

Rating Action: Landsvirkjun

Moody's downgrades Landsvirkjun's rating to Aa1 from Aaa.

Approximately USD1.9billion of debt affected

London, 23 May 2008 -- Moody's Investors Service has today downgraded the senior unsecured rating of Landsvirkjun to Aa1 from Aaa (negative). The rating outlook is stable. The short term Prime-1 rating is unchanged.

Today's rating action is a result of the rating agency's recent downgrade of Iceland's sovereign rating to Aa1 from Aaa (negative). Moody's says that its assessment of Landsvirkjun's baseline credit assessment, government support and default dependence remain unchanged. The rating action therefore solely reflects the downgrade in the sovereign rating.

With 99.9% of its share capital directly owned by the Republic of Iceland, Moody's regards Landsvirkjun as a government-related issuer (GRI). In accordance with Moody's GRI rating methodology, the Aa1 rating of Landsvirkjun reflects the combination of the following inputs:

- The Aa1 local currency rating with stable outlook of Iceland's government

- The high support reflecting (i) primarily the support provided by the Republic of Iceland to the company under its guarantee of collection; and (ii) the strategic importance of Landsvirkjun because of its position as the country's dominant electric utility and the significant and growing role in the economy of the aluminium smelting industry, which relies on baseload electricity provided by hydro and geothermal power from Landsvirkjun.

Landsvirkjun is headquartered in Reykjavik, Iceland and generates, transmits and sells electricity to local public utilities and energy-intensive industries. As at FYE 2007, it reported a turnover of EUR 250 million.

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