



Landsvirkjun's Financial Statements 2015

Net debt decreased by USD 205 million from the previous year

Record sold volume of electricity in the history of the Company 13.9 TWh

Key figures from the consolidated financial statements

- Operating revenues amounted to USD 421.5 million which is a decrease of 3.8% compared to the previous year.
- EBITDA amounted to USD 321.5 million. EBITDA ratio is 76.3% of revenues, compared to 75.8% in the previous year.
- Profit before unrealized financial items amounted to USD 130.6 million, compared to USD 146.9 million in the previous year, which is a decrease of 11.1% from the previous year.
- Profit for the year amounted to USD 84.2 million compared to USD 78.4 million in the previous year.
- Net debt decreased by USD 205.0 million from the previous year and amounted to USD 1,985.4 million at year end.
- Cash flow from operating activities amounted to USD 249.0 million which is an increase of 6.5% compared to the previous year.

Hordur Arnarson, CEO:

“The operations of Landsvirkjun performed well during the year 2015, in a demanding business environment. EBITDA ratio increased between years, despite decreasing aluminum prices and market uncertainty. Profit before unrealized financial items amounted to USD 130.6 million, and sold volume of electricity was 13.9 TWh, a record in the history of the Company.

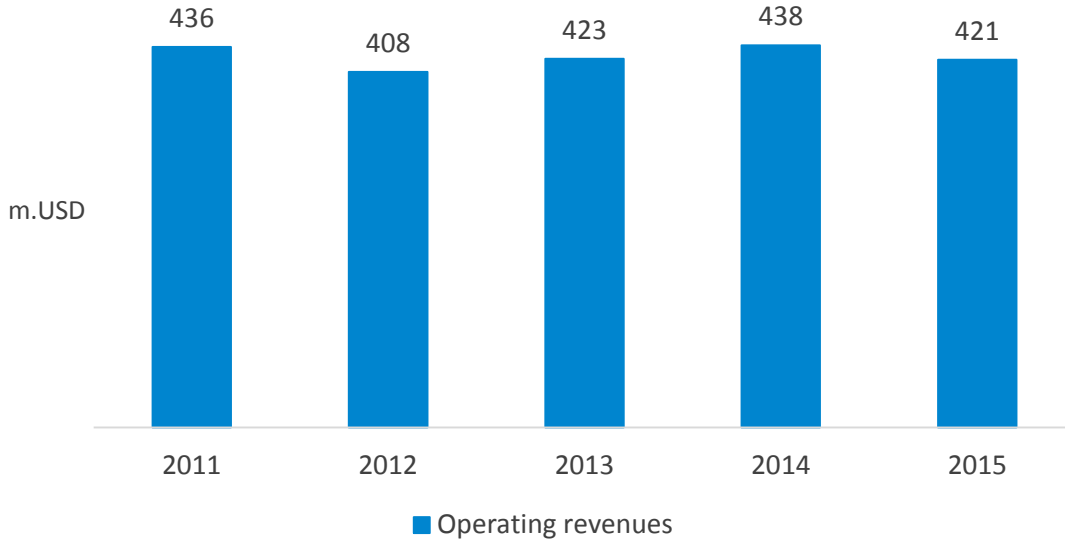
Strong cash flow enabled us to work further towards lowering debt, and net debt has not been lower since 2005 and decreased by USD 205 million during the year. Since 2009 the debt has decreased by USD 838 million. The debt ratio of the Group, compared to operating profit before depreciations, significantly decreased and the equity ratio is now higher than it has been since the first years of the Company.

As a result of positive operating results in the previous years, the pleasant news arrived at the beginning of the year 2016 that Landsvirkjun's credit rating had been transferred to investment grade. Despite a challenging environment in most commodity and energy markets, demand for energy from Landsvirkjun is high from various industries. The Company is now working, within its scope, to meet the demand and is currently in the process of building a geothermal power plant at Theistareykir and will commence construction of an expansion of Burfell hydro power plant in the spring of 2016.”

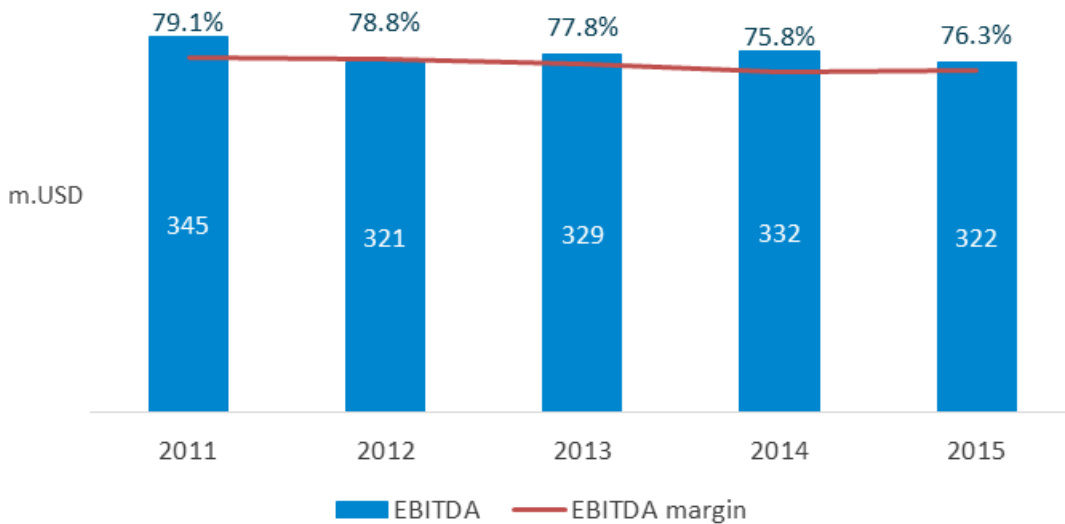


Operations

Development of operating revenues



EBITDA and EBITDA margin

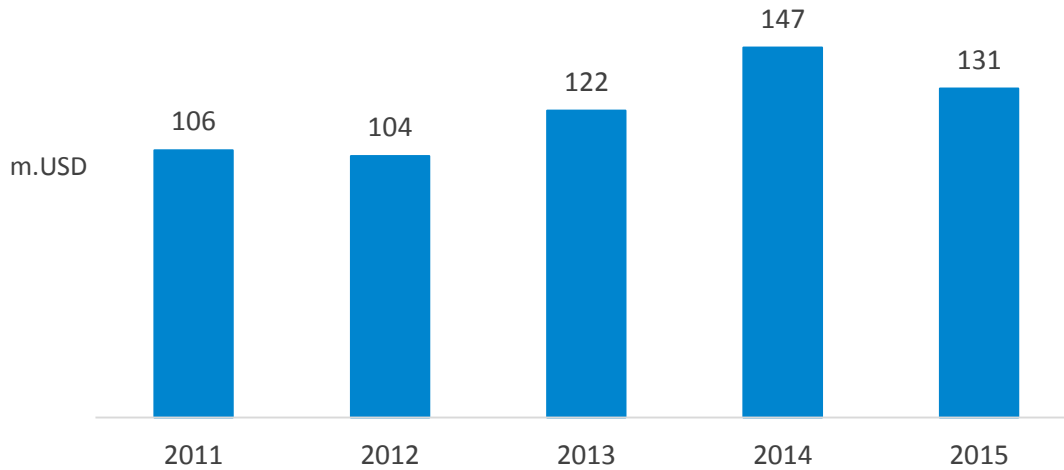


Operating revenues of the Group decreased by USD 17 million from the previous year. Operating profit of the Group before depreciations amounted to USD 322 million.

Profit before unrealized financial items is the criterion used by Landsvirkjun in evaluating the Company's core operation. The profit amounted to USD 131 million during the year 2015 compared to USD 147 million in the previous year.



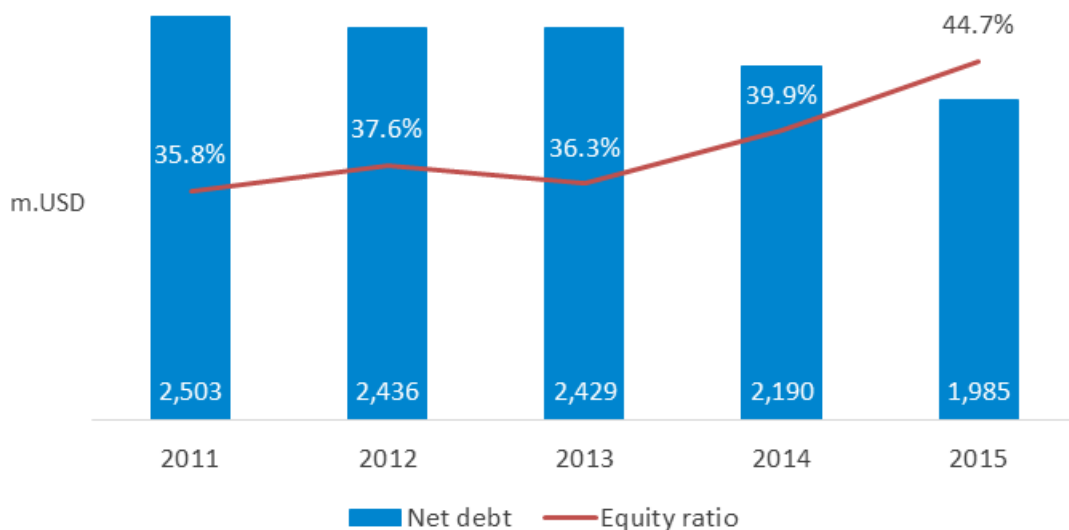
Profit before unrealized financial items



Low interest rates in the global markets and decreasing debt in the last years has had a positive impact on the Company's performance. Average nominal interests on long-term debt were 3.3% including the fee for state guarantee but were 3.5% in the previous year. Profit for the year amounted to USD 84 million compared to USD 78 million in the previous year.

Focus on decreasing debt in the last years

Net debt and equity ratio



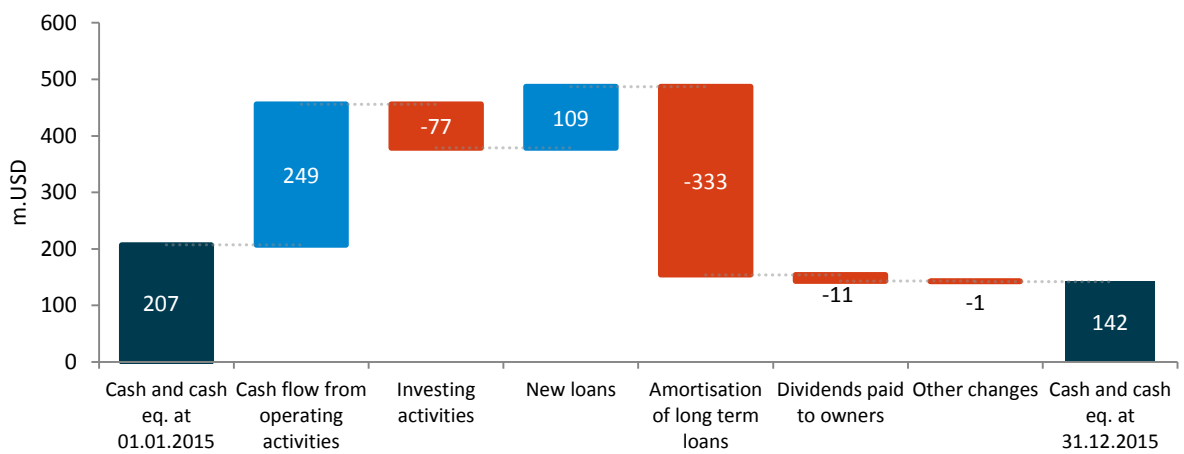
Landsvirkjun's focus in the last years has been on decreasing debt and net debt has decreased by USD 517 million from year end 2011. If we look over a longer period, net debt has decreased by USD 838 million from year end 2009. Net debt are interest bearing debt after deducting cash and cash equivalent. Net debt of Landsvirkjun has decreased by USD 205 million from year end 2014.



The Company's equity amounted to USD 1,917 million at year end 2015. Equity ratio has increased in the last years and since 2011 it has increased by 9 percentage points, from roughly 36% to roughly 45%. Total assets of Landsvirkjun were USD 4,285 USD at year end 2015.

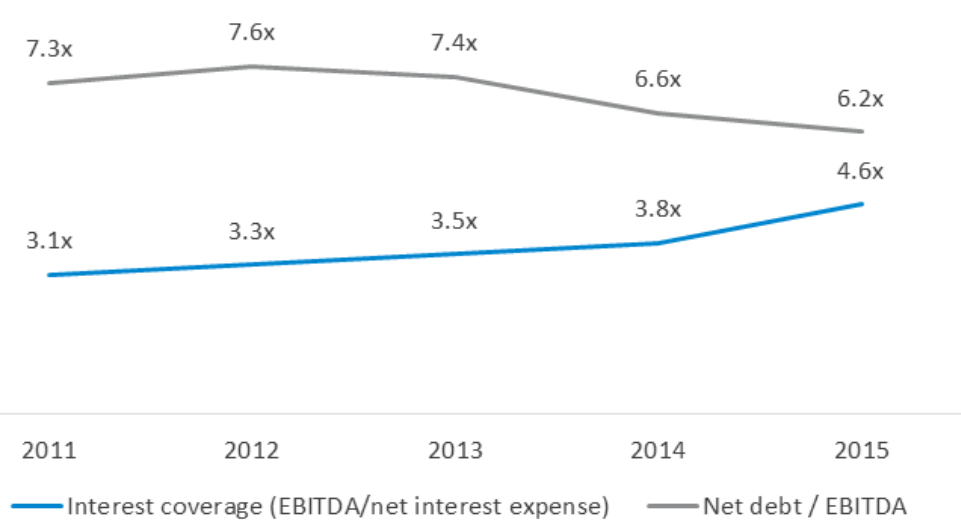
Strong cash accumulation and improved key performance indicators

Cash and cash equivalent of the consolidation amounted to USD 142 million at year end 2015. The development of cash and cash equivalent during the year is shown in the graph below. Cash flow from operating activities amounted to USD 249 million. Investing activities amounted to USD 78 million. Cash flow from operations has financed investing activities in the last years and has been essential for the improved debt level of the company.



Landsvirkjun will continue to focus on decreasing debt. This focus has resulted in that net debt/EBITDA is now 6.2. It is the goal of Landsvirkjun that this ratio will be below 5. If the Company succeeds it will have more opportunities to pay dividends to owners and refinance foreign debt for long-term at favorable interest rates. Change in key performance indicators can be seen in the graph below.

Financial performance indicators





Purpose and future vision

Landsvirkjun's objective is to maximize yield on the energy sources entrusted to the Company with emphasis on sustainable utilization, creation of values and efficiency. Landsvirkjun's vision is to be a progressive power company in the field of renewable power sources. The Company works in a global environment and wants to be among the best of those who generate and sell energy.

Good operations during the year

At the beginning of the year the state of Landsvirkjun's reservoirs was good, but cold spring delayed the inflow to the reservoirs. Ablation from the glaciers was minimal in July and August which led to concerns that the reservoirs would not be filling up at the end of August and beginning of September. However, a very favorable season in September changed the outlook to good and even though the year had been rather dry the reservoirs filled up to 92% at the end of the year compared to 70% in the beginning of September. Hydroelectric energy is around 96% of the generation of Landsvirkjun and geothermal energy around 4%. There have been no serious interruptions in the year.

Operating outlook

Landsvirkjun's results will, as before, for the most part be subject to the development in aluminium prices, interest rates and foreign exchange rates. Landsvirkjun's income is partly linked to aluminium prices and changes in world market aluminium prices will therefore continue to have an effect on Landsvirkjun's future income. The price of aluminium has lowered significantly and that will have negative effects on the operating results of Landsvirkjun.

Half of the Company's loans are on floating interest rates and therefore continued low interest rates are important for the operation.

The 2015 full year results will be presented to the media and financial analysts at Landsvirkjun's headquarters at Haaleitisbraut 68 on the 22nd of February at 10:30 local time. Please notify your attendance by sending an email to the following address: samskiptasvid@landsvirkjun.is.

Reykjavík, February 19, 2016

Further information is provided by:
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**About the financial statements**

The Financial Statements of Landsvirkjun are prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in USD which is the parent Company's functional currency.

Key figures from the consolidated financial statements in USD thousand:

	2015	2014	2013	2012	2011
Operation					
Operating revenues	410,496	428,655	407,676	389,499	419,708
Realised aluminium hedges	10,956	9,629	15,228	18,325	16,488
Total operating revenues	421,452	438,284	422,904	407,824	436,196
Operating expenses	(99,932)	(106,126)	(93,768)	(86,488)	(90,993)
EBITDA	321,520	332,158	329,136	321,336	345,203
Depreciation and impairment loss	(115,554)	(114,045)	(117,670)	(112,288)	(108,200)
EBIT	205,966	218,113	211,466	209,048	237,003
Financial items	(73,418)	(69,838)	(86,988)	(103,093)	(126,877)
Associated companies	(1,921)	(1,419)	(2,647)	(2,229)	(4,014)
Profit before unrealised financial items	130,627	146,856	121,831	103,726	106,112
Unrealised financial items:					
Fair value changes in embedded derivatives	(59,925)	(88,484)	(174,641)	(3,391)	(93,197)
Fair value changes in other derivatives	5,466	(8,426)	5,014	13,653	6,959
Unrealised foreign exchange difference	47,657	60,271	(16,658)	(12,675)	22,711
	(6,802)	(36,639)	(186,285)	(2,413)	(63,527)
Profit (loss) before income tax	123,825	110,217	(64,454)	101,313	42,585
Income tax	(39,652)	(31,797)	25,913	(45,995)	(16,135)
Profit (loss)	84,173	78,420	(38,541)	55,318	26,450
Balance sheet					
Total assets	4,284,703	4,270,098	4,568,965	4,518,534	4,635,989
Total equity	1,916,634	1,704,724	1,658,134	1,697,152	1,661,312
Total liabilities	2,368,069	2,565,374	2,910,831	2,821,382	2,974,677
Net debt	1,985,411	2,190,459	2,429,176	2,435,571	2,502,873
Key figures					
Cash flow from operating activities	248,955	233,816	258,485	236,178	267,172
Investing activities	(77,486)	(88,271)	(149,455)	(122,979)	(107,689)
Financing activities	(235,465)	(220,687)	(12,893)	(151,670)	(185,328)
Total liquidity	502,951	407,070	589,934	597,895	645,709
Equity ratio	44.7%	39.9%	36.3%	37.6%	35.8%
Return on equity	4.9%	4.7%	(2.3%)	3.3%	1.6%
Interest cover (EBITDA/net interest expenses)	4.60x	3.76x	3.51x	3.27x	3.06x
Net debt / EBITDA	6.18x	6.59x	7.38x	7.58x	7.25x

About Landsvirkjun

Landsvirkjun was established in the year 1965 and is an energy production company owned by the Icelandic nation. Landsvirkjun's objective is to maximize yield on the energy sources entrusted to the Company with emphasis on sustainable utilization, creation of values and efficiency. The Company produces 3/4 of all electricity in Iceland from renewable energy resources, hydroelectric energy, geothermal energy and wind energy. The Company is at the same time leading in sustainable utilization of energy resources and contributes to increased knowledge, innovation and technical development.