

Half year results

Operating revenues regain their strength

Key figures from the interim financial statements

- Profit before unrealized financial items amounted to USD 99.3 million, compared to USD 73.2 million in the same period of the prior year, an increase of 35.7%.
- The profit for the period was USD 55.1 million but was USD 43.6 million in the same period of the previous year.
- Operating revenues amounted to USD 262.0 million, increasing by USD 34.9 million (15.4%) from the same period of the prior year.
- Net debt decreased by USD 84.7 million from the beginning of the year and amounted to USD 1,591.1 million at the end of June.
- Cash flow from operations amounted to USD 163.5 million, which is an increase of 26.1% compared to the same period of the previous year.

Hörður Arnarson, CEO:

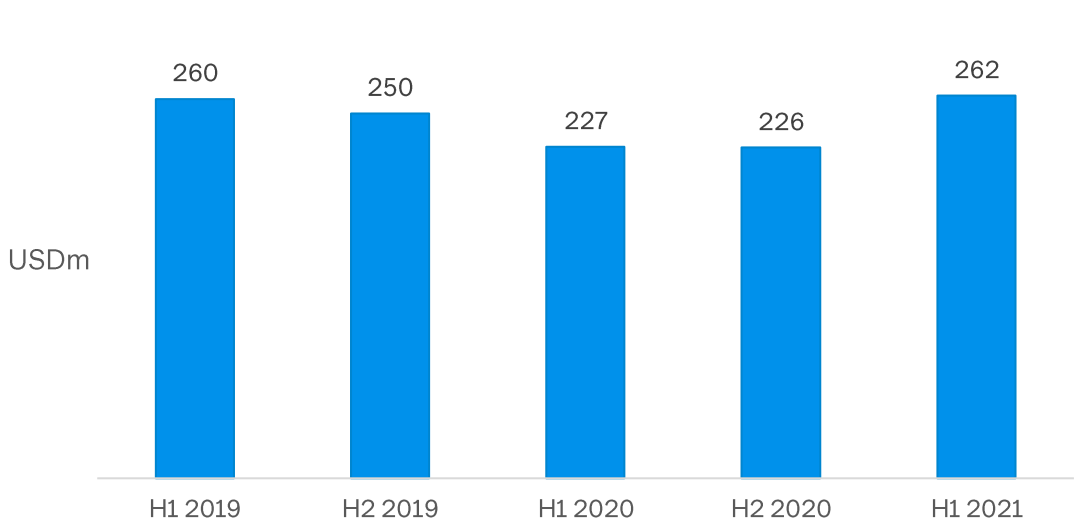
„The Company’s operating environment continued to improve during the second quarter of the year. Our customers’ business environment continues to improve and they have gradually increased their energy usage. Most are running at full capacity, as demand for their products has regained prior strength and in many cases has risen to a higher level than before the coronavirus pandemic. PCC Bakki Silicon restarted its plant, power contracts were signed with Verne Global and Advania Data Centres and a new contract was signed in July with Norðurál, a contract which enables the company to, among other things, increase the value of its products. The average price on the Nord Pool power market was around USD 50 per megawatt hour and quadrupled from the previous year. This development has strengthened Landsvirkjun’s competitiveness. At the same time, the average power price to industrial customers was just over USD 28 per megawatt hour and has never been higher.

The results for the first half of the year clearly illustrate this improvement. Profit before unrealised financial items, which is the criterion used by Landsvirkjun in evaluating the Company’s core operation, increased by just under 36%, compared to the same period of 2020. Net debt decreased by USD 84.7 million during the first half of the year. These are positive results, not least because of the circumstances and uncertainty that arose last year due to the pandemic. Our credit rating at S&P was upgraded by one tier in June, because of a strong financial position and the ability and effort of our employees to address the challenges posed by the pandemic.

Demand for renewable energy is increasing rapidly, along with emphasis on climate change issues, which is primarily centred around phasing out fossil fuels and replacing them with renewable energy, along with economical energy usage. End users and companies are now the driving force behind this development, whereas before it was governments and international organisations. This will create opportunities for Iceland to create even more economic value and employment, in addition to being a valuable contribution in the global fight against climate change.“

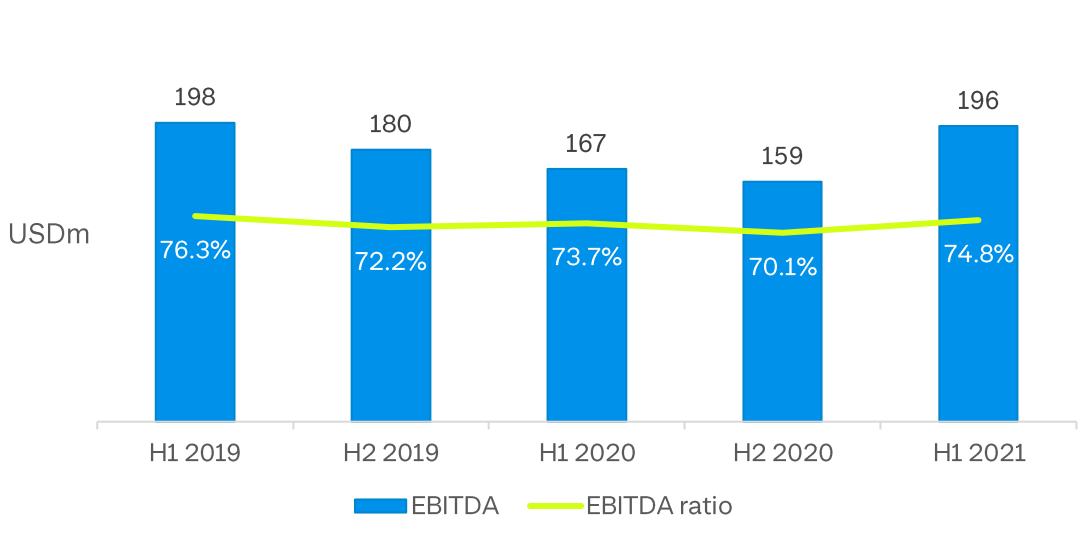
Operations

Development of operating revenues



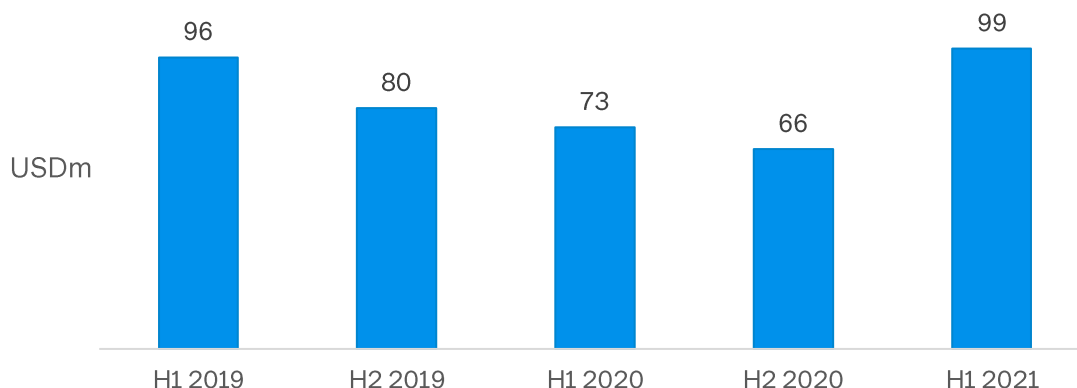
Operating revenues have started improving again after Landsvirkjun’s difficult operating environment of last year and amounted to USD 262 million during the first six months of the year, an increase of 15% compared with the same period of the previous year. International commodity and energy prices have increased substantially during the year, after having been under significant pressure following the onset of the coronavirus pandemic.

EBITDA and EBITDA ratio



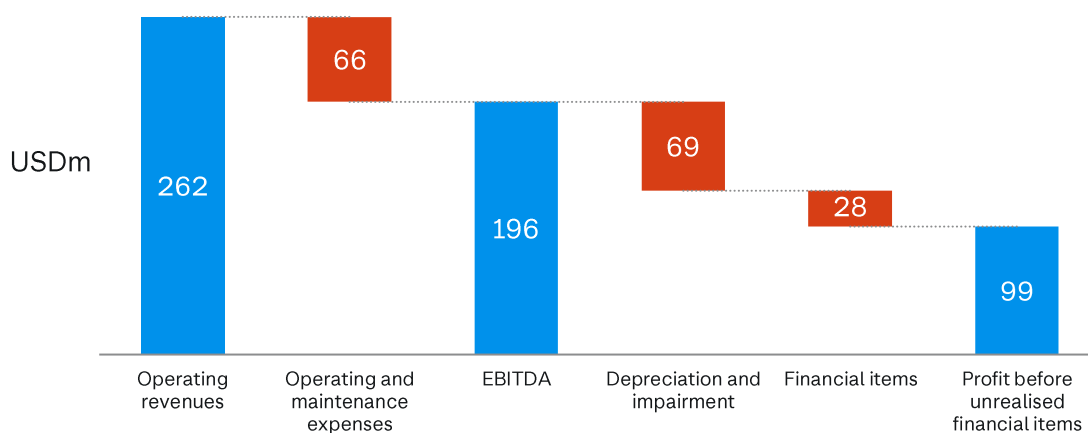
Operating expenses increased by 10% compared to the year before, with the operating profit before depreciation, EBITDA, amounting to USD 196 million during the first half of the year. This is a USD 29 million increase from the same period of the previous year.

Profit before unrealised financial items



Profit before unrealised financial items is the criterion used by Landsvirkjun in evaluating the Company’s core operation. The profit amounted to USD 99 million during the first half of the year, which is a 36% increase from the same period of the previous year.

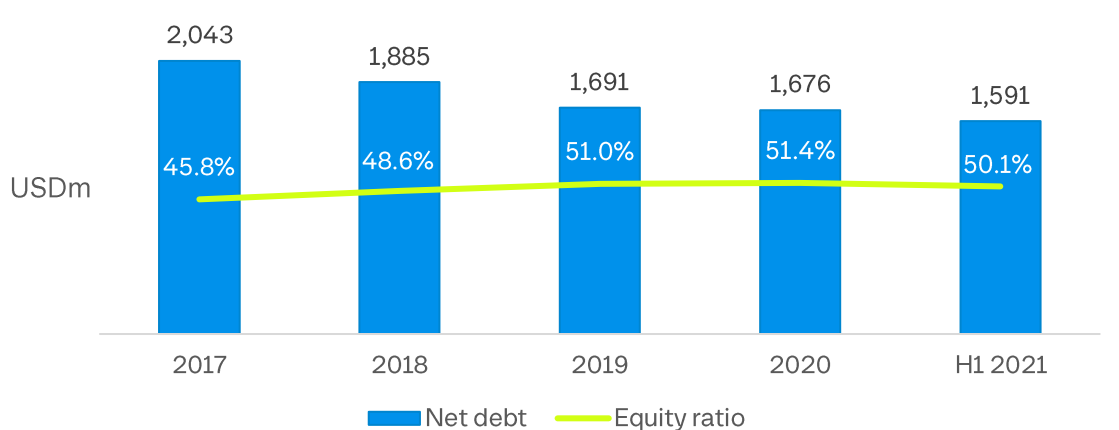
Items affecting profit before unrealized financial items - H1 2021



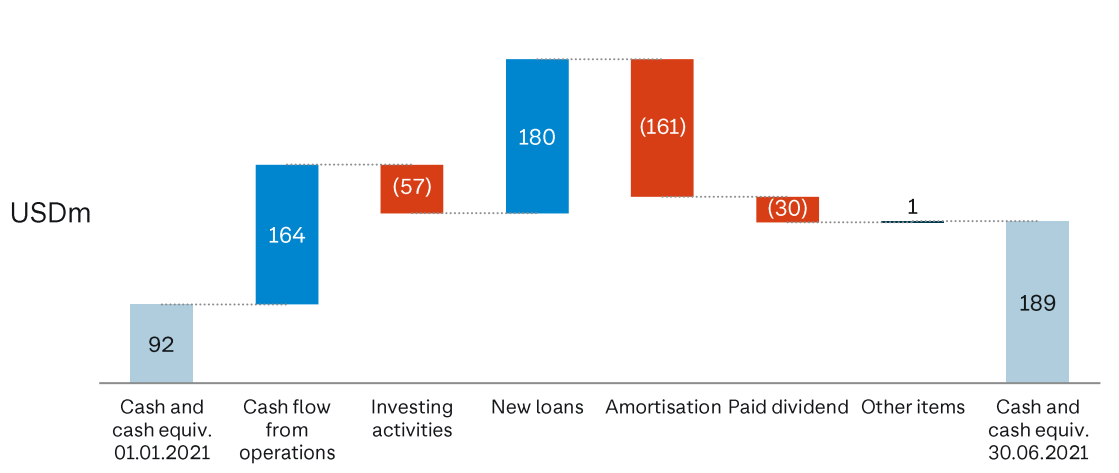
Strong cash generation

The company’s cash generation (cash from operating activities) was USD 164 million during the first half of the year, an increase of USD 34 million from the same period of the prior year. Net debt (interest bearing liabilities less cash and cash equivalents) decreased by USD 85 million from the beginning of the year.

Net debt and equity ratio



The Group’s cash and cash equivalents amounted to USD 189 million at the end of the first half of the year, an increase of USD 97 million from year end 2020.



Operating outlook

Landsvirkjun’s operations have improved substantially during the first half of the year, recovering from the difficult economic circumstances brought on by the coronavirus pandemic. International commodity and power markets have gained momentum during the year and their development will, along with demand from customers, continue to affect Landsvirkjun’s results.

Reykjavik, August 20, 2021
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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:

	2021	2020	2019	2018	2017
	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.
Operation					
Operating revenues	276,983	223,281	255,523	273,946	234,172
Realised hedges	(15,020)	3,819	4,195	(4,402)	(1,812)
Total operating revenues	261,963	227,100	259,718	269,544	232,360
Operating and maintainance expenses	(65,962)	(59,745)	(61,525)	(71,789)	(64,676)
EBITDA	196,001	167,355	198,193	197,755	167,684
Depreciation and impairment loss	(68,907)	(63,848)	(67,400)	(61,839)	(58,321)
EBIT	127,094	103,507	130,793	135,916	109,363
Financial items	(27,802)	(30,344)	(34,402)	(49,192)	(34,231)
Profit before unrealised financial items	99,292	73,163	96,391	86,724	75,132
Unrealised financial items:					
Fair value changes in embedded derivatives	21,400	(19,626)	765	(29,133)	35,816
Fair value changes in other derivatives	(38,871)	(29)	(3,431)	14,046	(2,951)
Unrealised foreign exchange difference	942	9,824	8,419	10,037	(48,495)
	(16,529)	(9,831)	5,753	(5,050)	(15,630)
Profit before income tax	82,763	63,332	102,144	81,674	59,502
Income tax	(27,662)	(19,770)	(33,586)	(27,167)	(19,789)
Profit	55,101	43,562	68,558	54,507	39,713
Balance sheet					
Total assets	30.6.2021	30.6.2020	30.6.2019	30.6.2018	30.6.2017
Total assets	4,462,475	4,332,388	4,355,140	4,486,572	4,379,436
Total equity	2,234,624	2,201,115	2,191,134	2,099,502	1,995,963
Total liabilities	2,227,851	2,131,273	2,164,006	2,387,070	2,383,473
Net liabilities	1,591,137	1,631,302	1,758,546	1,992,640	2,017,227
Key figures					
Cash flow from operating activities	163,540	129,654	159,892	149,239	142,366
Investing activities	(56,808)	(40,201)	(32,255)	(96,656)	(117,767)
Financing activities	(10,692)	(92,586)	(165,788)	(66,682)	(62,681)
Total liquidity	379,412	285,523	422,964	491,026	510,647
Equity ratio	50.1%	50.8%	50.3%	46.8%	45.6%
Return on equity	4.1%	4.1%	6.4%	6.2%	3.7%
Interest cover (EBITDA/net interest expenses)	6.44x	5.43x	5.70x	4.77x	5.32x
Net liabilities / EBITDA	4.48x	4.69x	4.51x	5.30x	6.42x

About Landsvirkjun

Landsvirkjun, established in 1965, is an energy generation company owned by the Icelandic nation. Landsvirkjun's role is to maximize the value of the renewable energy resources it has been entrusted with, in a sustainable and efficient manner. The Company's vision is a sustainable world, powered by renewable energy. The Company produces 70% of all electricity in Iceland, from 100% renewable energy resources: hydroelectric energy, geothermal energy and wind energy. The Company is a leader in the sustainable utilisation of energy resources, while at the same time contributing to increased knowledge, innovation and technical development in society.