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Landsvirkjun

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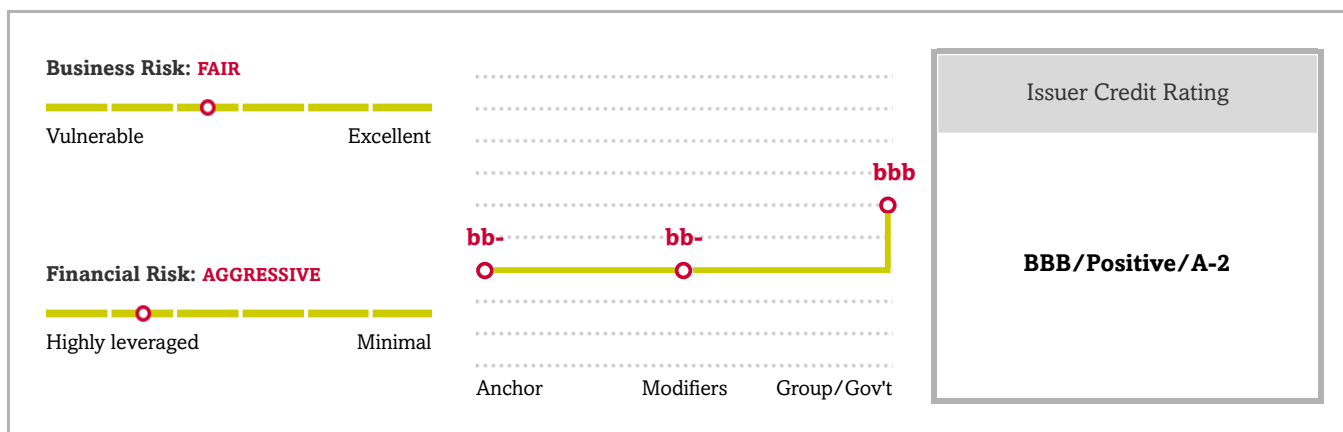
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Landsvirkjun



Credit Highlights

Overview

Key strengths	Key risks
The largest electricity generator in Iceland, meeting roughly 75% of the country's electricity needs.	Large customer concentration, with about 70% of sales coming from the three largest customers.
100% renewable generation portfolio, the vast majority (92%) of which is hydro production, which is very competitive due to low operating cost.	About 45%, excluding hedges, of volumes are exposed to volatile aluminum or Nord Pool prices.
Stability provided from long-term contracts, about 80% of volumes have take-or-pay contracts which reduces volume risks.	A carve out of the transmission system operator, about 20% of EBITDA, could lead to a weaker business risk and lower level rating support from the government, if the political decision is taken.
With expected funds from operations (FFO) to debt around 15%, we view credit headroom as comfortable, which we expect will improve further toward 20% and 25% in 2021 and 2022 respectively.	Rio Tinto has placed its Icelandic aluminum smelter under strategic review; the smelter comprised about 20% of Landsvirkjun's gigawatt hour (GWh) sales in 2019.
Support from the government of Iceland (A/Stable/A-1) which fully owns the company.	

S&P Global Ratings believe Landsvirkjun plays a key role for Iceland as the major energy producer. Landsvirkjun provides Iceland with more than 70% of its total electricity demand with its 100% renewable low-cost generation. Its low-cost renewable generation continues to support above-average EBITDA margins of 70%-75% on average, which is well above the average for peers. Our long-term rating on Landsvirkjun factors in four notches of uplift for extraordinary government support, and, if the Icelandic sovereign rating changed one notch in any direction, the uplift would not change, all else the same. The company is fully owned by the Icelandic government and remains an essential part of the national economy.

We believe the low aluminum price together with extremely low Nord Pool power prices will lead to deteriorating earnings, but ratios will remain solid because the company's capital expenditure (capex) program has ended and deleveraging is on track. We expect revenues to drop by about 12%-14% in 2020 compared with 2019, to about \$450 million. The decrease is mainly driven by two factors:

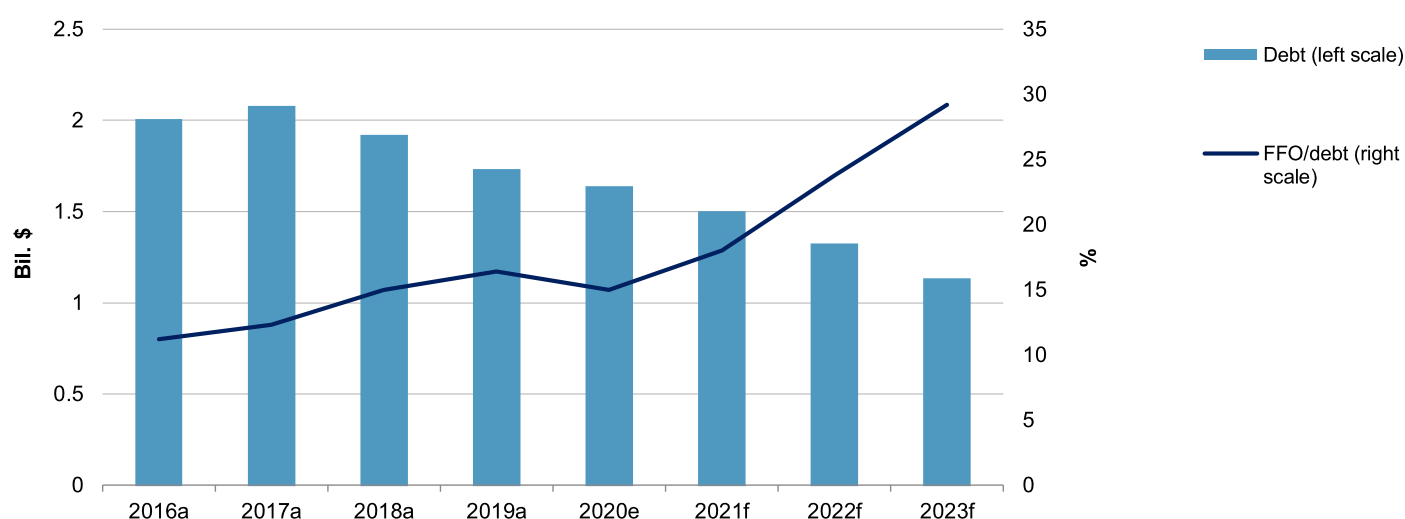
- The capacity in Rio Tinto's smelter has reduced to 85% from 100%. It is our understanding that Rio Tinto has reduced capacity mainly due to low aluminum prices. We expect the 85% capacity to continue.
- One large customer contract, of about 10% of electricity sales is pegged to Nord Pool electricity prices which have

been extremely low during 2020, in a historical comparison. We expect Nord Pool prices in 2020 at €10-€15 per megawatt hour (MWh), significantly lower than 2019 levels with average prices at €39/MWh.

We forecast FFO to debt to marginally decline to about 15% in 2020, compared with 16% in 2019, but to improve in 2021 and 2022 as deleveraging continues. We believe Landsvirkjun will be able to reduce debt thanks to improving cash flow after investments, notable as 2020 investments decreased to \$70 million from \$140 in 2018. Consequently, we expect debt to EBITDA will decrease toward 4.0x by year-end 2021, and below 3.5x by year-end 2022. The company has no large project in its pipeline and capex is therefore mainly related to maintenance. We view positively that Landsvirkjun repaid about \$200 million of debt during 2019, and we expect the annual reduction of \$150 million will continue through 2021 and 2022.

Chart 1

Landsvirkjun Successfully Deleverages



a--Actual. e--Estimate. f--Forecast. FFO--Funds from operations. Source: S&P Global Ratings. Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

Landsvirkjun's high concentration to aluminum smelters, which represent about 70 % of power sales in terms of GWh, will continue to constrain the company's business risk profile, in our opinion. High customer concentration entails certain event risks. Landsvirkjun's customer base mainly comprises aluminum producers, and its top-three customers (Alcoa Corp. (BB+/Negative), Rio Tinto (A/Stable), and Century Aluminum Co. (B-/Stable)) purchase about 70% of the electricity it produces. This makes Landsvirkjun vulnerable to unexpected failures relating to single contracts. Over the past few years, however, Landsvirkjun has decreased its exposure to aluminum prices by renegotiating its power contracts to remove the link with aluminum, diversifying its customer base, and hedging. Now, only about 10%, including hedges, of Landsvirkjun's revenue is linked to aluminum prices, versus about 65% in 2009.

We believe the decision of Rio Tinto, Landsvirkjun's second-largest client, to review its Icelandic aluminum smelter, is unlikely to lead to a sudden plant shutdown. We expect that Landsvirkjun will be compensated if Rio Tinto decides to close the plant before 2036. Rio Tinto has already adjusted down utilization capacity at the smelter to 85%. In our base

case, capacity will be maintained at 85%, and we do not anticipate a smelter shutdown, or significantly lower renegotiated prices in Landsvirkjun's contract with Rio Tinto.

In July this year, Rio Tinto filed a formal complaint with the Icelandic Competition Authority on claims that the firm's power supplier to its Icelandic aluminum smelter engaged in anti-competitive behavior. The contract between the parties, goes back more than 50 years. In 2010, the contract was extended to 2036, and both companies committed to increased capacity on both ends which led to large investments. Landsvirkjun constructed Budarhals hydro power with 95MW capacity to meet the contracted electricity. It is our understanding that the contract length was agreed due to increased predictability for the lifetime of the assets. Additionally, the contract has been reviewed by the EFTA Surveillance Authority.

COVID-19 has not had a direct material impact, but caused a drop in aluminum demand. Landsvirkjun's operations, namely its power generation has not been affected. However the COVID-19 pandemic has adversely affected demand from the company's largest customers, which is reflected in the revenues for 2020. One of the measures taken by the company to support its industrial customers is to offer them discounted prices for six months, this will have an effect of about \$10 million on Landsvirkjun's revenues.

The lower electricity generation, down 6% in the first half of 2020, compared with the first half of 2019, is driven by lower demand, namely from the aluminum smelters, and specifically The ISAL, owned by Rio Tinto, which has lowered its production to 85%, before the pandemic, and we have no indication if or when production would be increased as aluminum prices remain subdued.

Outlook: Positive

The positive outlook indicates the possibility of an upgrade over the next 12-24 months if Landsvirkjun's financial metrics continue to strengthen, resulting in FFO to debt sustainably above 15%, and uncertainty surrounding the ISAL smelter is resolved.

Downside scenario

We could revise the outlook to stable if Landsvirkjun fails to achieve its targeted FFO to debt of 15%, for example, due to an unexpected loss or unfavorable contract negotiations. We could also lower the ratings if we see a reduced likelihood of support from the government. We view this as unlikely at this time.

Our Base-Case Scenario

Assumptions

- Revenue decline of about 12%-14% in 2020, compared with 2019. In 2021, we expect rebound in revenues of about 8% in 2021, and 11% in 2022.
- EBITDA margins remains strong at 70%-75%.
- The Rio Tinto smelter will remain at 85% utilization capacity, equivalent to about 2.9TWh annually, without any

contracted price reductions.

- Aluminum prices of \$1,600/ton in 2020, \$1,800/ton in 2021, and \$1,800/ton in 2022.
- Lower Nord Pool Prices on average down to €10/MWh-12€/MWh in 2020, then a slight increase in 2021 to about €20/MWh.
- Dividends in line with newly adapted financial policy.
- Landsnet remains as a subsidiary to Landsvirkjun.

Key Metrics

Landsvirkjun--Key Metrics*					
--Fiscal year ended December 31--					
(Mil. US\$)	2018a	2019a	2020e	2021f	2022f
EBITDA	387	373	320-340	350-370	400-420
Funds from operations (FFO)	287	284.0	230-250	260-280	300-320
Capital expenditure	141	77.0	70-74	60-70	60-70
Dividends	14.0	27.0	60-80	60-80	60-100
Discretionary Cash Flow (DCF)	131.0	187.0	100-120	130-150	160-180
Debt	1,914	1,728.0	1,600-1,650	1,470-1,520	1,300-1,350
Debt to EBITDA (x)	4.9	4.6	4.8-5.2	3.9-4.4	3.0-3.5
FFO to debt (%)	15.0	16.4	14-15	15-20	20-25

a--Actual. e--Estimate. f--Forecast. *All figures adjusted by S&P Global Ratings.

We expect a temporary drop in revenues in 2020 due to lower volumes of power sold, but still continued positive cash flow after dividends. We forecast that Landsvirkjun's revenues will decrease in 2020 by about 12%-14% toward \$445 million-\$455 million on the back of lower revenues from aluminum smelters, as contracted prices pegged to aluminum and Nord Pool are negatively impacted. We expect a rebound in revenues of about 8% in 2021, and 11% in 2022, because of higher aluminum and Nord Pool prices. Despite lower revenue and cash flow, we expect that Landsvirkjun will be able to deliver positive cash flow after dividends in the range of \$100 million-\$120 million in 2020, improving further in 2021 to about \$130 million-\$150 million.

We expect management's focus on debt reduction will lead to improved credit ratios post 2020. Landsvirkjun has significantly reduced debt in recent years, from about \$2.1 billion in 2017, to about \$1.6 billion at June 2020, using surplus cash flows. We expect the company to continue its deleverage path, which should support the improving trend for the credit ratios. We expect debt to EBITDA below 3.5x and FFO to debt above 20% at year-end 2022, from 16.4% and 4.6x respectively at year end 2019.

Company Description

Landsvirkjun is fully owned by Iceland's government and has a fully renewable generation portfolio. It meets 75% of Iceland's power needs using hydro (92%) and geothermal (8%) generation, at a low marginal cost. The company operates 18 power stations and two wind turbines across Iceland in five areas of operation. It sells the majority of power generated to power-intensive corporations, primarily aluminum smelters. Landsvirkjun's 64.7% subsidiary, Landsnet, operates the national power transmission system.

Peer Comparison

Table 1

Landsvirkjun--Peer Comparison					
Industry sector: Energy					
	Landsvirkjun	Fortum Oyj	Orsted A/S	Statkraft AS	Vattenfall AB
Ratings as of Aug. 17, 2020	BBB/Positive/A-2	BBB/Negative/A-2	BBB+/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2
--Fiscal year ended Dec. 31, 2019--					
(Mil. \$)					
Revenue	509.6	6,112.5	10,188.3	5,029.9	17,807.8
EBITDA	372.7	2,253.3	2,651.8	2,272.3	4,296.5
Funds from operations (FFO)	283.9	1,869.6	1,582.9	1,378.4	3,838.7
Interest expense	72.6	235.7	437.8	73.6	428.5
Cash interest paid	70.6	198.6	348.1	109.0	294.3
Cash flow from operations	290.2	2,261.2	1,902.4	1,301.7	1,785.4
Capital expenditure	76.7	779.9	3,319.1	657.6	2,776.6
Free operating cash flow (FOCF)	213.5	1,481.3	(1,416.6)	644.1	(991.2)
Discretionary cash flow (DCF)	186.9	359.1	(2,748.1)	(328.4)	(1,548.7)
Cash and short-term investments	110.5	1,607.0	3,342.0	1,892.5	3,549.0
Debt	1,728.3	7,269.2	4,888.3	1,982.9	13,469.1
Equity	2,235.4	14,851.0	12,456.6	11,462.4	12,695.8
Adjusted ratios					
EBITDA margin (%)	73.1	36.9	26.0	45.2	24.1
Return on capital (%)	6.2	10.1	10.5	14.9	8.8
EBITDA interest coverage (x)	5.1	9.6	6.1	30.9	10.0
FFO cash interest coverage (x)	5.0	10.4	5.5	13.6	14.0
Debt/EBITDA (x)	4.6	3.2	1.8	0.9	3.1
FFO/debt (%)	16.4	25.7	32.4	69.5	28.5
Cash flow from operations/debt (%)	16.8	31.1	38.9	65.6	13.3
FOCF/debt (%)	12.4	20.4	(29.0)	32.5	(7.4)
DCF/debt (%)	10.8	4.9	(56.2)	(16.6)	(11.5)

We view Statkraft AS and Orsted A/S as Landsvirkjun's closest peers due to their sizeable renewable generation portfolios, although they are both significantly larger than the latter. Other Nordic peers include Fortum Oyj and Vattenfall AB, but they have a more diverse portfolio and are not fully focused on renewable generation. We view Landsvirkjun's business as weaker than its peers' due to its isolated market, limited scale, and customer concentration.

Landsvirkjun is among the lowest cost producers in the peer group, with one of the highest EBITDA margins. However, comparing FFO to debt, Landsvirkjun has a weaker financial profile than its peers, mainly due to a higher debt burden.

Business Risk: Fair

Landsvirkjun's business risk profile reflects its 100% renewable generation, mainly hydropower. Together with favorable conditions for hydrological production on Iceland, with supportive water levels, production is advantageous and highly competitive, as it has a very low cost of production. Landsvirkjun's position as the dominant power producer in Iceland supports the rating and we expect limited, if any, changes in competition. We therefore expect the market share to remain high and sustainable and the earnings base and margin levels to remain predictable.

We assume Profitability will remain in the range of 70%-75% which is well above peers such as Statkraft with similar operations at 45% EBITDA margin in 2019, or the Danish wind developer Orsted at 24% during 2019.

The rating is instead constraint by its reliance on the aluminum sector and limited geographic location as 100% of revenues stems from Iceland. The high customer concentration entails certain event risks and contract risk since Landsvirkjun's customer base mainly comprises aluminum producers, and its top-three customers (Alcoa Corp., Rio Tinto, and Century Aluminum Co.) purchase about 70% of the electricity it produces. It is our understanding that it is a comparative advantage for aluminum smelters to be located on Iceland, as electricity on average is at very low cost, but also generated from 100% renewable sources.

Its concentration risk makes Landsvirkjun vulnerable to unexpected failures relating to single contracts. We note positively that Landsvirkjun has lessened its exposure to aluminum prices over recent years. With the hedges currently in place, only about 10% of the company's operating revenues are linked to aluminum prices. Without hedges, a change in aluminum prices of +/-100 would result in about \$5.5 million in revenues. Landsvirkjun hedged about 50% of its aluminum exposure for the current year, and about 25% for the upcoming year. To mitigate for its concentration risk, Landsvirkjun has long-term take-or-pay contracts with customers, and these provide earnings predictability and stable EBITDA. These contracts are pegged against different commodities, power exchanges, and consumer price indexes to diversify from volatility in a specific market.

Financial Risk: Aggressive

We view Landsvirkjun's recent year's debt repayments as instrumental for its improved credit metrics. It enhances the company's resistance to weak markets with low demand for aluminum together with low Nord Pool spot price, but also lowers interest cost as debt is lower.

In May this year, Landsvirkjun announced a new dividend policy that visualizes maximum dividend amounts based on the financial performance of the company and profit carried forward from previous years. In our view, the newly adopted dividend policy adds transparency as the dividend policy clearly demonstrates how maximum dividends will be calculated as a function of FFO to debt.

Landsvirkjun's maximum dividend formula is as follows: maximum dividend payment= (cash from operations previous financial year – investments previous financial year x k) x H

Table 2

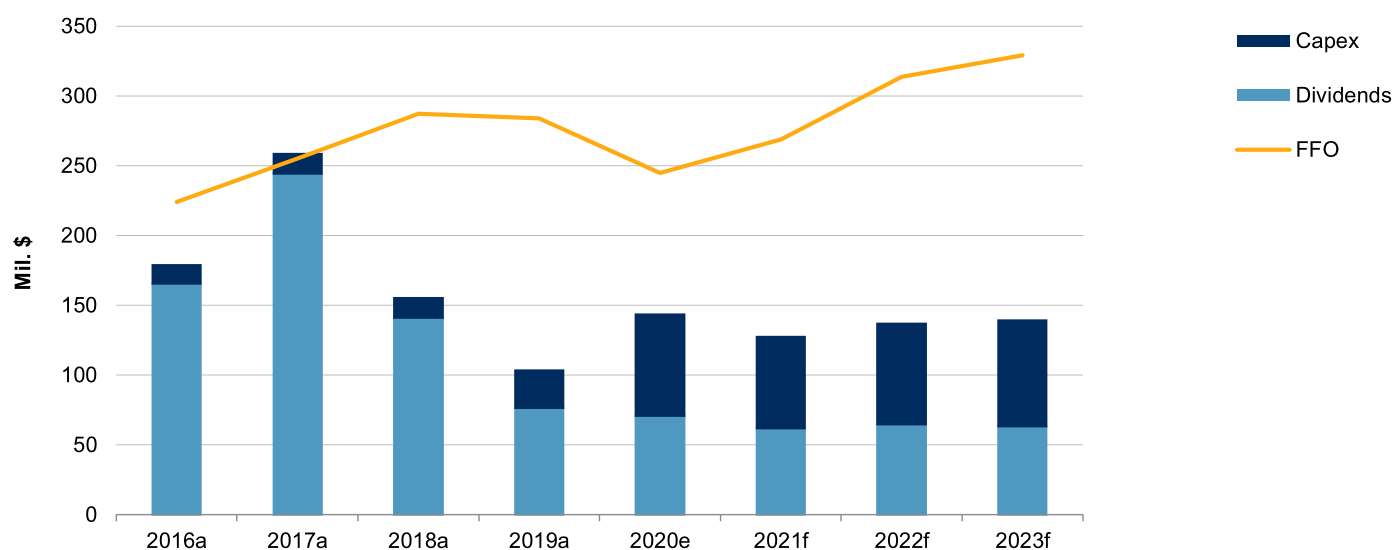
Landsvirkjun--Dividend Policy		
FFO to net debt*	k	H
<10%	100%	10%
10-15%	80%	20%
15-20%	60%	30%
20-30%	40%	60%
>30%	20%	80%

*Landsvirkjun calculation. FFO--Funds from operations.

We believe that Landsvirkjun's credit metrics will improve as the company continues to pay down debt that accumulated during the construction of its largest hydro plant. We assume that management and shareholders will continue to support this deleveraging path and expect that the company's metrics will improve. We forecast Landsvirkjun's FFO to debt will be 14%-15% by the end of 2020 despite a drop in revenues, before subsequently improving between 2021 and 2022, at 15%-20% and 20%-25% respectively, thanks to net debt reduction of about \$400 million by the end of 2022, resulting in net debt at \$1,300 million-\$1,350 million compared with \$1,700 at the end of 2019.

Chart 2

Funds From Operations Comfortably Cover Investments And Dividends



a--Actual. e--Estimate. f--Forecast. Capex--Capital expenditure. FFO--Funds from operations. Source: S&P Global Ratings.

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Financial summary

Table 3

Landsvirkjun--Financial Summary					
Industry sector: Energy					
	--Fiscal year ended December 31--				
	2019	2018	2017	2016	2015
(Mil. \$)					
Revenue	509.6	533.9	483.1	420.4	421.5
EBITDA	372.7	387.1	345.6	301.8	321.6
Funds from operations (FFO)	283.9	287.4	255.4	224.1	226.9
Interest expense	72.6	91.4	79.2	72.0	78.7
Cash interest paid	70.6	82.3	75.2	68.9	89.1
Cash flow from operations	290.2	286.6	263.8	219.8	243.8
Capital expenditure	76.7	141.1	244.5	165.5	76.1
Free operating cash flow (FOCF)	213.5	145.5	19.3	54.3	167.7
Discretionary cash flow (DCF)	186.9	131.3	5.2	41.1	156.6
Cash and short-term investments	110.5	116.3	126.5	144.5	142.1
Gross available cash	110.5	116.3	126.5	144.6	142.1
Debt	1,728.3	1,913.9	2,074.1	2,002.1	2,021.8
Equity	2,235.4	2,163.1	2,063.1	1,969.1	1,916.6
Adjusted ratios					
EBITDA margin (%)	73.1	72.5	71.5	71.8	76.3
Return on capital (%)	6.2	6.5	5.7	4.6	5.3
EBITDA interest coverage (x)	5.1	4.2	4.4	4.2	4.1
FFO cash interest coverage (x)	5.0	4.5	4.4	4.3	3.5
Debt/EBITDA (x)	4.6	4.9	6.0	6.6	6.3
FFO/debt (%)	16.4	15.0	12.3	11.2	11.2
Cash flow from operations/debt (%)	16.8	15.0	12.7	11.0	12.1
FOCF/debt (%)	12.4	7.6	0.9	2.7	8.3
DCF/debt (%)	10.8	6.9	0.3	2.1	7.7

Reconciliation

Table 4

Landsvirkjun--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. \$)

Landsvirkjun reported amounts								
	--Fiscal year ended Dec. 31, 2019--							
	Debt	Shareholders' equity	EBITDA	Operating income	Interest expense	S&P Global Ratings' adjusted EBITDA	Cash flow from operations	Capital expenditure
Reported	1,801.9	2,097.4	375.3	240.5	70.4	372.7	295.8	82.2
S&P Global Ratings' adjustments								
Cash taxes paid	--	--	--	--	--	(18.1)	--	--
Cash interest paid	--	--	--	--	--	(68.4)	--	--

Table 4

Landsvirkjun--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. \$) (cont.)								
Reported lease liabilities	6.3	--	--	--	--	--	--	--
Postretirement benefit obligations/ deferred compensation	23.0	--	0.8	0.8	--	--	--	--
Accessible cash and liquid investments	(110.5)	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	2.2	(2.2)	(2.2)	(2.2)
Capitalized development costs	--	--	(3.4)	(3.4)	--	--	(3.4)	(3.4)
Asset-retirement obligations	7.6	--	--	--	--	--	--	--
Nonoperating income (expense)	--	--	--	2.7	--	--	--	--
Noncontrolling interest/minority interest	--	138.0	--	--	--	--	--	--
Depreciation and amortization: Impairment charges/(reversals)	--	--	--	7.1	--	--	--	--
Total adjustments	(73.6)	138.0	(2.6)	7.2	2.2	(88.7)	(5.6)	(5.6)
S&P Global Ratings' adjusted amounts								
	Debt	Equity	EBITDA	EBIT	Interest expense	Funds from operations	Cash flow from operations	Capital expenditure
Adjusted	1,728.3	2,235.4	372.7	247.7	72.6	283.9	290.2	76.7

Liquidity: Strong

We view Landsvirkjun's liquidity as strong. We project that available liquidity sources (cash, committed credit facilities, and operating cash flow) should exceed our forecast of near-term cash outflows (debt repayments, capex, and dividends) by more than 1.6x over the next 12 months, and by 1.0x over the next 24 months. We also expect that sources will exceed uses even if EBITDA declines by 30%. As Iceland's main state-owned utility company, we believe that the company will continue to enjoy solid relationships with local banks, a generally high standing in the credit markets, and prudent risk management. This has repeatedly been demonstrated by early debt repayments and refinancing which shows active debt management.

Principal Liquidity Sources(as of June 30, 2020):

- Cash of about \$105 million;
- Committed facilities of about \$180 million of which \$150 million expires in July 2023 and \$30 million in April 2023; and
- FFO of about \$250 million.

Principal Liquidity Uses(as of June 30, 2020):

- Debt maturities of about \$190 million;
- Capex of about \$70 million; and
- Dividends of about \$70 million.

Covenant Analysis

Landsvirkjun credit facilities have no financial covenants.

Environmental, Social, And Governance

Because Landsvirkjun is a power generation company, environmental factors are the most significant environmental, social, and governance considerations in our credit assessment. Landsvirkjun's carbon footprint is low due to its 100% green renewable generation portfolio, and the company is making significant investments to reduce the carbon impact of corporate activities, including employee transportation.

The company's low-cost renewable portfolio supports a high EBITDA margin of about 72% and improved FFO-to-debt ratios in the future. It also helps insulate Landsvirkjun from competition that could arise from changes in international power prices. In addition, all investments to increase electricity generation are channelled into renewable generation such as hydro power or geothermal plants. It is our understanding that Landsvirkjun's renewable energy profile is positive for attracting large power-using companies.

Landsvirkjun also prioritizes social and governance factors and has established an ambitious strategy on corporate social responsibility. It outlines its role in creating, valuing, respecting, and protecting natural resources and the environment, and sharing its expertise to effectively contribute to society.

Landsvirkjun is a member of the U.N. Global Compact, which commits the company to following the 10 principles issued by the U.N. on human rights, labor rights, environmental issues, and anti-corruption.

Government Influence

The ratings on Landsvirkjun include four notches of uplift owing to our view of a very high likelihood that Iceland would provide timely and sufficient extraordinary support to the company in the event of financial distress. We base this assessment on Landsvirkjun's:

- Very important role for the Icelandic government, given its dominant position as the incumbent power company and 64.7% owner of the national transmission system operator, Landsnet. Landsvirkjun also has strategic importance to Iceland's economy, and plays a central role in the promotion of power-intensive industries; and
- Very strong link with the government, given the state's 100% ownership of the company and risk to its reputation if

Landsvirkjun were to default. We don't expect the company will be privatized.

Issue Ratings - Subordination Risk Analysis

Capital structure

Landsvirkjun's reported debt was \$1.8 billion as of June 2020. About 78% of the debt is issued by the parent company, with the remainder issued by fully consolidated subsidiary Landsnet.

Analytical conclusions

The issue rating on Landsvirkjun's senior unsecured debt is 'BBB', in line with the issuer credit rating, since no significant elements of subordination risk are present in the capital structure.

Ratings Score Snapshot

Issuer Credit Rating

BBB/Positive/A-2

Business risk: Fair

- **Country risk:** Low
- **Industry risk:** Moderately high
- **Competitive position:** Fair

Financial risk: Aggressive

- **Cash flow/leverage:** Aggressive

Anchor: bb-

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bb-

- **Likelihood of government support:** Very high (+4 notches from SACP)

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019

- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of August 21, 2020)*

Landsvirkjun

Issuer Credit Rating
Senior Unsecured

BBB/Positive/A-2

BBB

Issuer Credit Ratings History

21-Mar-2019
18-Jan-2017
19-Jan-2016
01-Dec-2015

BBB/Positive/A-2

BBB/Stable/A-2

BBB-/Stable/A-3

BB+/Positive/B

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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