

Dividend Policy

1. Introduction

Landsvirkjun's Act dictates that decisions on dividend payments are based on the Company's financial performance and profits brought forward from earlier years. The Icelandic state's general ownership policy emphasises the long-term objectives of state-owned companies regarding progress and operations and ensures sufficient maintenance of revenue generating assets. Furthermore, the dividend policy emphasises the importance of state-owned companies returning acceptable rates of return and paying the state reasonable dividends of the owners' equity.

The dividend policy dictates Landsvirkjun's future dividend payments and the subsequent effect on the Company's financial performance. Therefore, the dividend policy is important when communicating with the Company's owners on the one hand and rating agencies and creditors on funding matters on the other.

Landsvirkjun's Board of Directors uses the dividend policy as the criteria for recommending dividend payments to the Company's Annual General Meeting.

Landsvirkjun's Board of Directors sets the dividend policy following a recommendation from the Company's CEO.

2. Scope

The scope of the dividend policy applies to Landsvirkjun's Board of Directors' recommendations for dividend payments in accordance with the Act on Landsvirkjun, No. 42/1983, with later amendments.

3. Definition of Concepts

Not applicable.

4. Dividend Policy

Landsvirkjun's dividend payment is ratified at the Company's Annual General Meeting, which is held in April, in accordance with Article 7 in the Act on Landsvirkjun. This dividend payment dictates the maximum annual dividend payment. The maximum reference is based on the Company's funds from operations from the previous financial year and the scope of investment from the previous financial year, considering the Company's year-end debt level. The guideline is Landsvirkjun's annual financial results. The maximum dividend payment is calculated as follows:

Maximum dividend payment

$$= (\text{Cash flow from operating activities}_{\text{previous financial year}} - \text{Investments}_{\text{previous financial year}}) \times (1 - H) \times H$$

The value of H is calculated as follows:

$\frac{\text{Funds from operations}_{\text{previous financial year}}}{\text{Net debt}_{\text{year-end previous financial year}}}$	H
<20%	20%
20-25%	40%
25-30%	60%
30-40%	80%
>40%	100%

Furthermore, the following financial ratios are used as a guideline:

- Funds from operations (FFO)/Net debt shall not go below 25%
- Equity ratio shall not go below 40%

In addition, when a decision for dividend payment is taken, the impact of expected financial obligations shall be considered, e.g., investments and tax payments.

5. Indicators

Not applicable.

6. Implementation

Landsvirkjun's Board of Directors recommends dividend payments at the Company's Annual General Meeting. The amount shall not be higher than derived from the maximum reference described in Chapter 4, but may be lower.

7. Disclosure

The dividend policy shall be published on the Company's website.

8. Revision

Landsvirkjun's Board of Directors shall review the dividend policy no less than every three years.

9. Ratification

The dividend policy comes into effect with the Board of Directors ratification.

March 15, 2023

Landvirkjun's Board of Directors