices to consumers at any given time. In addition, an active, open and transparent energy market is the most powerful tool for ensuring energy security, energy efficiency and equal access to energy for all parties. Transparent price formation, which is a characteristic of an active energy market, ensures a balance between supply and demand, and such a balance is a matter of long- and short-term energy security. It is necessary to build an environment for an active energy market in Iceland. By working towards increased energy security, energy efficiency and access for new parties to the market, conditions are created for transparent price formation in the market.

Corporate Governance Statement, contd.:

To support the strategic priorities, two supporting priorities are defined, which focus on internal matters such as human resources, culture, working methods and approach.

Human resources & culture

Culture is the collective mindset of all employees. Employee dedication supports initiative, a results-oriented mindset and the motivation to succeed. The focus is on building a culture characterised by trust and encouragement for constructive discussion. Emphasis is placed on ensuring that communication with external or internal stakeholders is characterised by a constructive approach and integrity. To achieve the goals of dedication, emphasis is placed on training those who work at the company, as well as on safety and mental and social well-being.

Procedures & approach

The customer is at the forefront, and the emphasis is on ensuring that working methods and the approach to project solutions are based on commercial priorities, with a special focus on the value being delivered. With an emphasis on sustainability in operations, environmental impact is minimised, investments and financing are cost-effective, and the focus is on increasing efficiency. In operations and investments, the focus is on value creation in the operation and delivery of electricity and on cost-effectiveness. Personal safety is a priority at Landsnet, with an emphasis on ensuring that all employees and contractors working for Landsnet return home safely after work.

Landsnet's management structure

The company's Board of Directors is appointed for a term of one year and consists of five members and two alternates. The company's Executive Board is composed of seven individuals: the CEO and six managing directors. The Audit Committee is the only sub-committee of the Board, comprising two board members and one external member. In addition, the Board of Directors also serves as the Remuneration Committee. The Risk Committee is composed of the CEO and three managing directors.

Relations between shareholders and the Board of Directors/management

In accordance with the provisions of the Act on the Establishment of Landsnet No. 75/2004 and the Electricity Act No. 65/2003, the company's board members must be entirely independent of electricity generation, distribution and sales companies, regardless of whether such companies are owners of the company or not. This is to satisfy the legal requirements that the transmission system operator maintains complete impartiality and non-discrimination in its operations.

Board of Directors

The Board of Directors of Landsnet hf. has the ultimate authority in the company's affairs between Annual General Meetings. The Board is responsible for the company's strategy and major decisions between shareholders' meetings, which are specified in, among other places, the Board's rules of procedure. It supervises all the company's operations and ensures that its activities are generally in good and proper order. It ensures that there is adequate supervision of the management of the company's funds and that its accounting and financial statements are in good order. The Board appoints the company's CEO. All board members are independent of the company and its shareholders in accordance with Article 8 of the Electricity Act No. 65/2003.

Annually, at the Annual General Meeting, five principal members and two alternate members are elected to the company's board. A nomination committee on behalf of the Ministry of Finance and Economic Affairs submitted a proposal for board members based on the applicants' qualifications, and the new board took office on 28 March 2025.

The company's board consists of:

Haraldur Flosi Tryggvason Klein, Chairman of the Board

Haraldur Flosi Tryggvason Klein, Chairman of the Board, was born in 1966. He works in Reykjavík and his main occupation is as a lawyer, but he has also been involved in consultancy and teaching, and has served on the boards of companies and associations. Haraldur holds a Cand.Jur. degree from the University of Iceland and completed postgraduate studies in European Law for a Magister Juris degree from the University of Oxford and an MBA degree from Oxford Brookes University. Haraldur has extensive experience of serving on the boards of public companies. Among other things, he was the Chairman of the Board of OR for a number of years and Vice Chairman of the Board of Landsvirkjun for a time.

Corporate Governance Statement, contd.:

He was elected to the Board of Landsnet at the Annual General Meeting on 28 March 2025. Haraldur has no vested interests in the company or its main customers.

Harpa Þuríður Böðvarsdóttir, Board Member

Harpa Þuríður Böðvarsdóttir, board member, was born in 1975. She holds a master's degree in corporate finance from Reykjavik University and in management and strategy from the University of Iceland and Copenhagen Business School. Harpa also has a BA in political science from the University of Iceland and the University of South Carolina. She is the Deputy Director General at the Icelandic Transport Authority, having previously been the Director of Strategy and Performance at Veitur. She also held management positions at Actavis for a number of years. Harpa has extensive experience in the international pharmaceutical industry, infrastructure operations and Icelandic public administration. Harpa has served on the boards of various companies and on committees for the municipality of Ölfus.

Harpa was elected to the board of Landsnet in 2025 and has no vested interests in the company or its main business partners.

Kristján Arinbjarnar, Board Member

Kristján Arinbjarnar, board member, was born in 1960. He holds an M.S. in engineering and has over 35 years of experience in design, consultancy and construction, including as managing director at ÍAV (2000–2024). Kristján has been self-employed since 2024, specialising in project management, strategic planning and cost control. In addition, Kristján has taught at the University of Iceland and served on the boards of various professional associations.

Kristján joined the board of Landsnet on 28 March 2025 and also sits on Landsnet's audit committee. He has no vested interests in the company or its customers.

Ruth Elfarsdóttir, Board Member

Ruth Elfarsdóttir, Board Member, was born in 1967. Ruth has over 30 years of experience in financial and operational management in major companies and institutions in Iceland. She holds an M.Sc. in Management and Strategy from the University of Iceland and a degree in Business Administration with an emphasis on auditing. She has also completed the Certified Board Member programme at the University of Iceland. Ruth is the CFO of Sensa by Crayon. She was previously the CFO at the Icelandic Road and Coastal Administration (IRCA) (2019-2023), the CFO at Alcoa Fjarðaál for 12 years, and before that, she was the Head of Accounting at Samskip hf. and the Head of the Economics Department at Skeljungur hf.

Ruth was elected to the Board of Directors of Landsnet on 28 March 2025 and also serves on Landsnet's Audit Committee. Ruth has no vested interests in the company or its main customers.

Stefán Pétursson, Board Member

Stefán Pétursson, board member, was born in 1963. Stefán Pétursson is the CFO of the pharmaceutical development company EpiEndo Pharmaceuticals ehf. He has decades of experience in the energy and financial sectors, where he previously held management positions at Landsvirkjun and was the CFO of Arion bank for a number of years. Stefán is the Vice-Chairman of the Board of Directors of Íslandsbanki and has also served on the boards of numerous companies and institutions. Stefán holds a degree in business administration from the University of Iceland and also has an MBA from Babson College in Boston, USA.

Stefán was elected to the Board of Directors of Landsnet on 28 March 2025 and has no vested interests in the company or its main customers.

The alternate board members are Ásta Sóllilja Guðmundsdóttir and Einar Þorsteinsson, and they were both elected as alternate members at the Annual General Meeting on 28 March 2025.

The company's board of directors consists of three men and two women, and the alternate board consists of one woman and one man. The board of directors of Landsnet hf. therefore meets the requirement of Article 63 of the Public Limited Companies Act that the proportion of each gender on the board shall not be less than 40%.

The Board held 17 meetings during 2025. The Board was fully attended at all meetings except for two.

Corporate Governance Statement, contd.:

Landsnet's CEO and Executive Committee

Duties of the President & CEO

The CEO is responsible for the day-to-day operations of the company. The CEO holds decision-making authority in all matters concerning the company that are not assigned to others pursuant to Act No. 2/1995 and the company's Articles of Association. The CEO is in charge of the company's operations in accordance with the rules or decisions of the Board of Directors, pursuant to its Articles of Association and the law. The CEO has the power of procurement and signs for the company. The CEO is authorised to grant other company employees the authority to exercise specific powers related to their duties, subject to the approval of the company's Board of Directors.

The CEO is responsible for analysing, measuring, monitoring and supervising the risks associated with the operations. The CEO must maintain an organisational chart that clearly specifies areas of responsibility, staff authorisations and lines of communication within the company. The CEO shall, in consultation with the company's board of directors, formulate objectives for internal control and monitor the effectiveness of that control system. The CEO prepares board meetings together with the chairman of the board and regularly reports to the board on the company's operations and financial standing.

In 2025, Guðmundur Ingi Ásmundsson stepped down as CEO of Landsnet and Ragna Árnadóttir took over on 1 July.

Ragna Árnadóttir, CEO & President

Ragna was born in 1966. She is a lawyer by education, with a Candidatus Juris degree in law from the University of Iceland, in addition to an LL.M. degree in European Law from Lund University. Ragna has a varied professional background. She previously worked as Secretary General of Althingi, for the Nordic Council and in government ministries. She has also served as Minister of Justice and Ecclesiastical Affairs and later as Minister of Justice and Human Rights, and was the Deputy CEO of Landsvirkjun for eight years. Alongside these roles, Ragna has held various positions of responsibility and trust. She has no vested interests with the company's main customers or shareholders. Ragna started as CEO of Landsnet on 1 July 2025.

Members of Landsnet's Executive Committee in addition to CEO consists of:

Guðlaug Sigurðardóttir, EVP and Chief Financial Officer (CFO) and Deputy CEO

Guðný Björg Hauksdóttir, EVP HR and Continuous Improvements

Jóhannes Þorleiksson, EVP Information Intelligence & Technology

Nils Gústavsson, EVP Asset Management and Operation

Svandís Hlín Karlsdóttir, EVP of Market and System Development

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

Kristján Arinbjarnar, Director of Landsnet's Board

Ruth Elfarsdóttir, Director of Landsnet's Board

The Audit Committee of Landsnet hf. has established its rules of procedure, in which its role is defined as follows: The Audit Committee shall, among other things, have the following role, without prejudice to the responsibilities of the Board of Directors, management or others in this area:

- Monitoring the financial reporting process.
- Monitoring the system and effectiveness of the company's internal control, internal audit where applicable, and risk management.
- Monitoring the audit of the annual financial statements and other financial information of the company.
- Assessing the independence of the company's auditor or audit firm and monitoring other work performed by the auditor or audit firm.

Corporate Governance Statement, contd.:

The committee then makes recommendations for improvements and considers matters at the request of the board. The audit committee submits a proposal to the Icelandic National Audit Office for a certified auditor or audit firm for the company each year, but the Icelandic National Audit Office submits a final proposal to the company's annual general meeting.

A total of 8 meetings of the Committee were held in 2025 and all meetings were attended by all Board members.

Remuneration Committee

The Board of Directors of Landsnet hf. serves as the remuneration committee and has approved a remuneration policy for the company. The remuneration policy was approved at the company's Annual General Meeting on 28 March 2025. The remuneration policy is available on the company's website. Matters relating to the remuneration committee are addressed at board meetings as appropriate.

Appendix 2: Non-financial information

Role, policy and business model

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

Landsnet is a limited company responsible for the transmission of electricity and the management of the electricity system in accordance with Act No. 75/2004 on the establishment of Landsnet hf. The company is supervised by the National Energy Authority, which, pursuant to Article 12 of the Electricity Act, is also responsible for determining the company's permitted revenue from its licensed activities, known as the revenue cap. The revenue cap is determined in advance for five years at a time, for transmission to large-scale users on the one hand and to distribution system operators on the other. The company's tariff for electricity transmission is based on the revenue cap and forecasts for electricity transmission and power demand. The company also collects a fee from users for the electricity lost in the system, known as transmission losses, and for services related to the management of the system, known as system services. The company's revenue for transmission losses and system services is based on the cost price of the service plus a permitted mark-up. The company's tariffs are supervised by the National Energy Authority.

Landsnet's current strategy is based on the company's role and vision for the future. The strategy is reflected in strategic priorities that have been the guiding light in the company's operations. The core of Landsnet's vision has been an "Electrified future in tune with society", which takes into account that modern societies rely to an ever-increasing extent on a secure supply of electricity. It is therefore necessary to strengthen the operation of the electricity transmission system to meet changing needs and to ensure a secure energy supply for businesses and the public in the country. The company emphasises a value-based approach in its strategic priorities, and projects are assessed based on security of supply and efficiency, but also with a view to minimising environmental impact and maximising the utilisation of investments and resources for customers and society as a whole.

A clear strategy is a key factor in the successful operation of companies. In the latter half of 2025, a strategy development process began with the aim of combining the experience and knowledge of staff, the needs of customers and the expectations of owners into a strategy that gives Landsnet a strong foundation for future decision-making. It is anticipated that Landsnet's new strategy will be launched in the spring of 2026.

Landsnet has published a sustainability policy and has been working on mapping the company's sustainability risks. To do this, a double materiality assessment was used, which was first carried out in 2023. In 2025, the materiality assessment was reviewed and re-evaluated based on significant factors and changes in the international environment, and subsequently, sustainability risks were also reassessed.

Infrastructure of key importance for society at large

The electricity transmission system is considered a key infrastructure in the country. Power outages can be widespread and have significant consequences for households, businesses, and the operation of other important infrastructures such as telecommunications.

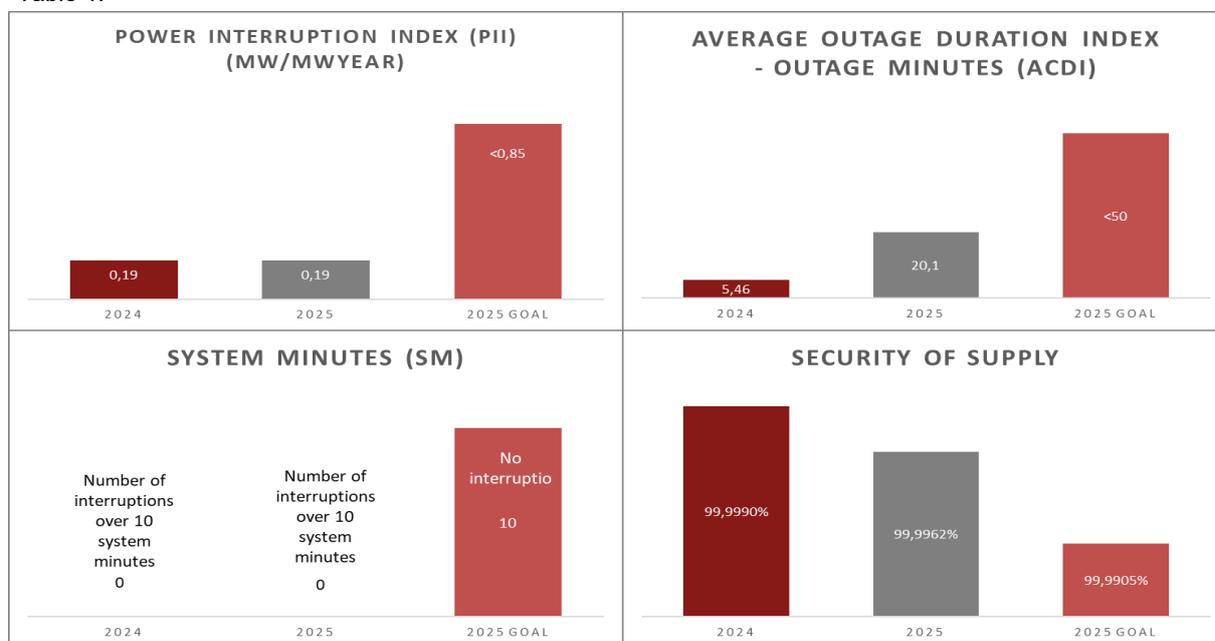
It is important that the transmission system ensures public access to a secure energy supply and, at the same time, handles the transmission of the electricity that market participants trade at any given time, in the quantity and of the quality agreed upon. One of the company's key strategic priorities is to work for the community with the goal of ensuring the security of electricity supply. According to Regulation 1048/2004, the company must set its own targets for electricity quality and security of supply. Three measurable targets are defined, and they were all met in 2025, see Table 1. The targets are:

- Power Interruption Index (PII), where the company's target for 2025 was to be below 0.85 MW/MWyear.
- Average Outage Duration Index - Outage Minutes (ACDI), where the company's target for 2025 was not to exceed 50 minutes.
- System Minutes (SM), where the company's target for 2025 was for no interruption to exceed 10 system minutes.

The company also has a defined corporate metric for security of supply, which measures the percentage of time the system is operational and supply is guaranteed. The company's target for 2025 was 99.9905% security of supply, and this target was achieved, see Table 1 on the next page.

Non-financial information, contd.:

Table 1:



Landsnet is responsible for the operation and control of the transmission system and ensures that there is always a balance between electricity consumption and electricity generation. The role of system control is to coordinate response plans for the disconnection of operational units that affect the operation of the power system, manage system restoration after operational disturbances have occurred, curtail load for users if necessary, and respond to transmission constraints. Landsnet's control centre is always on duty and is staffed 24/7. In the general operation of the system, emphasis is placed on regular maintenance and a good response. Emphasis is also placed on close cooperation with customers in the event of disturbances.

The company has alternated between uncertainty, alert, and emergency phases almost continuously in recent years due to seismic activity on the Reykjanes Peninsula. After seven volcanic eruptions in 2024, the seismic activity continued into the first half of 2025, with eruptions beginning in early April and mid-July. Landsnet does not have significant assets in this area, and in neither eruption did the lava flow threaten the masts on the Svartsengi line, which connects the power plant in Svartsengi to the main transmission system. Landsnet has taken an active part in protecting and rebuilding infrastructure in the area, as the company is part of both the emergency management of the electricity system and the coordination centre of the Department of Civil Protection and Emergency Management. Should the seismic activity continue in the coming years, the company has a response plan for protection and for keeping the electricity system operational.

On the basis of civil protection and social responsibility, Landsnet has participated in procuring backup power for the area, and has transported and erected structures on behalf of the Department of Civil Protection and Emergency Management to secure the electricity supply in the area.

The company's policy is that construction projects are carried out in harmony with the community, and emphasis has been placed on providing information and engaging in dialogue with stakeholders. The company has established a stakeholder council to create broad-based consultation and a forum for discussion between stakeholders in the community about the development of the electricity system. The council is intended to be an advisory body for Landsnet and a platform for discussing Landsnet's strategy, plans and analyses with regard to the needs and future challenges of the community and stakeholders. Representatives of 19 stakeholders sit on the council, in addition to a chairperson appointed by the Ministry of the Environment, Energy and Climate. A more detailed description and arrangements are published on the Landsnet website.

Non-financial information, contd.:

Project councils are established for larger regional investment projects. These bring together the main stakeholders, apart from landowners, at regular intervals. Information and consultation meetings have also been held with landowners. The aim is to create a forum to ensure more active dialogue while increasing understanding and the flow of information between stakeholders in the run-up to decisions on projects carried out by Landsnet. The focus is on the efficiency of the construction and operation of the transmission system for the benefit of customers and the public.

In 2025, the Vestmannaeyjar cables 4 and 5 between Rimakot and the Westman Islands were commissioned, along with Rimakot line 2 between Hella and A-Landeyjar. The installation of these cables significantly increased the security of supply to the Westman Islands.

New construction projects during the year were also related to the general development and reinforcement of the transmission system. These include a new substation at Breiðadalur in Öundur fjörður and at Vegamót on the Snæfellsnes peninsula. The installation of a new underground cable for Kópasker Line 1, which connects Kópasker to the main transmission system, was also completed.

The company emphasises good service to its current and future customers. The company's current customers are relatively few, as it is a wholesale business. To this end, satisfaction with the company's service is measured annually. The long-term goal is to achieve a score of 4.2 on a scale of 1-5. The score for 2025 decreased year-on-year, measuring 3.7, compared to 3.9 for 2024. The customer satisfaction target was therefore not met during the year.

Operational and development risks

The electricity transmission system is one of society's most important infrastructures, and with this in mind, the company works to ensure its continuous operation. The company has active response plans in place for its operations and maintains a close and positive collaboration with the Department of Civil Protection and Emergency Management of the National Commissioner of the Icelandic Police regarding emergency responses. The company has implemented a management system and procedures to ensure continuous operation and has developed response plans concerning the company's operations. These plans were followed and adapted as appropriate.

In recent years, the company has worked systematically to build stronger foundations for risk assessment in its operations and development, including through business continuity plans. Landsnet's managers and key personnel identify the company's financial and non-financial risks and assess their significance. The company's risk register is used to determine actions to manage or mitigate risk. The IST ISO 31000 standard has been used as a basis for this work.

In the operation of the power system, there are response plans in place for major events that could jeopardise the company's operations, such as hazards from storms, earthquakes, volcanic eruptions, pandemics, cyberattacks, disruptions, etc. Response plans are also maintained for operations and for each division.

Response exercises for power outages and natural disasters are held regularly and are often carried out in collaboration with both customers and other key stakeholders. Landsnet is in charge of the NSR, the Emergency Cooperation of the Power System, which is a collaborative platform for generation companies, the transmission system operator, distribution system operators, large-scale users and public bodies in Iceland in the event of a threat to the generation, transmission or distribution of electricity and/or to large-scale users. The CEO of Landsnet sits on the Civil Protection and Security Council in accordance with Paragraph 2 of Article 4 of Act No. 82/2008 on the Department of Civil Protection and Emergency Management.

In recent years, the company has faced increased risk due to severe weather and volcanic eruptions. The company works closely with the Department of Civil Protection and Emergency Management of the National Commissioner of the Icelandic Police, and a Landsnet employee is a representative in the Department of Civil Protection and Emergency Management's team when circumstances require. Landsnet monitors these events very closely and assesses the response to them on a case-by-case basis. Landsnet has extensive response plans for such incidents and works closely, at all stages, with experts in the field of natural hazards and weather.

After significant seismic activity and frequent volcanic eruptions in 2024, the situation calmed down somewhat in 2025, although two eruptions occurred, one in early April and another in mid-July. There was no damage to Landsnet's property due to volcanic eruptions during the year. Although there were no eruptions in the latter half of 2025, the area remains under the surveillance of geoscientists.

Non-financial information, contd.:

A risk assessment has been carried out for climate risks with regard to all of Landsnet's infrastructure, i.e. substations, high-voltage lines and underground cables. It is based on different scenarios which showed that, in most cases, climate risks do not have a significant impact on Landsnet's operations. In three cases, it was assessed that climate risks could affect infrastructure, calling for response plans that include, for example, the choice of materials for lines and substations, the routing of lines, the housing of substations and the relocation of underground cables. The risk assessment for Landsnet's infrastructure is an important factor in the future development of the system and maintenance plans, and is useful in environmental impact assessments and for the future siting of infrastructure.

Landsnet has a clear legal obligation to develop the transmission system in a cost-effective manner, taking into account security, efficiency, security of supply, quality of electricity and government policy on the development of the electricity transmission system. Plans for the development of the electricity transmission system are set out in a system plan where projects are assessed based on various factors, including the impact on customers, the environment and the local community.

The development and renovation of the electricity system have been delayed in several projects in recent years, and the company has identified risks related to permitting. The preparation and construction process is long, and the manufacturing and delivery of components for construction can take several years. In the permitting process, there is an open appeals route right up to the end or until a construction permit has been issued. Municipalities issue construction permits for one year, and therefore, they are not applied for until the construction period is imminent.

Landsnet has placed great emphasis on working in harmony with society and the environment. As has been previously stated, during the preparation of projects, we work with the local community in project groups (project councils) and hold regular meetings with a stakeholder council composed of important stakeholders in society. Landsnet believes it is important to ensure the involvement of all stakeholders early in the process and to address differing views in that forum. It is important to try to align procedures and ensure that disagreements are resolved as early as possible in the process.

Supply chains and the impact of world affairs

The supply chain is an integral part of Landsnet's operations, and it is important that suppliers provide their staff with fair working conditions, a safe working environment and respect for human rights. Procedures and metrics have been implemented to analyse the status of sustainability issues, monitor progress and promote transparency in cooperation with suppliers. In 2025, Landsnet began work on increasing requirements for suppliers and implementing a standardised supplier assessment, and it is planned to further increase the requirements in this assessment between years.

Changes to the global trade landscape, where the imposition of tariffs on various goods will put pressure on the world's supply chains, as existing agreements could be disrupted, both in terms of price and delivery times.

The company is closely monitoring the situation and assessing the impact of rising prices and supply chain changes on its future investments. In its decisions, Landsnet will always prioritise and adapt its investment plans to the company's financial capacity and the impact on its tariff.

Management system

Landsnet focuses on continuous improvement, emphasising process orientation and simplifying the management system to increase the overall operational efficiency of the company, with a focus on, among other things, customer service. The company adheres to international management standards and meets relevant requirements, both legal and others related to its operations. Landsnet has a certified management system in accordance with the ISO 9001:2015 quality management standard, the ISO 14001:2015 environmental management standard, the ISO 45001:2018 occupational health and safety management standard, the ISO 27001:2022 information security standard, electrical safety (RÖSK), and the ÍST 85:2012 equal pay standard. The management system is certified annually by BSI (British Standards Institution).

Non-financial information, contd.:

In the company's operations, plans are made, risk assessments are carried out, and risks and response plans are monitored to ensure business continuity. Risk management is achieved, among other things, through controlled processes that describe the company's operations and the working methods adopted to ensure that the needs and expectations of stakeholders are met. Continuous improvement and follow-up extend to all operations, which are based on international management standards and requirements, including both legal and societal expectations related to the business.

Sustainability and environmental issues

Landsnet's Annual and Sustainability Report is issued and published on the Landsnet website, www.landsnet.is, in parallel with the publication of the annual financial statements. The requirements of the European Sustainability Reporting Standards (ESRS) were taken into account when preparing Landsnet's sustainability report, which was based on a simplified ESRS standard in accordance with updated exposure drafts. A more detailed discussion of sustainability matters can be found in the sustainability report.

Landsnet has a sustainability policy that was developed with reference to the ESRS standards, the United Nations Sustainable Development Goals and ISO certifications. The main priorities of the sustainability policy are issues relating to society, responsible practices and the environment. The company's priorities are reflected in the following three main elements:

Society

- Landsnet adheres to a human resources and human rights policy and equal pay certification to combat the gender pay gap. Emphasis is placed on equality, diversity, safety, knowledge development, job satisfaction and employee well-being.
- Landsnet emphasises open and transparent dialogue with stakeholders and the local community, based on consultation and information sharing.
- The transmission system plays a key role in the utilisation and competitiveness of renewable electricity in the country, which is a necessary prerequisite for the energy transition and thus supports Iceland's commitments on climate issues.
- Landsnet supports research, innovation and development in collaboration with the energy sector and the university and innovation community.

Responsible Governance

- Landsnet places great emphasis on business ethics and risk management, with a focus on sound corporate governance, sustainability and responsibility throughout the value chain.
- Through efficient operations and prudent investments, Landsnet contributes to progress for the business community and the people of Iceland.
- Landsnet has an ISO-certified management system that increases efficiency, quality and continuous improvement in all the company's operations.

Environment

Landsnet is working systematically to reduce greenhouse gas emissions and follows the government's climate policy. At Landsnet, electricity matters are climate matters and play a key role in the nation's energy transition. Landsnet treats natural resources with care when developing and operating its infrastructure. Consideration is always given to how to minimise negative impacts on resources, biodiversity and ecosystems in decision-making and construction. Emphasis is placed on proper finishing at the end of projects, where soil and vegetation displaced by the work are reused. Environmental audits are carried out regularly. Specific elements of the biota are also monitored, especially those that are protected.

Landsnet works towards the sustainable use of resources, the recycling and reuse of waste, and the responsible handling of hazardous substances, with the aim of promoting a circular economy.

The company is committed to reducing the visual impact of electricity infrastructure connected to the transmission system. In the design of new substations and their surroundings, particular attention has been paid to keeping the visibility of the structures to a minimum, with the aim of ensuring they blend in as well as possible with the adjacent environment.

Landsnet's objectives are in line with the government's policy to reduce CO₂ emissions by 2040 and the Paris Agreement's goal of keeping warming within 1.5°C.

Non-financial information, contd.:

One of the company's key metrics is carbon emissions. Metrics and targets have been set to monitor the development of emissions, and the company has set itself the goal of carbon neutrality by 2040. The Greenhouse Gas Protocol methodology is used to calculate the carbon footprint of the company's operations, where emission factors are analysed and classified into Scope 1, which is direct emissions from operations, and Scope 2 and Scope 3, which cover the company's indirect emissions. In 2025, Scope 1 emissions were 5,275 tonnes, compared to 2,777 in 2024. The company therefore did not achieve its target of being under 3,127 tonnes in Scope 1 carbon emissions. More detailed information on greenhouse gas emissions and the transition plan to reduce climate impact can be found in the company's annual and sustainability report on the Landsnet website, www.landsnet.is.

Safety and security management

Companies that operate in accordance with certified management standards are constantly working on improvements and are more likely than other companies to succeed in their operations. The standards systematically support safe operations and efficient work processes with the aim of increasing quality and service, while also improving the personal safety of staff. Likewise, the foundation is laid for increased security at Landsnet with access controls for data and spaces.

Landsnet has a safety manual and work procedures within the company's management system and operates according to the fundamental principle set out therein, that nothing is more important than the personal safety of staff, service providers and contractors. Lessons are learned and changes implemented following every incident to prevent similar incidents from recurring. It is Landsnet's daily policy to create a healthy workplace and a corporate culture that supports staff in contributing to the prevention of accidents and promoting well-being at work.

In 2025, Landsnet based its security priorities on four main pillars:

1) A safety culture strengthened by targeted training, regular root cause analyses, the implementation of new projects and the HOP methodology, with the aim of supporting the company's zero-accident policy. The zero-accident policy, or so-called H-value, is one of the company's key performance indicators for accident frequency, which is measured annually. The H-value is a Scandinavian metric that assesses the frequency of lost-time accidents, taking into account the size and total working hours of companies. Lost-time accidents are workplace accidents that cause employees to be absent from work. The company's goal is always to have no lost-time accidents, and this was achieved in 2025, whereas in 2024 there was one lost-time accident.

2) Management of physical security was tightened, including through the renewal of CCTV systems, more secure locks, evacuation drills, improved procedures and stricter access control, where premises and buildings are divided into different security zones and access is controlled according to the nature and risk of each zone.

3) The safety of employees and contractors, which was enhanced through increased training, clearer procedures and a greater presence of safety matters in daily operations. The safety training of Landsnet's staff is based on the risk factors to which staff are exposed at any given time and takes into account, among other things, risks in construction and operational projects.

4) Cybersecurity and infrastructure protection have been better integrated with physical security in light of the changed security situation, with an emphasis on NIS2 (the European Union's Network and Information Security Directive), robust response plans and cooperation with NSR, CERT-IS and the government. Cybersecurity is an important aspect of Landsnet's operations as the cybersecurity threat is growing. Landsnet has steadily increased its preparedness for cybersecurity threats in most areas. Continued increased emphasis is placed on the cybersecurity of industrial control systems in particular, with the implementation of digital substations, and a special group is active within Landsnet that is involved in the design of security matters.

There is extensive collaboration between Landsnet and the energy companies of the other Nordic countries on cybersecurity matters. There is also good cooperation with European transmission system operators in the field of security through ENTSO-E (European Network of Transmission System Operators for Electricity) on cybersecurity issues.

Landsnet is certified for its information security management system (ISO27001:2013) and undergoes annual certification to further strengthen the company on its journey towards risk-based information security management.

Non-financial information, contd.:

Human resources

Landsnet focuses on creating a positive and constructive corporate culture with a strong team spirit. The company emphasises that communication, both within and outside Landsnet, is characterised by Landsnet's values: responsibility, cooperation and respect. To achieve this, employees and managers must promote an open and frank exchange of views and the effective dissemination of information. The company's policies aim to create a desirable and safe workplace where human rights, equality and employee well-being are at the forefront. Policies and actions are also based on the results of double materiality assessments, according to which the health, safety and well-being of employees, along with skills development and equality, are key factors in the company's operations. These factors affect both society and the company's performance, and with this in mind, clear action plans and metrics have been established to ensure that our HR policies reflect these factors.

One of the company's key metrics is employee engagement, which refers to employees' emotional connection to their workplace, their activity and their interest in their work. Engagement is measured in the annual Q12 workplace survey, which assesses employees' conditions and well-being. The survey is administered to all permanent employees and is conducted by an independent professional body. Responses are measured on a five-point scale, with the company's goal being to achieve a score of over 4.4 for employee engagement. A score above 4.2 on the scale is considered a strength. In 2025, employee engagement was measured at 4.16, which is lower than the company's target but an increase from the previous year when it was 4.04.

The human resources and human rights policy outlines the priorities for gender equality and human resources matters. Emphasis is placed on a diverse workplace and equal opportunities regardless of origin, gender, age or other factors. We work systematically to promote employee well-being through health promotion, regular follow-ups and clear response plans against bullying, harassment and violence.

Recruitment processes are professional and transparent to ensure fairness and impartiality, and to guarantee equal terms and equal pay for the same work or work of equal value. Based on its remuneration policy, the company offers its staff fair and competitive salaries that are in line with comparable companies in the market, but it is not a market leader. The company's pay policy is based on the ÍST 85 equal pay system.

In the equal pay audit for 2025, there was no unexplained gender pay gap, and the deviation is considered insignificant, at only 0.8% in favour of men. Equality matters are important within the company, and the Equality Committee has been active. The committee's role is to oversee the company's equality plan and follow its objectives, as well as to provide education on equality issues, support the equality plan's projects in cooperation with the HR Manager, and present the results of equality initiatives.

The company complies with laws on collective bargaining agreements and ensures that all staff enjoy the rights and benefits stipulated in the agreements. Without exception, all our staff are covered by collective bargaining agreements, which guarantee all legal rights, and 92% of staff are members of trade unions.

Einn af jafnréttisvísium Landsnets er að reikna út ákvörðunarvald kvenna hjá félaginu. Ákvörðunarvald kvenna í fyrirtækjum vísar til þess hversu mikla stjórn, áhrif og völd konur hafa við stefnumótun, ákvarðanatöku og stjórnun innan fyrirtækis. Ákvörðunarvald kvenna (forstjóri, framkvæmdastjórn, millistjórnendur) hjá Landsneti árið 2025 er 44%, hefur hækkað úr 40%. Jafnréttisáætlun fyrir árin 2023-2026 var gefin út árið 2023 og samþykkt af Jafnréttisstofu.

Anti-corruption, bribery measures and human rights issues

Landsnet has adopted a code of conduct that defines standards and rules regarding finances, confidentiality, interests, competition and restrictions, environmental protection, use of company property, and compliance with the rules. The code of conduct is accessible to staff in the company's management system, and staff must confirm that they have read it. Landsnet demonstrates social and ethical responsibility in its procurement by making strict demands on staff and suppliers when carrying out procurement.

Procurement processes are part of the company's management system to ensure that procedures comply with the laws and regulations that apply to Landsnet's procurement. The company has implemented general supplier terms and conditions, which set out basic requirements for the company's suppliers, and a detailed supplier assessment for suppliers who deliver goods, services or carry out work for the electricity system. The general supplier terms and conditions and the supplier code of conduct can be found on the company's website, www.landsnet.is

Non-financial information, contd.:

The company operates with the vision of safeguarding the rights of its employees and service providers, particularly concerning working conditions, health and safety, and appropriate terms of employment. Landsnet requires that everyone who works for the company, including those who work for it indirectly, enjoys rights and terms in accordance with collective agreements and law.

The company's tenders place great emphasis on social responsibility, and suppliers must submit declarations to the effect that human rights are respected. The tender documents contain a provision on suppliers' chain liability, ensuring that all staff, whether they are employees of the supplier, subcontractors, or from a temporary employment agency, receive wages and working conditions in accordance with the applicable collective agreements and laws for their profession. The provision also obliges suppliers to provide the necessary documentation to enable trade unions to carry out inspections and safeguard employees' rights. The supplier terms and conditions require suppliers to comply with the laws and regulations that apply to relations between parties in the labour market.

In the human resources and human rights policy, in addition to what has already been mentioned, emphasis is placed on equality and that everyone should enjoy human rights, regardless of origin, nationality, colour, religion, political opinion, sex, sexual orientation, age, economic status, ancestry, disability, health or other status.

Non-financial key indicators

When formulating the company's strategy for 2023-2025, the Board of Directors approved six key performance indicators. These are presented here together in a table. One of them is financial, the return on equity, which is also disclosed in the financial statements, while five are non-financial and have been mentioned in the text above:

Key Performance Indicator					
Responsible	Are we delivering secure supply of energy to the society and our customers?	Network reliability			
Effective	Are the customers satisfied with our services?	Customer satisfaction			
Responsible	Is our return on equity according to regulations?	Return on equity, ROE			
Responsible	Are we delivering on our climate policies?	CO2 scope 1 (tonn equivalents)			
Ambitious	Are our employees engaged?	Employee engagement			
Responsible	Are our employees operating safely?	No. of accidents (H value)			

Non-financial information, contd.:

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.

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 2024 and reviewed the 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 CO₂e/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.

Non-financial information, contd.:

"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 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 regularly 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.

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.

Non-financial information, contd.:

Human rights

Our Human Resources and Human Rights Policy are an integral part of our overall policy pledge, which places priority on human rights and diversity. We are committed to respecting 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 31%.

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.

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 requirements are not met. In 2025, the gender pay gap was 0.8%.

Our Human Resources and Human Rights Policy are an integral part of our overall policy pledge, which places priority on human rights and diversity. We are committed to respecting 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 Landsnet's equipment requirements, with the same safety requirements applying to all 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 so that all requirements are met. Landsnet has also established a Data Protection policy for both external parties and for its own employees. During the year, work commenced on an updated supplier assessment framework, which has now been fully implemented. The assessment encompasses, among other elements, an evaluation of working conditions, social rights, and employee welfare, as well as suppliers' financial standing, quality management practices, environmental factors, sustainability performance, and information security.

Corruption and bribery

Landsnet has procedures and guidelines in place for whistleblower protection. This includes reporting channels and procedures for deliberations on and handling 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 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.

Non-financial information, contd.:

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.

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 of Iceland. 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 2025 as it appears in Note 5 and 6 to the Financial Statements. Thereof, 98.7% 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 55.

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 118.2 million USD for the year 2025, in accordance with the additions for the year specified in Notes 13 and 14 to the Financial Statements. Thereof, 96.3% derives from Taxonomy-eligible activities and 96.3% derives from environmentally sustainable economic activities. The proportions are in table for capital expenditure on page 56.

Non-financial information, contd.:

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 2025 and derived from maintenance, breakdown, and property rental costs for the Company's transmission infrastructure as well as research and development costs. Thereof, 96.1% derived from Taxonomy-eligible activities and 96.1% derived from environmentally sustainable economic activities. The proportions are shown in the table for operating expenditure on page 57.

EU Taxonomy - Turnover

				Substantial contribution criteria				DNSH criteria (does Not Significantly Harm)				NA = not applicable								
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 turnover year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		# Thousand USD	%	%	%	%	%	%	%	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	205,594	98.7	100	-	-	-	-	-	NA	Y	NA	Y	Y	Y	98.7	98.0	E	-	
Turnover of environmentally sustainable activities (Taxonomy-aligned)(A.1)		205,594	98.7	100												98.7	98.0			
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0																	
Total (A.1 + A.2)		205,594	98.7																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		2,660	1.3																	
Total (A+B)		208,254	100																	

EU Taxonomy - CapEx

				Substantial contribution criteria				DNSH criteria (does Not Significantly Harm)				NA = not applicable								
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)	Category (enabling activity) (20)	Category (transitional 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	113,886	96.3	100	-	-	-	-	-	NA	Y	NA	Y	Y	Y	Y	96.3	96.6	E	-
CapEx of environmentally sustainable activities (Taxonomy-aligned)(A.1)		113,886	96.3	100													96.3	96.6		
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0																	
Total (A.1 + A.2)		113,886	96.3																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		2,810	3.4																	
Total (A+B)		116,696	100																	

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)	Category (enabling activity) (20)	Category (transitional 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	13,271	96.1	100	-	-	-	-	-	NA	Y	NA	Y	Y	Y	Y	96.1	95.1	E	-
OpEx of environmentally sustainable activities (Taxonomy-aligned)(A.1)		13,271	96.1	100													96.1	95.1		
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0																	
Total (A.1 + A.2)		13,271	96.1																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		541	3.9																	
Total (A+B)		13,812	100																	