



Landsvirkjun's results for the first nine months of the year 2018

Revenue, EBITDA and profit increase between periods

Key figures from the interim financial statements

- Operating revenues amounted to USD 398.8 million and increase by USD 51.5 million (14.8%) from the same period prior year.
- EBITDA amounted to USD 291.7 million. EBITDA ratio is 73.1% of revenues compared to 71.9% in the same period prior year.
- Profit before unrealized financial items amounted to USD 133.4 million compared to USD 114.8 million in the same period prior year which is an increase by 16.2%.
- The profit for the period was USD 89.3 million compared to USD 78.5 million in the same period prior year.
- Net debt decreased by USD 102.6 million from the beginning of the year and amounted to USD 1,940.0 million at the end of September.
- Cash flow from operations amounted to USD 222.7 million which is an increase of 11.1% compared to the same period prior year.

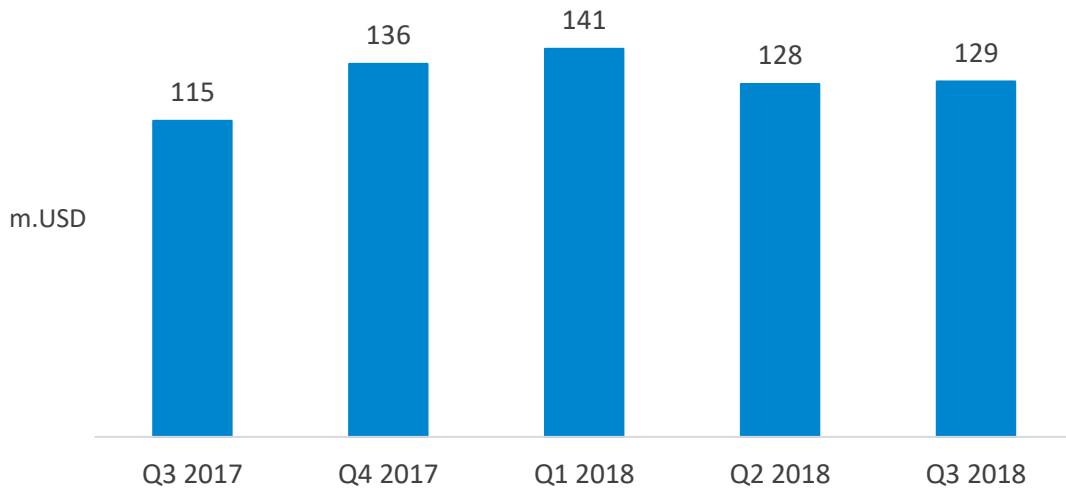
Hörður Arnarson, CEO:

“Landsvirkjun's operations were successful in the first three quarters of 2018. Demand from both new and current customers was diverse, and sold energy increased by 345 GWh compared to the same period prior year. The two new power plants at Theistareykir and Burfell II are almost finished in construction and thus the Company's main focus is now on reducing debt so that dividend payments can be increased. Since the start of 2018, the company's net debt has decreased by USD 103 million and will continue to decrease at a faster rate in the coming months, according to the Company's forecasts.”



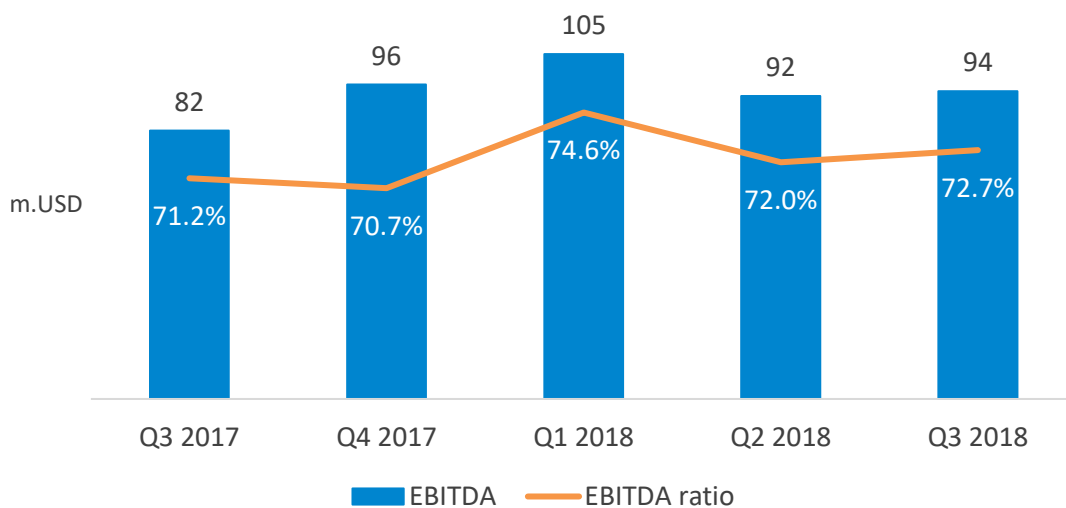
Operations

Development of operating revenues



Operating revenues in Q3 2018 increased by USD 14 million compared to Q3 2017 and in total by USD 51.5 million between periods. This increase is mainly due to increased energy sales and higher aluminium prices. Part of electricity sales contracts are connected to aluminium prices.

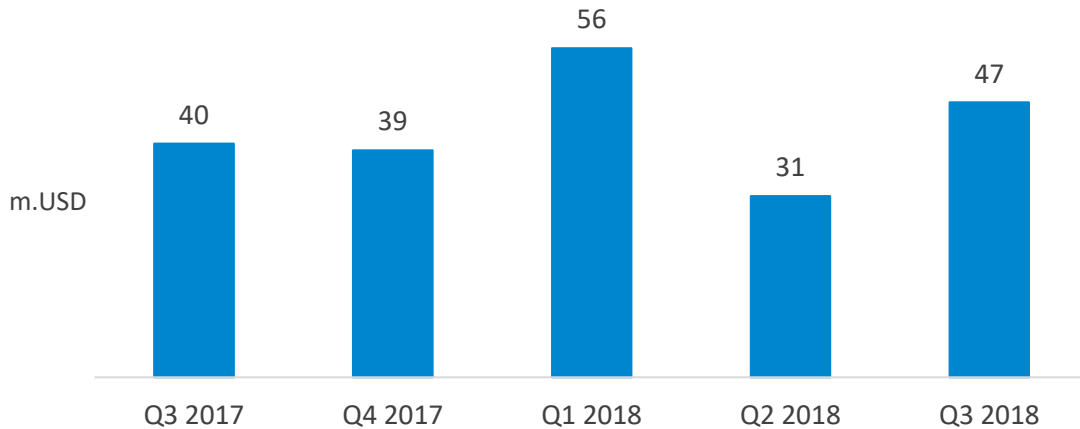
EBITDA and EBITDA ratio



The Group's operating profit before depreciation, EBITDA, amounted to USD 94 million in Q3 or in total USD 292 million in the first nine months of the year. The EBITDA trend has been in sync with the Company's revenue trend.

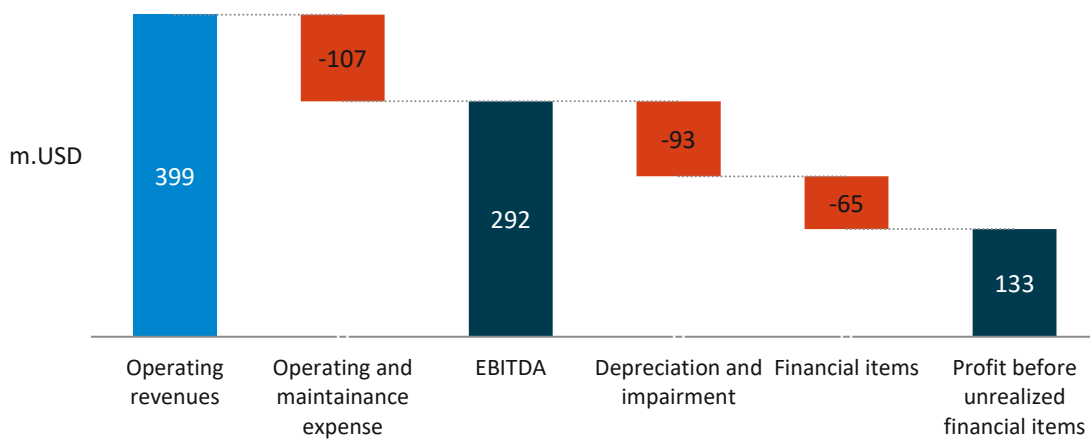


Profit before unrealized financial items



Profit before unrealized financial items is the criterion used by Landsvirkjun in evaluating the Company's core operation. The profit amounted to USD 133 million in the first nine months of the year compared to USD 115 million in the same period in 2017. The increase is mainly due to an increase in revenues but conversely financial expenses increase by USD 10.5 million due to a onetime recognition of interest expenses in relation to the prepayment of a bond and a loan in the second quarter of 2018.

Items affecting profit before unrealized financial items in 9M 2018

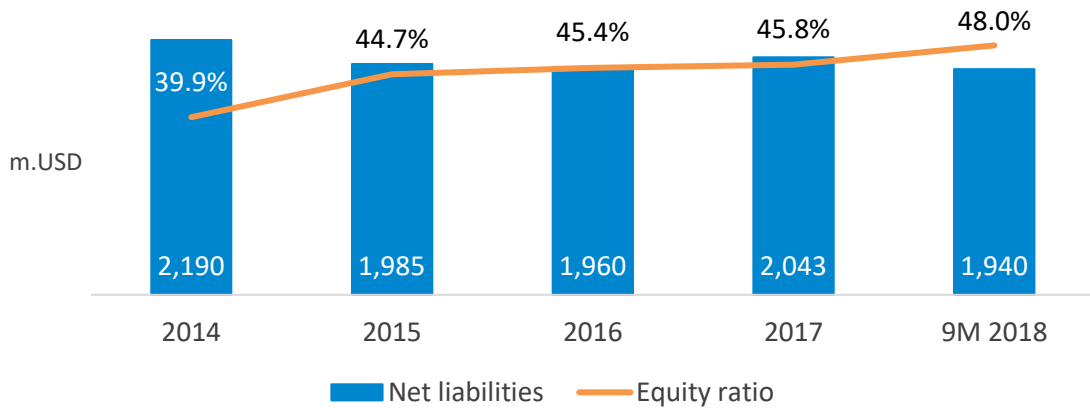


Net debt decreases

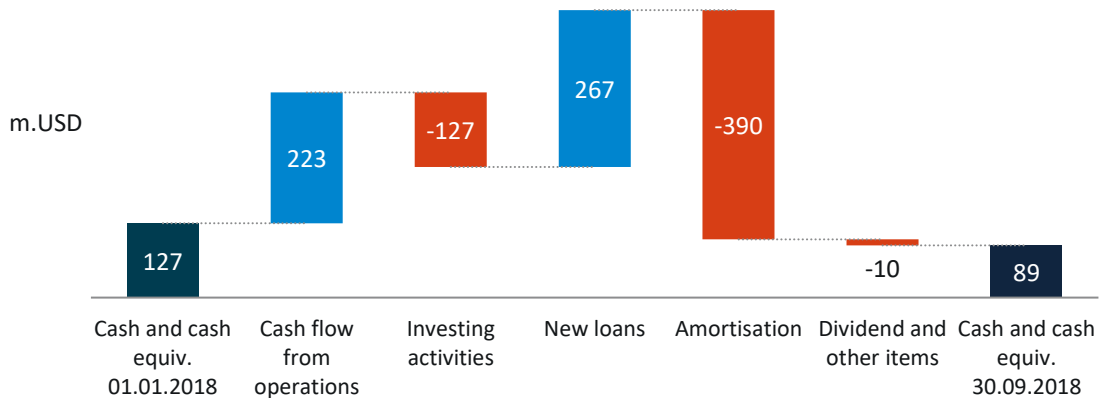
Landsvirkjun's focus in the last years has been on decreasing debt. Net debt are interest bearing liabilities after deducting cash and cash equivalent. Net debt decreased by USD 103 million from the beginning of the year. An extensive construction period is now about to come to an end but in the first nine months of 2018 the company's investments amounted to USD 127 million. The main part of investments is the constructions of two powerplants, Theistareykir and Burfell II, which have now both been taken into full operation. The Company's capital formation (cash flow from operations) during the period amounted in USD 223 million and thus sustained the period's investments.



Net debt and equity ratio



The Group’s cash and cash equivalents amounted to USD 89 million at the end of September, 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 for the most part be subject to the development in interest rates, foreign exchange rates, energy demand from customers and aluminium prices. Part of the Company’s loans carry floating rate interests, part of the loan portfolio is in other currencies than USD, the global economy can affect Landsvirkjun’s customers and Landsvirkjun's income is partly linked to aluminium prices. Changes in these factors therefore affect the future earnings of Landsvirkjun but systematic steps have been taken to minimize that risk.

Reykjavik, November 21, 2018

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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 thousand USD:

	2018	2017	2016	2015	2014
	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.
Operation					
Operating revenues	403,800	351,691	303,485	306,457	299,953
Realised aluminium hedges	(4,983)	(4,361)	3,632	7,529	7,854
Total operating revenues	398,817	347,330	307,117	313,986	307,807
Operating and maintenance expenses	(107,125)	(97,762)	(81,502)	(69,216)	(77,087)
EBITDA	291,692	249,568	225,615	244,770	230,720
Depreciation and impairment loss	(93,114)	(87,070)	(87,721)	(87,314)	(85,302)
EBIT	198,578	162,498	137,894	157,456	145,418
Financial items	(65,134)	(47,664)	(49,137)	(62,346)	(62,027)
Profit before unrealised financial items	133,444	114,834	88,757	95,110	83,391
Unrealised financial items:					
Fair value changes in embedded derivatives	(32,762)	66,194	29,828	(26,237)	22
Fair value changes in other derivatives	17,573	(8,919)	(921)	6,464	(11,487)
Unrealised foreign exchange difference	14,623	(56,091)	(38,179)	39,972	51,147
	(566)	1,184	(9,272)	20,199	39,682
Profit before income tax	132,878	116,018	79,485	115,309	123,073
Income tax	(43,601)	(37,489)	(31,997)	(39,012)	(41,106)
Profit	89,277	78,529	47,488	76,297	81,967
Balance sheet					
	30.9.2018	30.9.2017	30.9.2016	30.9.2015	30.9.2014
Total assets	4,445,981	4,441,672	4,261,610	4,085,272	4,363,098
Total equity	2,132,829	2,034,201	1,949,506	1,768,147	1,716,517
Total liabilities	2,313,152	2,407,471	2,312,104	2,317,125	2,646,581
Net liabilities	1,940,009	2,038,246	1,973,757	2,027,487	2,263,318
Key figures					
Cash flow from operating activities	222,693	200,432	172,545	194,302	168,908
Investing activities	(126,863)	(188,691)	(109,293)	(47,379)	(82,739)
Financing activities	(131,696)	(47,660)	(101,229)	(241,607)	(185,381)
Total liquidity	453,359	491,395	528,125	382,989	472,471
Equity ratio	48.0%	45.8%	45.7%	43.3%	39.3%
Return on equity	5.8%	5.0%	3.1%	4.2%	3.8%
Interest cover (EBITDA/net interest expenses)	4.88x	5.43x	5.12x	4.59x	3.35x
Net liabilities / EBITDA	5.00x	6.26x	6.53x	5.86x	7.15x

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.