



## Landsvirkjun's results for the first nine months of the year 2019

Strong financial position in challenging external conditions

### Key figures from the interim financial statements

- Profit before unrealized financial items amounted to USD 127.6 million compared to USD 133.4 million in the same period of the prior year which is a decrease of 4.4%.
- The profit for the period was USD 89.0 million compared to USD 89.3 million in the same period of the prior year.
- Operating revenues amounted to USD 372.4 million and decrease by USD 26.4 million (6.6%) from the same period prior year.
- Net debt decreased by USD 171.8 million from the beginning of the year and amounted to USD 1,712.8 million at the end of September.
- Cash flow from operations amounted to USD 222.4 million which is a decrease of 0.1% compared to the same period prior year.

### Hörður Arnarson, CEO:

"The operation of Landsvirkjun's power stations generally went well during the first nine months of the year. The newest power stations, Búrfell II and Theistareykir, have been successfully added to the power grid, with the latter receiving the IPMA Global Project Management Excellence Award. The new and improved Bjarnarflag geothermal power station is operational and showing improved efficiency over the old one, which is in line with our aim of maximising potential yield and value of the natural resources. The reservoir outlook is good at the beginning of a new water year on October 1.

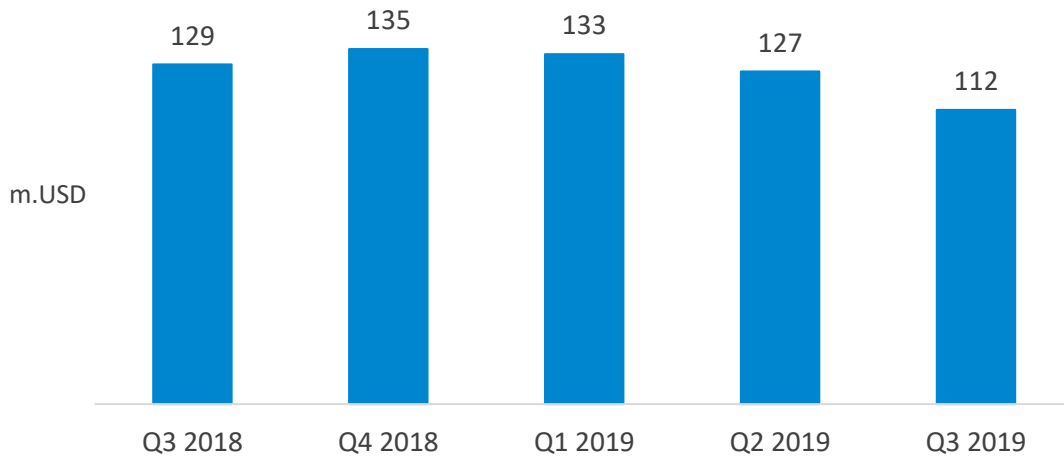
The third quarter results reflect challenging external conditions, where large customers are seeing low product prices and aluminium price developments have had a negative effect on revenues. There was also revenue loss of approximately USD 10 million due to one of the potlines at Rio Tinto's aluminium smelter in Iceland being temporarily shut down.

The company's financial position continued to strengthen during the third quarter, despite these difficulties, and Landsvirkjun received good news in November when Moody's upgraded the company's credit rating to reflect these improvements. Net debt decreased by USD 172 million during the first nine months of the year. Landsvirkjun's cash flow remains strong with cash generation of USD 222.4 million during the first nine months of the year which was mostly used to pay down debt."



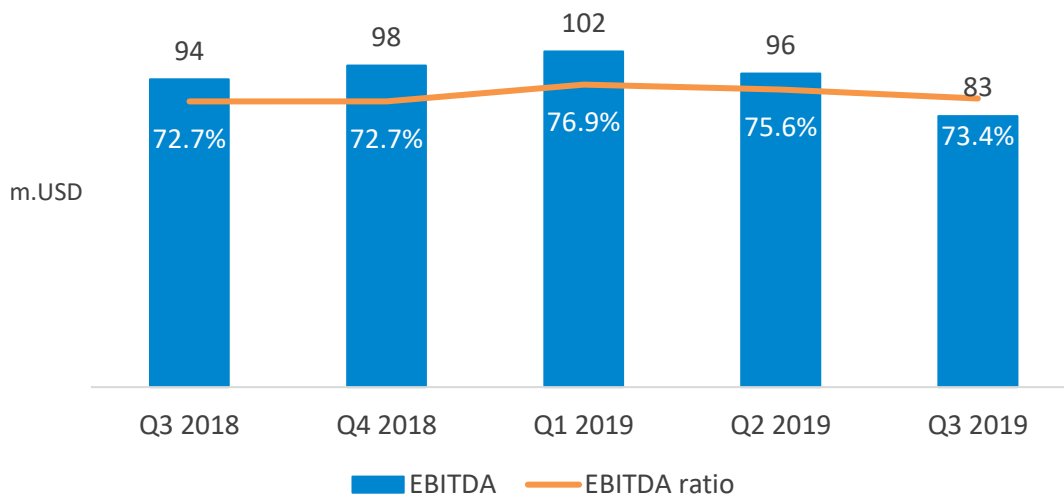
## Operations

### Development of operating revenues



The quarter's results reflect challenging external conditions where large customers are seeing low product prices and aluminium price developments have had a negative effect on revenues. There was also revenue loss of approximately USD 10 million due to one of the potlines at Rio Tinto's aluminium smelter in Iceland being temporarily shut down. The depreciation of the krona is also having a negative effect on retail revenues.

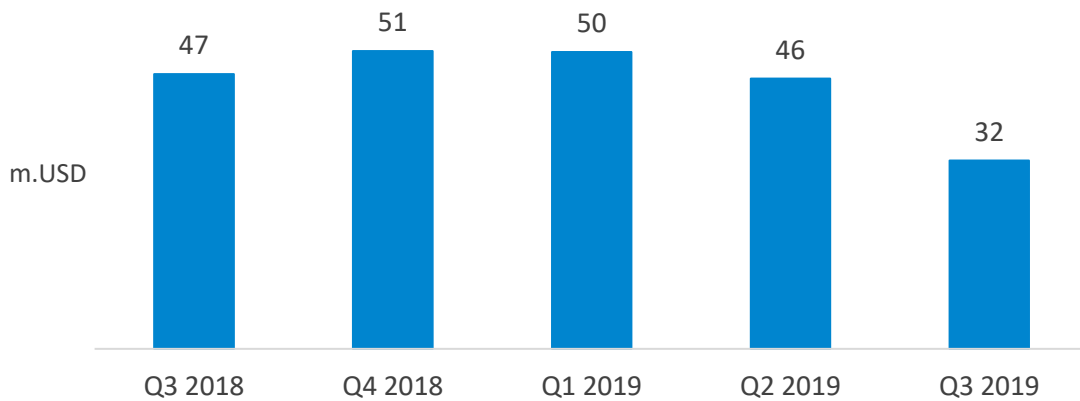
### EBITDA and EBITDA ratio



Operating expenses incurred in Icelandic krona form a natural hedge against retail revenues, which are also krona based. Operating profit of the Group before depreciation (EBITDA) amounted to USD 281 million for the first nine months of the year but was USD 292 million for the same period of last year.

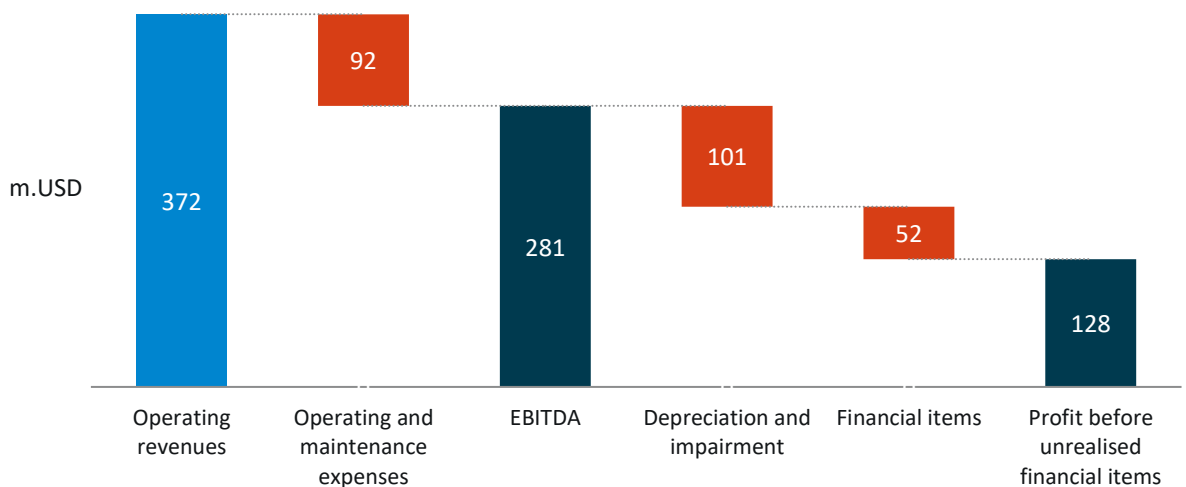


### Profit before unrealized financial items



Profit before unrealized financial items is the criterion used by Landsvirkjun in evaluating the Company's core operation. The profit amounted to USD 128 million for the first nine months which is 4% lower than for the same period of last year.

### Items affecting profit before unrealised financial items in 9M 2019

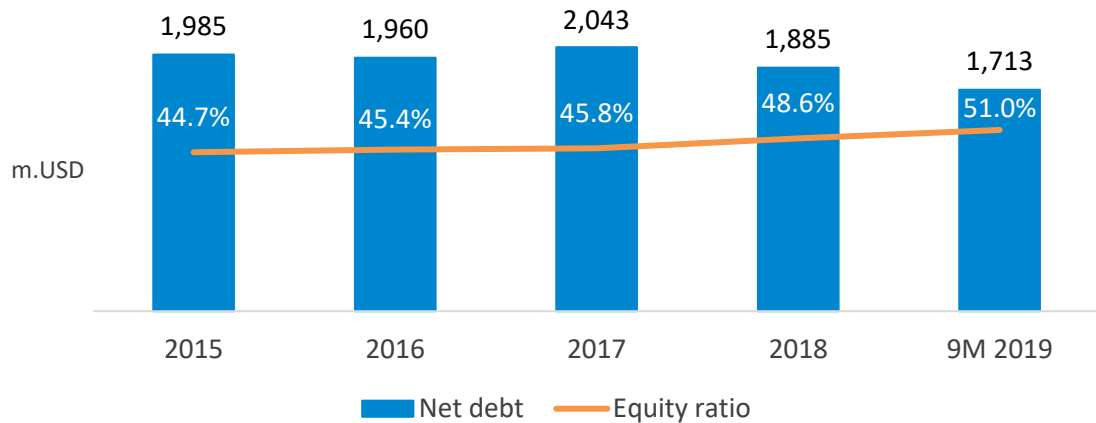


### Equity ratio continues to increase

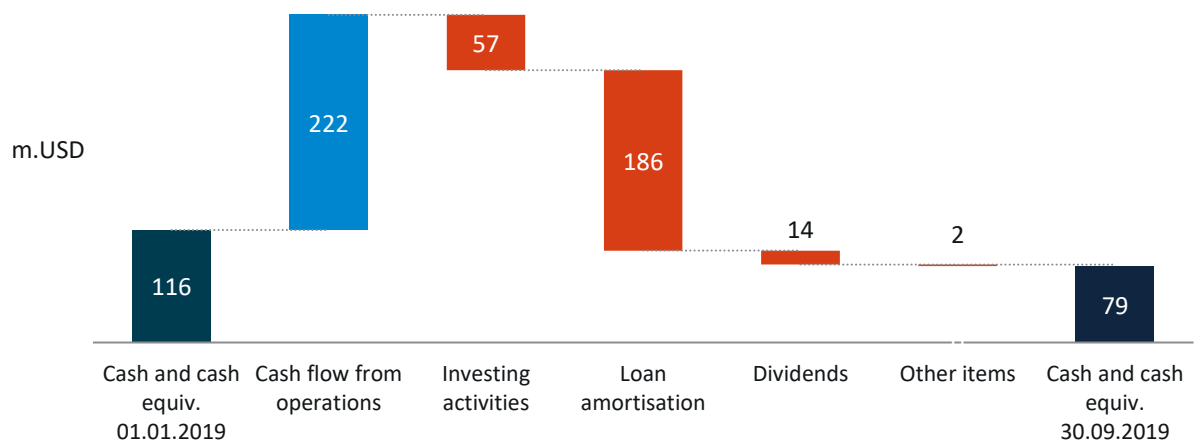
Cash generation (cash from operating activities) was USD 222 million which is similar to the same period of last year. Net debt (interest bearing liabilities after deducting cash and cash equivalents) has decreased by USD 172 million since the beginning of the year and by USD 227 million since the same time of last year. The equity ratio has now reached 51% for the first time in the Company's history.



### Net debt and equity ratio



The Group's cash and cash equivalents amounted to USD 79 million at the end of September 2019 and has decreased by USD 37 million since the beginning of the year. Cash from operating activities continues to be strong and now that a period of significant investments is drawing to a close there is an opportunity to start increasing dividend payments.



### Operating outlook

The company's core business continues to perform well despite challenging external conditions. Cash generation has been strong and there will be continued emphasis placed on reducing debt and paying dividends to the Company's owners, the Icelandic nation. Market risk has been systematically managed where the proportion of loans bearing fixed rates has increased and foreign exchange risk has been reduced. Aluminium price risk has been reduced, firstly with new contracts with current and new customers, and secondly with the use of derivative contracts.

Reykjavik, 22 November 2019

Further information is provided by:

Rafnar Lárusson, CFO

Tel. + 354 515 9000



## 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:

	2019	2018	2017	2016	2015
	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.
<b>Operation</b>					
Operating revenues .....	365,493	403,800	351,691	303,485	306,457
Realised aluminium hedges .....	6,956 (	4,983) (	4,361)	3,632	7,529
<b>Total operating revenues</b> .....	<b>372,449</b>	<b>398,817</b>	<b>347,330</b>	<b>307,117</b>	<b>313,986</b>
Operating and maintenance expenses .....	( 91,532)	( 107,125)	( 97,762)	( 81,502)	( 69,216)
<b>EBITDA</b> .....	<b>280,917</b>	<b>291,692</b>	<b>249,568</b>	<b>225,615</b>	<b>244,770</b>
Depreciation and impairment loss .....	( 100,800)	( 93,114)	( 87,070)	( 87,721)	( 87,314)
<b>EBIT</b> .....	<b>180,117</b>	<b>198,578</b>	<b>162,498</b>	<b>137,894</b>	<b>157,456</b>
Financial items .....	( 52,480)	( 65,134)	( 47,664)	( 49,137)	( 62,346)
<b>Profit before unrealised financial items</b> .....	<b>127,637</b>	<b>133,444</b>	<b>114,834</b>	<b>88,757</b>	<b>95,110</b>
<b>Unrealised financial items:</b>					
Fair value changes in embedded derivatives .....	( 7,780)	( 32,762)	66,194	29,828	( 26,237)
Fair value changes in other derivatives .....	( 3,046)	17,573	( 8,919)	( 921)	6,464
Unrealised foreign exchange difference .....	16,494	14,623	( 56,091)	( 38,179)	39,972
	5,668	( 566)	1,184	( 9,272)	20,199
<b>Profit before income tax</b> .....	<b>133,305</b>	<b>132,878</b>	<b>116,018</b>	<b>79,485</b>	<b>115,309</b>
Income tax .....	( 44,294)	( 43,601)	( 37,489)	( 31,997)	( 39,012)
<b>Profit</b> .....	<b>89,011</b>	<b>89,277</b>	<b>78,529</b>	<b>47,488</b>	<b>76,297</b>
<b>Balance sheet</b>					
	<b>30.9.2019</b>	<b>30.9.2018</b>	<b>30.9.2017</b>	<b>30.9.2016</b>	<b>30.9.2015</b>
Total assets .....	4,336,760	4,445,981	4,441,672	4,261,610	4,085,272
Total equity .....	2,211,197	2,132,829	2,034,201	1,949,506	1,768,147
Total liabilities .....	2,125,563	2,313,152	2,407,471	2,312,104	2,317,125
Net liabilities .....	1,712,848	1,940,009	2,038,246	1,973,757	2,027,487
<b>Key figures</b>					
Cash flow from operating activities .....	222,407	222,693	200,432	172,545	194,302
Investing activities .....	( 57,202)	( 126,863)	( 188,691)	( 109,293)	( 47,379)
Financing activities .....	( 201,102)	( 131,696)	( 47,660)	( 101,229)	( 241,607)
Total liquidity .....	375,969	453,359	491,395	528,125	382,989
Equity ratio .....	51.0%	48.0%	45.8%	45.7%	43.3%
Return on equity .....	5.7%	5.8%	5.0%	3.1%	4.2%
Interest cover (EBITDA/net interest expenses) ....	5.40x	4.88x	5.43x	5.12x	4.59x
Net liabilities / EBITDA .....	4.52x	5.00x	6.26x	6.53x	5.86x

## About Landsvirkjun

Landsvirkjun was established in the year 1965 and is a power 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, value creation and efficiency. The Company produces around 70% of all electricity in Iceland from renewable energy resources, hydroelectric energy, geothermal energy and wind energy. The Company is a leader in the sustainable utilization of energy resources and promotes the development of knowledge, innovation and technology.