



Landsvirkjun's results for the first nine months of the year 2017

Revenue increases between periods

Key figures from the interim financial statements

- Operating revenues amounted to USD 347.3 million which is an increase of USD 40.2 million (13.1%) compared to the same period in 2016.
- EBITDA amounted to USD 249.6 million. EBITDA ratio is 71.9% of revenues compared to 73.5% in the same period in 2016.
- Profit before unrealised financial items amounted to USD 114.8 million compared to USD 88.8 million in the same period in 2016, an increase of 29.4% between periods.
- Profit for the period was USD 78.5 million compared to USD 47.5 million in the same period in 2016.
- Cash flow from operations amounted to USD 200,4 million which is an increase of 16.2% compared to the same period in 2016.

Hörður Arnarson, CEO:

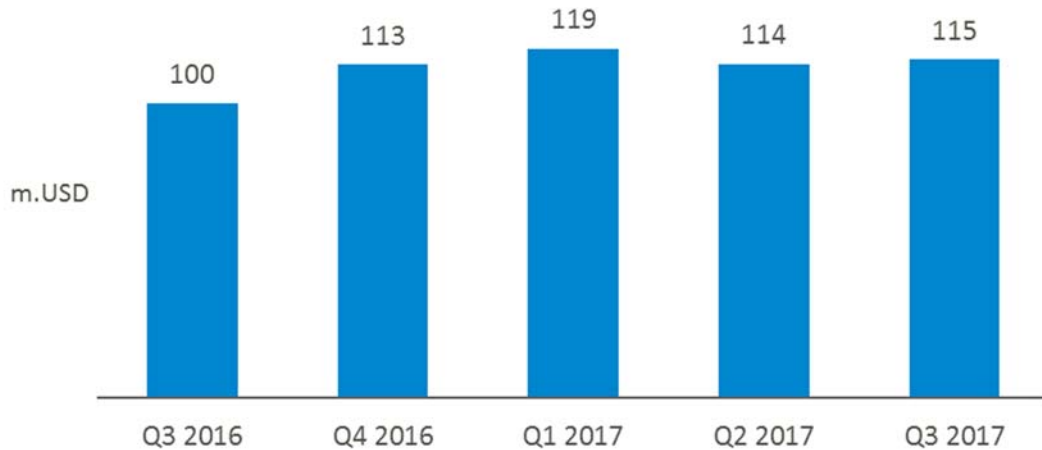
“The first nine months of the year were favourable for the Company’s operations. Profit before unrealised financial items increased by 29% compared to the same period last year. Operating revenues increased, in part due to a considerable rise in aluminium prices which were very low last year. Energy sales increased by 435 GWh during the first nine months and demand for electricity from Landsvirkjun continues to be high.

Strong cash flow sustains fully extensive investments in the period, but the decrease of debt has temporarily slowed down during constructions at Theistareykir and Burfell II. The power plant at Theistareykir was commissioned on 17 November and its operations will soon start to create revenues for Landsvirkjun.”



Operations

Development of operating revenues



Operating revenues in Q3 2017 increased by USD 15 million compared to Q3 2016 and in total by USD 40 million between periods. This increase is mainly due to higher aluminium prices, increased energy sales and strengthening of the exchange rate of ISK towards USD. Part of electricity sales contracts are connected to aluminium prices and revenue from wholesale is in ISK.

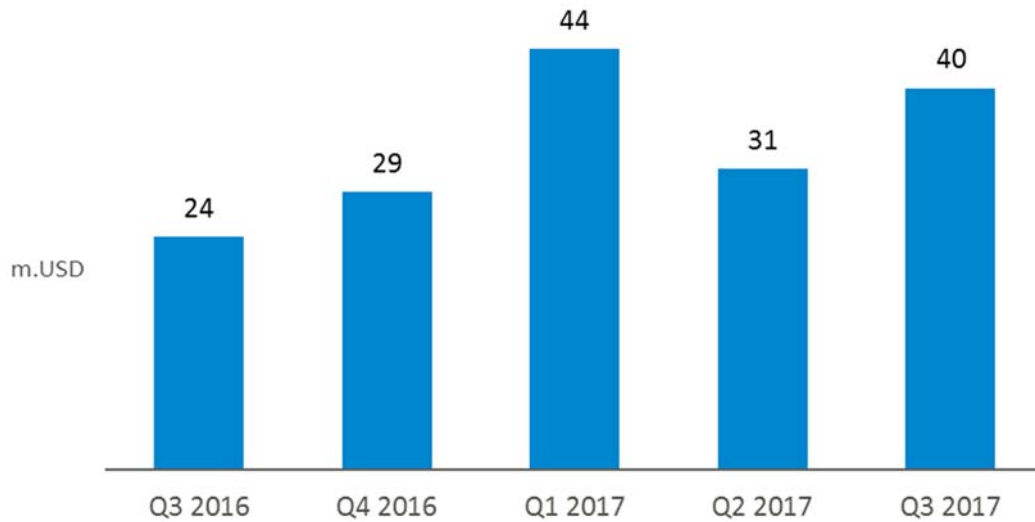
EBITDA and EBITDA ratio



The Group's operating profit before depreciation, EBITDA, amounted to USD 82 million in Q3 or in total USD 250 million in the first nine months of the year. The EBITDA trend has been in sync with the Company's revenue trend. Strengthening of ISK increased costs in USD but the effect of the exchange rate of ISK mostly equals out in the Company's EBITDA.

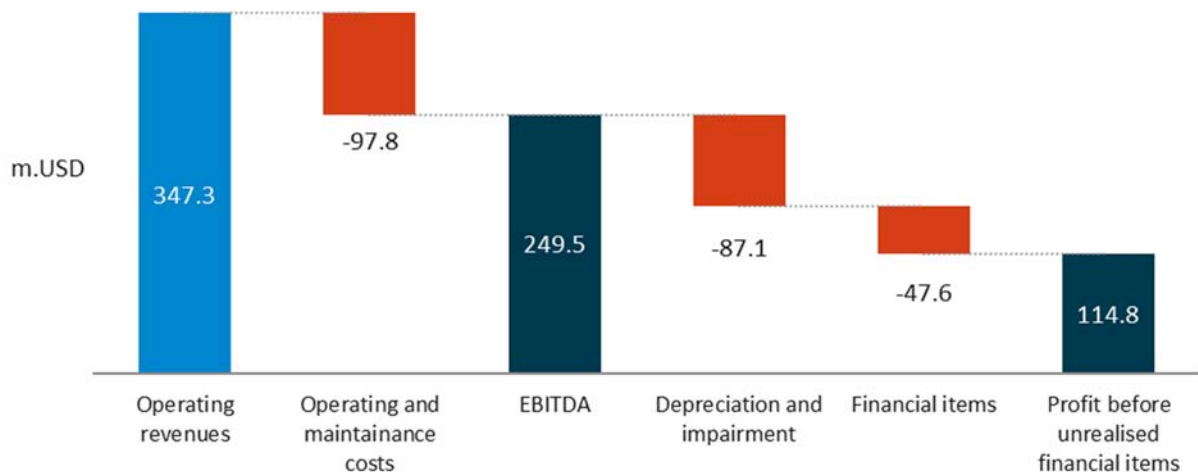


Profit before unrealized financial items



Profit before unrealized financial items is the criterion used by Landsvirkjun in evaluating the Company's core operation. The profit amounted to USD 115 million in the first nine months of the year compared to USD 89 million in the same period in 2016. Increase in revenues is the largest part of the increase between periods.

Items affecting profit before unrealized financial items in 9M 2017



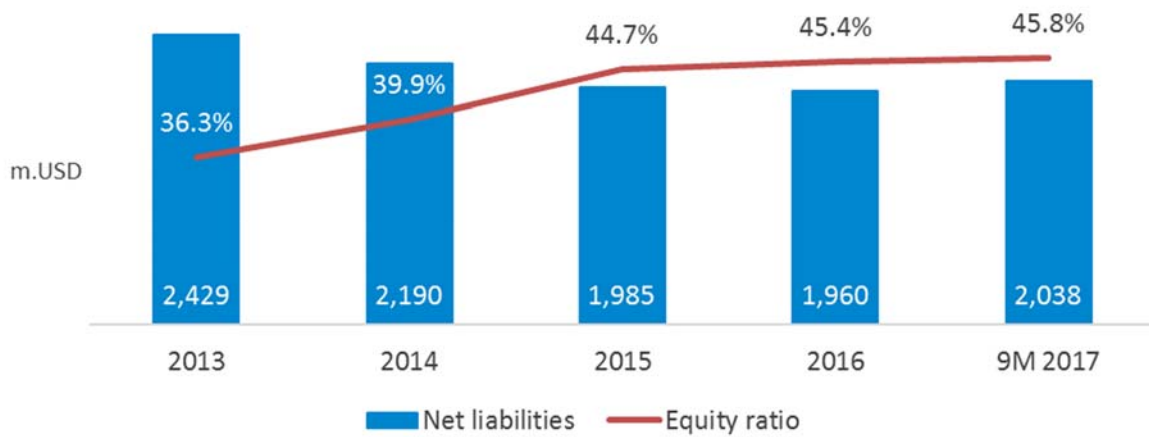
Temporary slowdown of decreasing debt due to construction and foreign exchange effects

Landsvirkjun's focus in the last years has been on decreasing debt. Net debt is interest bearing debt after deducting cash and cash equivalent. The Company is currently investing

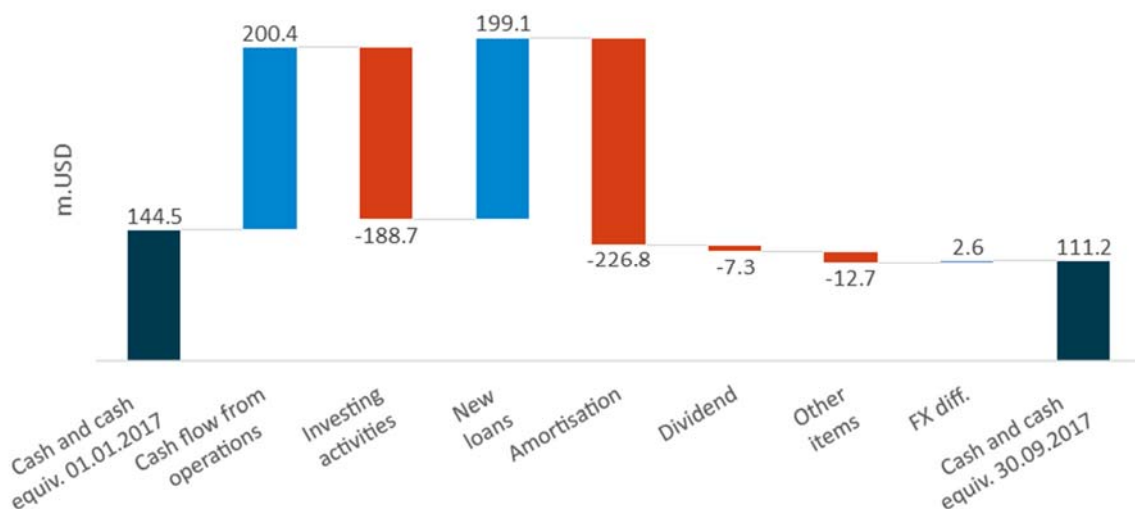


extensively, but investments in the period amounted to USD 189 million. The largest part is the construction of two power plants, Theistareykir and Burfell II. The Company’s cash flow from operations amounted to USD 200 million and thus sustained fully investments during the period. Despite that net debt increased by USD 78 million from the beginning of the year which is due to the weakening of USD towards other major currencies.

Net debt and equity ratio



The Group’s cash and cash equivalents amounted to USD 111 million at the end of the period, but the development can be seen in the graph below. Cash flow from operating activities has sustained the last years’ investing activities which is the prerequisite of the Company’s improved debt level.





Operating outlook

Landsvirkjun's results will, as before, for the most part be subject to the development in aluminum prices, interest rates and foreign exchange rates. Landsvirkjun's income is partly linked to aluminum prices, parts of its debt bear floating interest rates and part of the loan portfolio is in other currencies than USD. Thus, changes relating to these have an effect of the future operating outlook of Landsvirkjun, but there have been systematic efforts made to minimize this risk.

Reykjavik, November 22, 2017

Further information is provided by:

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About the interim financial statements

The Interim 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 interim financial statements in USD thousand:

	2017	2016	2015	2014	2013
	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.
Operation					
Operating revenues	351,691	303,485	306,457	299,953	294,659
Realised aluminium hedges	(4,361)	3,632	7,529	7,854	11,239
Total operating revenues	347,330	307,117	313,986	307,807	305,898
Operating and maintenance expenses	(97,762)	(81,502)	(69,216)	(77,087)	(62,654)
EBITDA	249,568	225,615	244,770	230,720	243,244
Depreciation and impairment loss	(87,070)	(87,721)	(87,314)	(85,302)	(86,812)
EBIT	162,498	137,894	157,456	145,418	156,432
Financial items	(47,664)	(49,137)	(62,346)	(62,027)	(62,704)
Profit before unrealised financial items	114,834	88,757	95,110	83,391	93,728
Unrealised financial items:					
Fair value changes in embedded derivatives	66,194	29,828	(26,237)	22	(123,937)
Fair value changes in other derivatives	(8,919)	(921)	6,464	(11,487)	1,028
Unrealised foreign exchange difference	(56,091)	(38,179)	39,972	51,147	(6,313)
	1,184	(9,272)	20,199	39,682	(129,222)
Profit (loss) before income tax	116,018	79,485	115,309	123,073	(35,494)
Income tax	(37,489)	(31,997)	(39,012)	(41,106)	15,970
Profit (loss)	78,529	47,488	76,297	81,967	(19,524)
Balance sheet					
	30.9.2017	30.9.2016	30.9.2015	30.9.2014	30.9.2013
Total assets	4,441,672	4,261,610	4,085,272	4,363,098	4,443,861
Total equity	2,034,201	1,949,506	1,768,147	1,716,517	1,670,792
Total liabilities	2,407,471	2,312,104	2,317,125	2,646,581	2,773,069
Net liabilities	2,038,246	1,973,757	2,027,487	2,263,318	2,432,527
Key figures					
Cash flow from operating activities	200,432	172,545	194,302	168,908	192,036
Investing activities	(188,691)	(109,293)	(47,379)	(82,739)	(119,966)
Financing activities	(47,660)	(101,229)	(241,607)	(185,381)	(106,939)
Total liquidity	491,395	528,125	382,989	472,471	554,302
Equity ratio	45.8%	45.7%	43.3%	39.3%	37.6%
Return on equity	5.0%	3.1%	4.2%	3.8%	(1.9%)
Interest cover (EBITDA/net interest expenses)	5.43x	5.12x	4.59x	3.35x	3.49x
Net liabilities / EBITDA	6.26x	6.53x	5.86x	7.15x	7.51x

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 70% 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.