



Landsvirkjun's third quarter 2020 results

Strong operations despite external turbulence

Key figures from the interim financial statements

- Profit before unrealised financial items amounted to USD 92.4 million, compared to USD 129.1 million in the same period of the prior year, which is a decrease of 28.4%.
- The profit for the period was USD 61.2 million, compared to USD 90.1 million in the same period of the prior year.
- Operating revenues amounted to USD 328.0 million, decreasing by USD 44.5 million (11.9%) from the same period of the prior year.
- Net debt decreased by USD 56.7 million from the beginning of the year and amounted to USD 1,634.7 million at the end of September.
- Cash flow from operations amounted to USD 169.8 million which is a decrease of 23.6% compared to the same period of the prior year.

Hörður Arnarson, CEO:

"The economic conditions caused by the COVID-19 pandemic continue to affect Landsvirkjun's operations. These conditions are putting pressure on demand and product prices of the company's customers. However, after a decade of debt reduction the company is in a strong position to weather the storm and support its customers during these difficult times. As previously mentioned, our industrial customers have received temporary discounts and the company has taken an active role in the effort to support the economy by undertaking various construction-, renovation- and research- and development projects throughout Iceland.

One positive development is that net debt has decreased during the first nine months of the year despite these difficult conditions and is currently around 57 million dollars lower than at the beginning of the year. Profit before unrealised financial items, the measure we use when evaluating the company's core operation, decreases by 28% compared to the same period of last year and amounts to 92.4 million dollars.

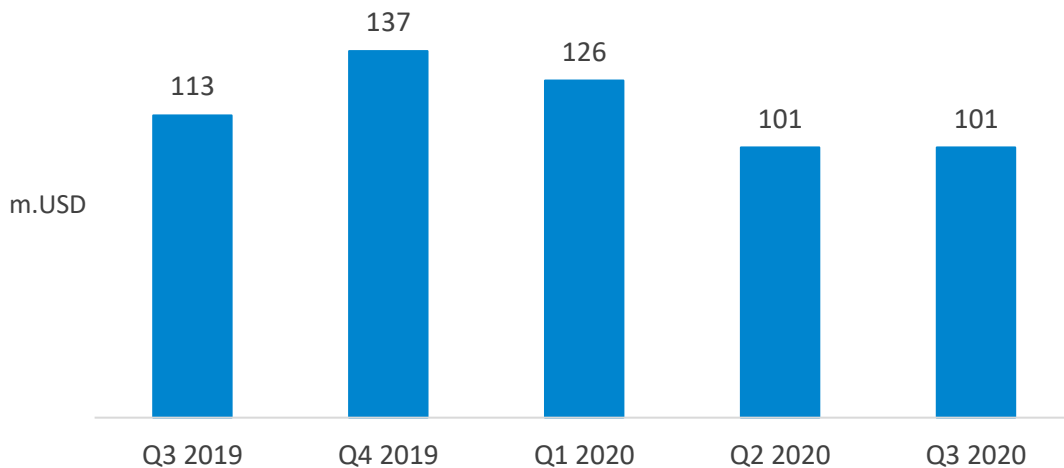
The company's operations were strong during the period despite the economic turbulence. In light of the changing market conditions we decided to split the marketing and business development department into two separate departments, namely energy sales on the one hand and business development and innovation on the other. Despite current economic challenges, there are a number of opportunities for Landsvirkjun going forward, for example in green hydrogen production, eco-industrial parks and other green innovations like the Orkídea- and EIMUR projects in the south and north of Iceland.

The outlook for the company's operations and the world economy continues to be uncertain. As before, it depends on the containment of the coronavirus. Recent positive news of vaccine developments are promising and if deployed soon the world economy can hopefully start recovering."



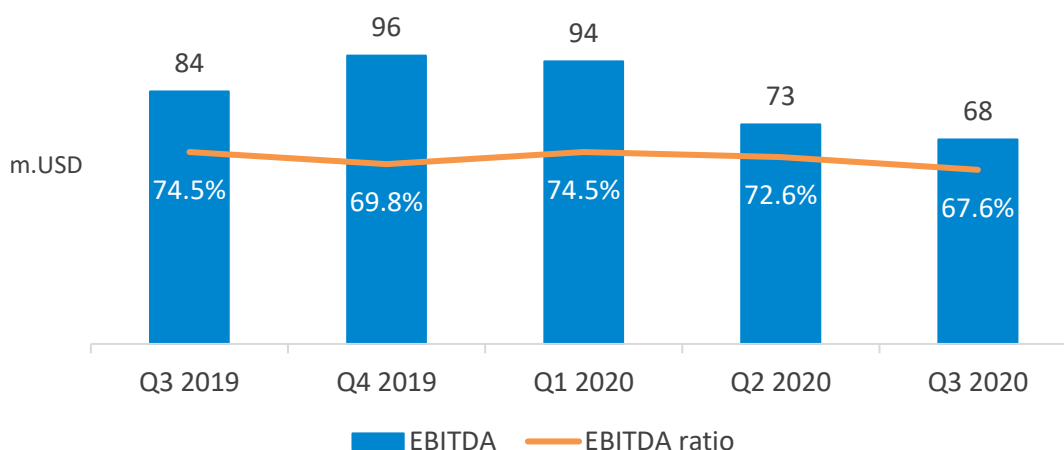
Operations

Development of operating revenues



Landsvirkjun’s customers have experienced a decrease in demand for their products and the company has supported them by offering temporary discounts. These developments have put pressure on Landsvirkjun’s revenues which are USD 44 million lower during the first nine months of 2020 than they were for the same period of 2019.

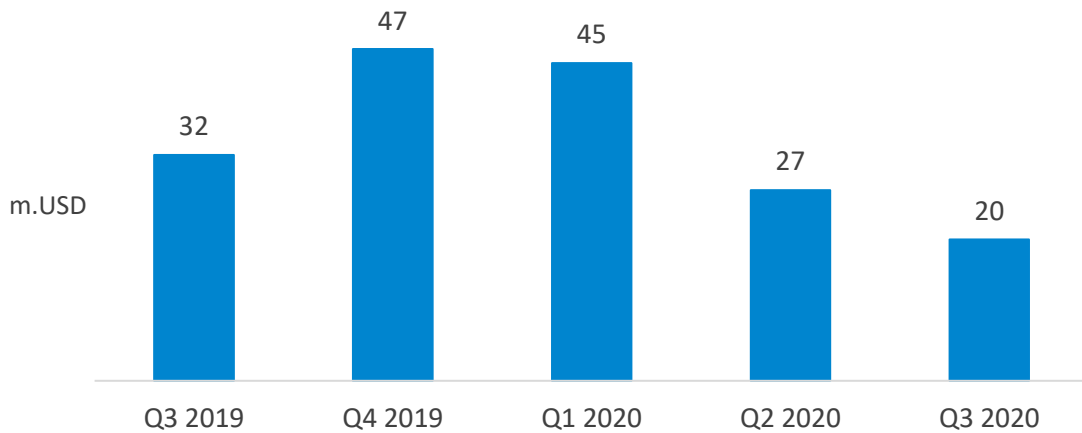
EBITDA and EBITDA ratio



Operating expenses increase between years due to, among other things, transmission system cost due to the bad weather at the beginning of the year. The Group’s operating profit before depreciation, EBITDA, amounted to USD 236 million during the first nine months of the year which is USD 47 million lower than for the same period of the previous year.

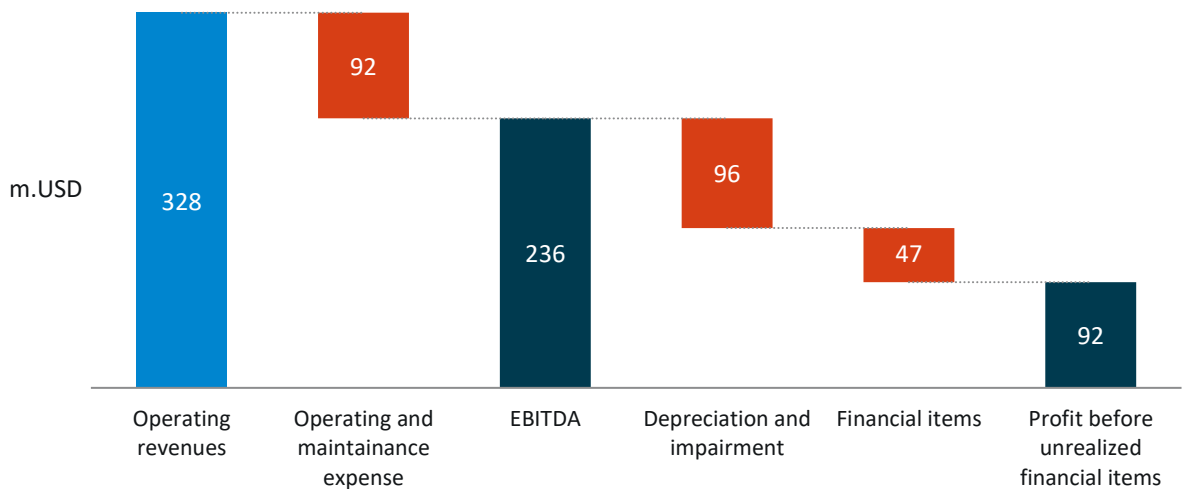


Profit before unrealized financial items



Profit before unrealized financial items is the criterion used by Landsvirkjun in evaluating the company's core operation. The profit amounted to USD 92 million during the first nine months of the year which is a 28% decrease on the same period of the prior year.

Items affecting profit before unrealised financial items in 9M 2020

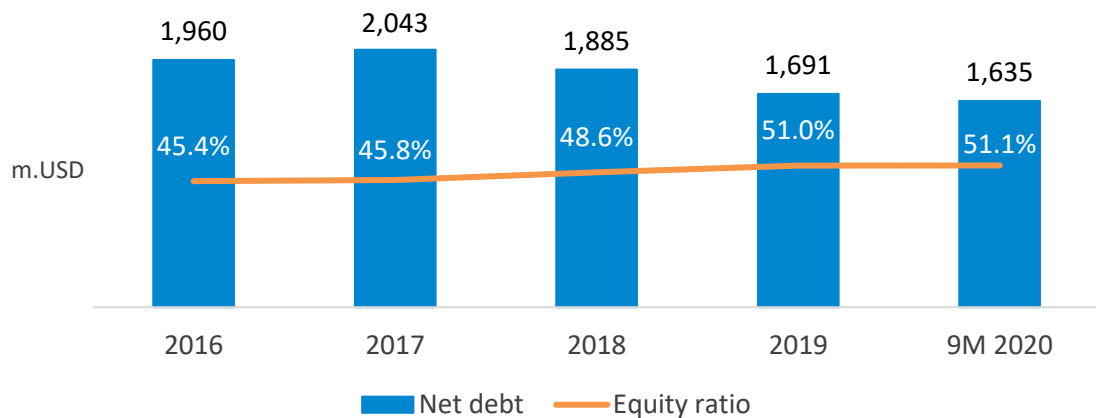


Net debt decreases

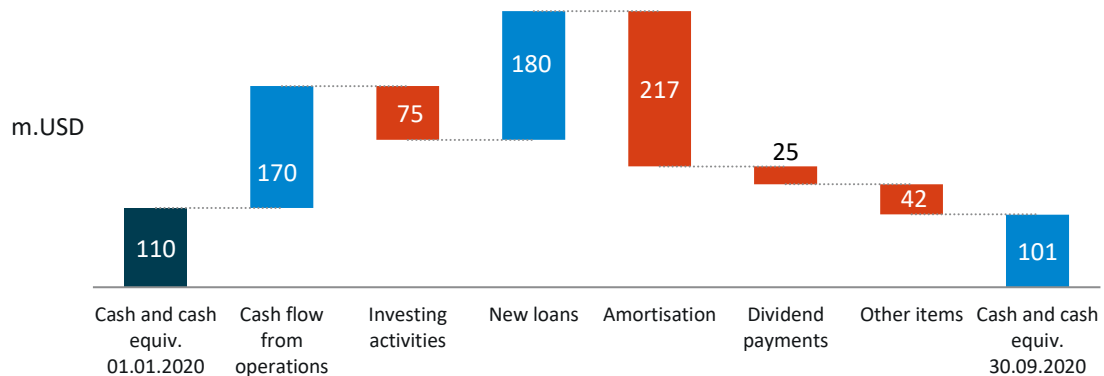
The company's cash generation (cash flow from operations) was USD 170 million during the period which is USD 53 million lower than for the same period of the previous year. Net debt (interest bearing liabilities less cash and cash equivalent) has decreased by USD 57 million since the start of the year and has decreased by USD 78 million since the same time last year. The equity ratio has developed in line with debt repayments and is now 51.1%



Net debt and equity ratio



The Group's cash and cash equivalents amounted to USD 101 million at the end of September 2020 and have decreased by USD 9 million from the start of the year.



Operating outlook

Landsvirkjun is faced with challenges in the difficult economic conditions caused by the COVID-19 pandemic. Landsvirkjun's industrial customers have benefited from special trade terms. This reflects Landsvirkjun's dedication to provide support during these unusual times. The company takes an active part in the continued effort by Icelandic business and government to support the economy by undertaking various new construction-, renovation- and maintenance projects. Furthermore, the company is participating in research and development projects in the northern and southern part of Iceland in collaboration with local communities as well as speeding up projects that focus on digital development. Debt reduction over the past decade and the improved equity position place Landsvirkjun in a strong position to take on the difficult economic conditions faced by Iceland during these times of uncertainty.

Reykjavík, November 20, 2020
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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:

	2020	2019	2018	2017	2016
	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.
Operation					
Operating revenues	323,055	365,493	403,800	351,691	303,485
Realised aluminium hedges	4,906	6,956	(4,983)	(4,361)	3,632
Total operating revenues	327,961	372,449	398,817	347,330	307,117
Operating and maintainance expenses	(92,403)	(89,737)	(107,125)	(97,762)	(81,502)
EBITDA	235,558	282,712	291,692	249,568	225,615
Depreciation and impairment loss	(95,764)	(100,800)	(93,114)	(87,070)	(87,721)
EBIT	139,794	181,912	198,578	162,498	137,894
Financial items	(47,392)	(52,852)	(65,134)	(47,664)	(49,137)
Profit before unrealised financial items	92,402	129,060	133,444	114,834	88,757
Unrealised financial items:					
Fair value changes in embedded derivatives	(6,384)	(7,780)	(32,762)	66,194	29,828
Fair value changes in other derivatives	(4,541)	(3,046)	17,573	(8,919)	(921)
Unrealised foreign exchange difference	7,711	16,494	14,623	(56,091)	(38,179)
	(3,214)	5,668	(566)	1,184	(9,272)
Profit before income tax	89,188	134,728	132,878	116,018	79,485
Income tax	(27,996)	(44,579)	(43,601)	(37,489)	(31,997)
Profit	61,192	90,149	89,277	78,529	47,488
Balance sheet					
	30.9.2020	30.9.2019	30.9.2018	30.9.2017	30.9.2016
Total assets	4,336,657	4,336,760	4,445,981	4,441,672	4,261,610
Total equity	2,217,323	2,211,197	2,132,829	2,034,201	1,949,506
Total liabilities	2,119,334	2,125,563	2,313,152	2,407,471	2,312,104
Net liabilities	1,634,720	1,712,848	1,940,009	2,038,246	1,973,757
Key figures					
Cash flow from operating activities	169,828	222,407	222,693	200,432	172,545
Investing activities	(74,958)	(57,202)	(126,863)	(188,691)	(109,293)
Financing activities	(102,884)	(201,102)	(131,696)	(47,660)	(101,229)
Total liquidity	451,063	375,969	453,359	491,395	528,125
Equity ratio	51.1%	51.0%	48.0%	45.8%	45.7%
Return on equity	3.9%	5.7%	5.8%	5.0%	3.1%
Interest cover (EBITDA/net interest expenses)	5.48x	5.39x	4.88x	5.43x	5.12x
Net liabilities / EBITDA	4.93x	4.50x	5.00x	6.26x	6.53x

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 around 70% of all electricity in Iceland from renewable energy resources, hydroelectric energy, geothermal energy and wind energy. The company is at the same time a leader in sustainable utilization of energy resources and contributes to increased knowledge, innovation and technical development.