



Landsvirkjun

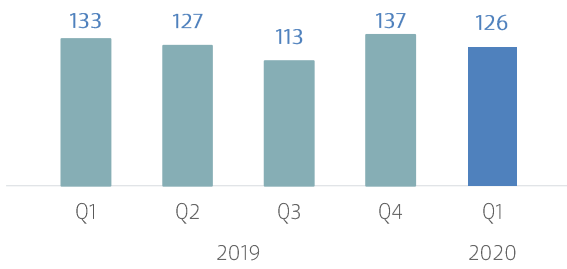
01.01.-31.03.2020

Group Condensed Interim Financial Statements

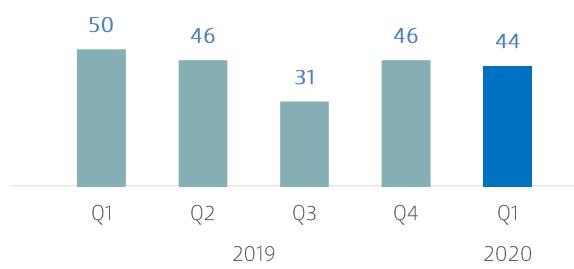


Key figures

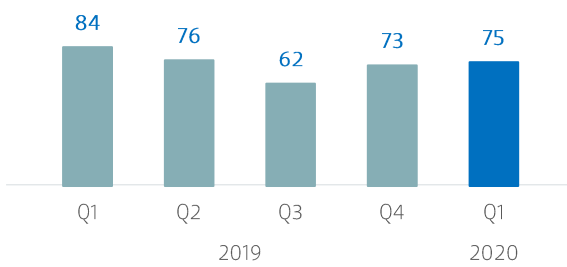
Operating revenues



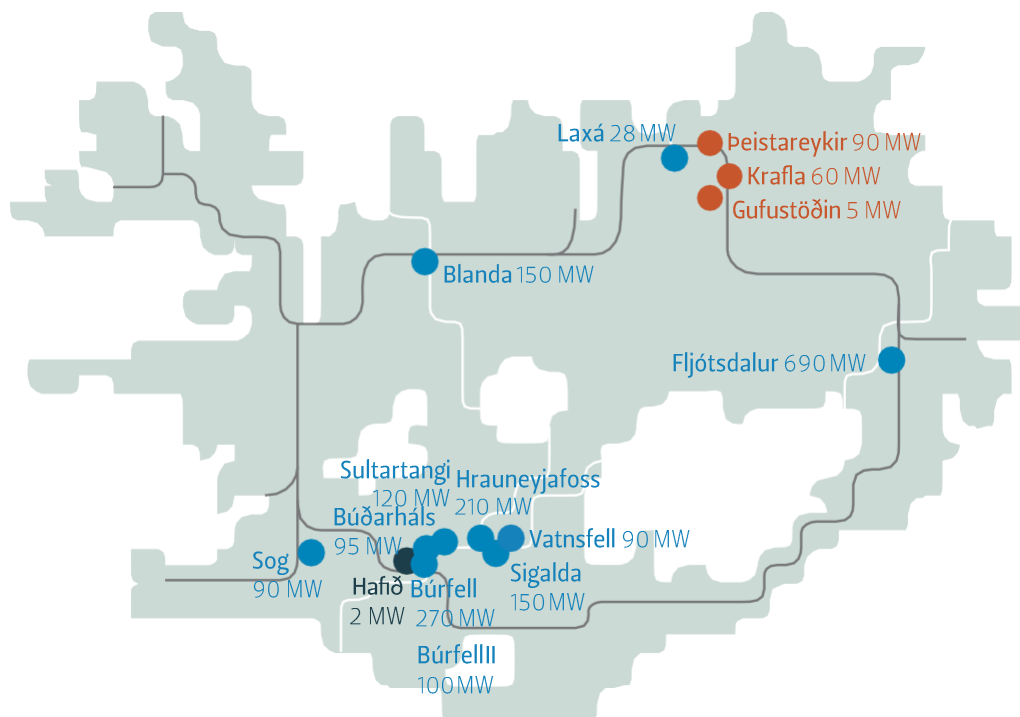
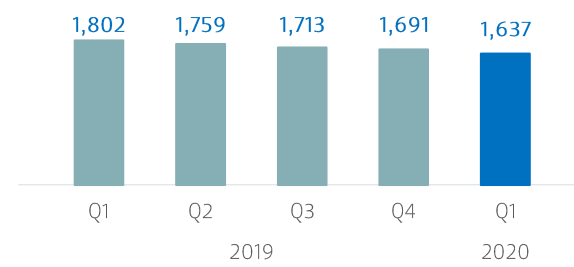
Profit before unrealised financial items



Cash flow from operating activities



Net debt



15

Hydropower stations



3

Geothermal stations



2

Windmills



3,360 km
High voltage
lines



2,146 MW
Capacity

S&P Global
Ratings
BBB

MOODY'S
Baa1



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Key figures

Management's presentation of the operation of Landsvirkjun

Amounts are in USD thousand

	2020 1.1.-31.3.	2019 1.1.-31.3.	2018 1.1.-31.3.	2017 1.1.-31.3.	2016 1.1.-31.3.
Operation					
Operating revenues	124,886	131,388	142,810	119,465	104,294
Realised aluminium hedges	1,276	1,769	(1,648)	(653)	1,209
Total operating revenues	126,162	133,157	141,162	118,812	105,503
Operating and maintenance expenses	(34,177)	(30,706)	(35,893)	(30,544)	(23,296)
EBITDA	91,985	102,451	105,269	88,268	82,207
Depreciation and impairment loss	(31,955)	(33,696)	(30,623)	(29,180)	(29,273)
EBIT	60,030	68,755	74,646	59,088	52,934
Financial items	(15,992)	(18,292)	(18,720)	(15,307)	(15,108)
Profit before unrealised financial items	44,038	50,463	55,926	43,781	37,826
Unrealised financial items:					
Fair value changes in embedded derivatives ... (	23,792)	6,842	(39,556)	42,555	(3,809)
Fair value changes in other derivatives	5,902	(5,002)	16,879	(8,110)	(155)
Unrealised foreign exchange difference	19,916	9,366	(18,856)	(3,568)	(26,896)
	2,026	11,206	(41,533)	30,877	(30,860)
Profit before income tax	46,064	61,669	14,393	74,658	6,966
Income tax	(14,551)	(20,508)	(5,328)	(25,277)	(3,522)
Profit for the period	31,513	41,161	9,065	49,381	3,444
Balance sheet					
	31.3.2020	31.3.2019	31.3.2018	31.3.2017	31.3.2016
Total assets	4,341,997	4,440,665	4,712,186	4,472,638	4,261,913
Total equity	2,260,836	2,200,167	2,072,166	2,017,992	1,920,232
Total liabilities	2,081,161	2,240,498	2,640,020	2,454,646	2,341,681
Net debt*	1,637,277	1,801,882	2,038,072	1,965,833	1,974,816
Cash flow					
	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.
Funds from operation (FFO)	80,473	85,668	85,030	70,900	66,477
Cash flow from operating activities	75,412	83,989	81,142	66,285	68,711
Investing activities	(19,272)	(17,832)	(42,582)	(67,732)	(22,248)
Financing activities	(66,471)	(54,022)	160,679	95,757	(64,717)
Liquidity					
	31.3.2020	31.3.2019	31.3.2018	31.3.2017	31.3.2016
Cash and cash equivalents	96,792	126,435	327,844	241,417	125,810
Undrawn loans	180,000	347,903	388,866	472,184	365,366
Total liquidity	276,792	474,338	716,710	713,601	491,176
Key ratios					
Return on equity **	4.7%	7.4%	3.4%	5.9%	1.8%
Equity ratio	52.1%	49.5%	44.0%	45.1%	45.1%
Interest cover (EBITDA/net interest exp)**	5.55x	4.75x	5.55x	5.26x	4.68x
FFO / net debt**	18.8%	17.6%	14.6%	12.2%	12.0%
FFO / interest expense**	4.49x	3.76x	4.36x	3.89x	3.38x
Net debt / EBITDA**	4.49x	4.66x	5.62x	6.39x	6.28x
Credit rating without state guarantee at the end of March					
Standard & Poor's	BBB	BBB	BBB	BBB	BBB-
Moody's	Baa1	Baa2	Baa2	Baa3	Ba1

* Net debt is interest bearing liabilities less cash and cash equivalent

** Key ratios based on the past 12 months

Endorsement and Statement of the Board of Directors and CEO

Landsvirkjun's objective is to operate in the energy sector and to engage in other business and financial operations according to the decision of the Board of Directors at each time. The Company's condensed consolidated financial statements in the period from 1 January to 31 March 2020 are prepared in accordance with IAS 34 Interim Financial Reporting and additional requirements in the Icelandic Financial Statement Act and include, in addition to the parent company, four subsidiaries, Landsnet hf., Orkufjarskipti hf., Icelandic Power Insurance Ltd. and Landsvirkjun Power ehf. The interim financial statements have not been audited or reviewed by the Company's auditors.

According to the income statement, the Group's profit in the period from January to March 2020 amounted to USD 31.5 million while during the same period in 2019 the Group's profit amounted to USD 41.2 million. The change between periods is USD 9.6 million, mainly due to the negative fair value change of derivatives, which amounted to USD 17.9 million during the period January to March 2020 compared to a positive difference of USD 1.8 million during the same period in the previous year and positive currency exchange difference, which amounted to USD 19.3 million compared to a positive difference in the amount of USD 8.5 million during the same period in 2019. The Group's operating revenues amounted to USD 126.2 million during the period compared to USD 133.2 million during the same period in the previous year. Cash flow from operations amounted to USD 75.4 million during the period compared to USD 84.0 million during the same period in the previous year. At the end of March 2020, the Group's cash and cash equivalents amounted to USD 96.8 million and undrawn loans amounted to USD 180.0 million, a total of USD 276.8 million. The Group's equity at the end of March amounted to USD 2,260.8 million according to the balance sheet compared to USD 2,235.4 million at year end 2019. At the annual general meeting on 22 April 2020 a dividend payment amounting to ISK 10.0 billion (USD 68.7 million) was approved.

Statement by the Board of Directors and the CEO

According to the best knowledge of the Board of Directors and the CEO, the financial statements are in accordance with IAS 34, Interim financial statements, as adopted by the EU and additional requirements in the Icelandic Financial Statement Act. According to the best knowledge of the Board of Directors and the CEO the financial statements give a fair view of the Group's assets, liabilities and financial position as at 31 March 2020 and the Group's operating results and changes in cash flow during the period from 1 January to 31 March 2020.

Furthermore, it is the opinion of the Board of Directors and the CEO that the interim financial statements and the Endorsement by the Board of Directors for the period from January to March 2020 give a fair view of the Group's results, financial position and development and describe the main risk factors faced by the Group.

The Board of Directors and the CEO have today discussed the condensed consolidated interim financial statements for the period 1 January to 31 March 2020 and confirm them by means of their signatures.

Reykjavik, May 15, 2020.

The Board of Directors:

Jónas Þór Guðmundsson

Álfheiður Ingadóttir

Guðfinna Jóhanna Guðmundsdóttir

Gunnar Tryggvason

Jón Björn Hákonarson

The CEO:

Hörður Arnarson

Income Statement

	Notes	2020 1.1.-31.3.	2019 1.1.-31.3.
Operating revenues			
Power sales	6	102,040	107,129
Realised aluminium hedges		1,276	1,769
Transmission	6	19,951	21,180
Other income		2,895	3,079
		<u>126,162</u>	<u>133,157</u>
Operating expenses			
Energy production costs		35,287	34,962
Transmission costs		18,440	14,735
Cost of general research		2,037	3,908
Other operating expenses		10,368	10,797
		<u>66,132</u>	<u>64,402</u>
Operating profit		<u>60,030</u>	<u>68,755</u>
Financial income and (expenses)			
Interest income		763	843
Interest expenses .....	(	16,169)	(18,198)
Foreign exchange difference		19,327	8,464
Fair value changes in embedded derivatives .....	(	23,792)	6,842
Fair value changes in other derivatives		5,902	(5,002)
	7	<u>(13,969)</u>	<u>(7,051)</u>
Associated companies		3	(35)
Profit before income tax		46,064	61,669
Income tax .....	(	14,551)	(20,508)
Net profit for the period		<u>31,513</u>	<u>41,161</u>
Attributable to:			
Owners of the parent company		28,308	37,263
Subsidiaries minority interest		3,205	3,898
		<u>31,513</u>	<u>41,161</u>

Notes 1 to 12 are an integral part of these interim financial statements.

Statement of Comprehensive Income

	2020	2019
	1.1.-31.3.	1.1.-31.3.
Profit for the period	<u>31,513</u>	<u>41,161</u>
Items that will not be reclassified subsequently to profit or loss:		
Pension obligation after income tax, change	(326)	(517)
Items that may be reclassified subsequently to profit or loss:		
Translation difference due to subsidiaries and associated companies	(2,406)	(1,124)
Total operating items moved to equity	<u>(2,732)</u>	<u>(1,641)</u>
Total Comprehensive Income for the period	<u><u>28,781</u></u>	<u><u>39,520</u></u>
Attributable to:		
Owners of the parent company	25,900	35,745
Subsidiaries minority interest	<u>2,881</u>	<u>3,775</u>
	<u><u>28,781</u></u>	<u><u>39,520</u></u>

Notes 1 to 12 are an integral part of these interim financial statements.

Balance Sheet

Assets	Notes	31.3.2020	31.12.2019
Non-current assets			
Property, plant and equipment		3,917,342	3,945,821
Projects under construction		57,022	47,443
Development cost		134,387	133,610
Other intangible assets		48,353	48,234
Derivative financial instruments	8	2,533	6,429
Associated companies		568	626
Other non-current assets		750	984
Total non-current assets		<u>4,160,955</u>	<u>4,183,147</u>
Current assets			
Inventories		5,188	5,248
Accounts receivables and other receivables		71,088	74,715
Derivative financial instruments	8	7,974	8,036
Cash and cash equivalents		96,792	110,487
Total current assets		<u>181,042</u>	<u>198,486</u>
Total assets		<u>4,341,997</u>	<u>4,381,633</u>
Equity and liabilities			
Equity			
Owners' contributions		586,512	586,512
Revaluation account		156,732	158,184
Restricted reserves		47,201	47,191
Translation difference		(43,652)	(41,570)
Other equity		1,376,490	1,347,066
Equity of the owners of the parent company		<u>2,123,283</u>	<u>2,097,383</u>
Minority interest		137,553	138,016
Total equity		<u>2,260,836</u>	<u>2,235,399</u>
Long-term liabilities			
Interest bearing liabilities	9	1,596,116	1,543,288
Accrued pension liabilities		31,570	36,863
Deferred income tax liability		167,342	160,295
Lease obligation		4,881	5,675
Obligation due to demolition		14,278	12,212
Prepaid income		2,665	2,701
Derivative financial instruments	8	21,534	4,140
		<u>1,838,386</u>	<u>1,765,174</u>
Current liabilities			
Accounts payable and other payables		91,611	77,720
Interest bearing liabilities	9	137,953	258,661
Income tax payable		7,085	28,837
Derivative financial instruments	8	6,126	15,842
		<u>242,775</u>	<u>381,060</u>
Total liabilities		<u>2,081,161</u>	<u>2,146,234</u>
Total equity and liabilities		<u>4,341,997</u>	<u>4,381,633</u>

Notes 1 to 12 are an integral part of these interim financial statements.

Statement of Equity

	Owners' contribution	Revaluation account	Restricted reserves	Translation difference	Equity attributable to Other equity	the owners of the company	Minority interest	Total equity
January 1 to March 31, 2019								
Equity at January 1, 2019.....	586,512	164,053	32,838	(40,756)	1,289,803	2,032,450	130,606	2,163,056
Translation difference.....				(1,001)		(1,001)	(123)	(1,124)
Pension obligation, change.....					(517)	(517)	0	(517)
Profit for the period.....					37,263	37,263	3,898	41,161
Total comprehensive profit.....				(1,001)	36,746	35,745	3,775	39,520
Dividend.....							(2,410)	(2,410)
Share of profit of subsidiaries and associated companies.....			2,786		(2,786)			0
Revaluation transferred to other equity.....		(1,466)			1,466			0
Equity at March 31, 2019.....	586,512	162,587	35,624	(41,756)	1,325,228	2,068,195	131,972	2,200,167
January 1 to March 31, 2020								
Equity at January 1, 2020	586,512	158,184	47,191	(41,570)	1,347,066	2,097,383	138,016	2,235,399
Translation difference.....				(2,082)		(2,082)	(324)	(2,406)
Pension obligation, change.....					(326)	(326)	0	(326)
Profit for the period.....					28,308	28,308	3,205	31,513
Total comprehensive profit.....				(2,082)	27,982	25,900	2,881	28,781
Dividend.....							(3,343)	(3,343)
Share of profit of subsidiaries and associated companies.....			10		(10)			0
Revaluation transferred to other equity.....		(1,452)			1,452			0
Equity at March 31, 2020.....	586,512	156,732	47,201	(43,652)	1,376,490	2,123,283	137,553	2,260,836

Notes 1 to 12 are an integral part of these interim financial statements.

Statement of Cash Flows

	2020	2019
	1.1.-31.3.	1.1.-31.3.
Operating activities		
Operating profit	60,030	68,755
Depreciation and impairment loss	31,955	33,696
Pension obligation, change	(443)	(455)
Obligation due to demolition, change	2,066	169
Other changes	0	12
Working capital from operation before financial items	93,608	102,177
Operating assets, change	3,980	2,569
Operating liabilities, change	3,644	7,649
Cash flow from operating activities before financial items	101,232	112,395
Interest income received	488	658
Interest expenses and foreign exchange difference paid	(22,623)	(25,927)
Taxes paid	(3,685)	(3,137)
Cash flow from operating activities	<u>75,412</u>	<u>83,989</u>
Investing activities		
Power stations in operation	(4,575)	(8,998)
Transmission	(12,791)	(5,382)
Power plant preparation cost	(625)	(969)
Other investments	(1,292)	(2,602)
Assets sold	11	119
Investing activities	<u>(19,272)</u>	<u>(17,832)</u>
Financing activities		
Dividend paid to owners	(3,343)	0
New loans	179,524	0
Currency swaps	(41,175)	656
Amortisation of long-term debt	(201,477)	(54,678)
Financing activities	<u>(66,471)</u>	<u>(54,022)</u>
Change in cash and cash equivalents	(10,331)	12,135
Effect of exchange difference on cash and cash equivalents	(3,364)	(1,978)
Cash and cash equivalents at the beginning of the year	<u>110,487</u>	<u>116,278</u>
Cash and cash equivalents at the end of the period	<u><u>96,792</u></u>	<u><u>126,435</u></u>

Notes 1 to 12 are an integral part of these interim financial statements.

Notes

Reporting entity

1. Landsvirkjun

Landsvirkjun is a partnership which operates in Iceland and has its headquarters in Háaleitisbraut 68, Reykjavik, Iceland. Landsvirkjun operates according to the Act on Landsvirkjun no. 42/1983. The Company's main objective is to engage in operations in the energy sector. The interim financial statements include the consolidated financial statements of the Company and its subsidiaries.

2. Statement of IFRS compliance

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the EU and additional requirements in the Icelandic Financial Statement Act. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2019.

3. Significant accounting policies

The interim financial statements are prepared using the same accounting policies as for the year 2019 except that the Group has adopted new International Accounting Standards, as adopted by the EU, for the accounting period beginning January 1, 2020, changes to the standards and new interpretations. The Group has not adopted new or improved standards which have been issued but have not yet taken effect. It is management's opinion that adoption of new and improved standards and interpretations which are not in effect will not have significant effects on the consolidated interim financial statements. The Group's financial statements for the year 2019 can be found on its website www.landsvirkjun.com and the website of NASDAQ OMX Iceland; www.nasdaqomxnordic.com.

The interim financial statements are presented in USD, which is the parent Company's functional currency. Amounts are presented in USD thousand unless otherwise stated.

4. Use of estimates and judgements

The preparation of interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Notes, contd.:

5. Segment information

Operating segments 1.1.-31.3.2020	Electricity production	Electricity transmission	Other segments	Adjustments	Total
Income from third party	105,830	20,148	184		126,162
Income within the Group	3,551	13,090	1,030	(17,671)	0
Segment income	109,381	33,238	1,214	(17,671)	126,162
Segment operating expenses	(33,753)	(17,135)	(960)	17,671	(34,177)
EBITDA	75,628	16,103	254		91,985
Depreciation and impairment loss	(24,480)	(7,357)	(213)	95	(31,955)
Segment earnings, EBIT	51,148	8,746	41	95	60,030
Segment assets 31.3.2020	3,737,065	869,323	18,496	(283,455)	4,341,429
Shares in associated companies	231	5,371	337	(5,371)	568
Total assets 31.3.2020	3,737,296	874,694	18,833	(288,826)	4,341,997
Segment liabilities 31.3.2020	1,598,349	484,693	4,876	(6,757)	2,081,161
Total liabilities 31.3.2020	1,598,349	484,693	4,876	(6,757)	2,081,161

Operating segments 1.1.-31.3.2019

Income from third party	111,414	21,405	338		133,157
Income within the Group	4,575	16,527	1,083	(22,185)	0
Segment income	115,989	37,932	1,421	(22,185)	133,157
Segment operating expenses	(36,944)	(14,909)	(1,038)	22,185	(30,706)
EBITDA	79,045	23,023	383		102,451
Depreciation and impairment loss	(26,154)	(7,379)	(266)	103	(33,696)
Segment earnings, EBIT	52,891	15,644	117	103	68,755
Segment assets 31.12.2019	3,864,603	845,797	22,101	(351,494)	4,381,007
Shares in associated companies	270	6,510	356	(6,510)	626
Total assets 31.12.2019	3,864,873	852,307	22,457	(358,004)	4,381,633
Segment liabilities 31.12.2019	1,751,794	460,995	5,863	(72,418)	2,146,234
Total liabilities 31.12.2019	1,751,794	460,995	5,863	(72,418)	2,146,234

6. Operating revenues

	2020	2019
Electricity sales are specified as follows:	1.1.-31.3.	1.1.-31.3.
Retail sales companies	21,305	24,148
Power intensive users	80,735	82,981
Power sales total	102,040	107,129
Revenues from transmission are specified as follows:		
Transmission	17,012	18,110
Transmission losses, grid service and other transmission revenues	2,939	3,070
Transmission total	19,951	21,180

Notes, contd.:

7. Financial income and (expenses)	2020	2019
Financial income and (expenses) are specified as follows:	1.1.-31.3.	1.1.-31.3.
Interest income	763	843
Interest expense	(16,145)	(17,624)
Guarantee fee	(600)	(748)
Indexation	(69)	(208)
Capitalised finance cost	645	382
Total interest expense	(16,169)	(18,198)
Realised foreign exchange difference	(589)	(902)
Unrealised foreign exchange difference	19,916	9,366
Total foreign exchange difference	19,327	8,464
Fair value changes in embedded derivatives	(23,792)	6,842
Fair value changes in other derivatives	5,902	(5,002)
Financial income and (expenses)	(13,969)	(7,051)

8. Derivative financial instruments in the balance sheet

Derivative financial instruments in the balance sheet are specified as follows:

	31.3.2020	31.12.2019
Assets:		
Embedded derivatives in electricity agreements	0	5,575
Aluminium hedges	10,507	3,656
Currency swaps	0	5,234
	<u>10,507</u>	<u>14,465</u>
Derivative financial instruments are divided as follows:		
Long-term component of derivative agreements	2,533	6,429
Short-term component of derivative agreements	7,974	8,036
	<u>10,507</u>	<u>14,465</u>
Liabilities:		
Embedded derivatives in electricity sales agreements	21,081	2,864
Aluminium hedges	287	1,290
Currency swaps	6,292	15,828
	<u>27,660</u>	<u>19,982</u>
Derivative financial instruments are divided as follows:		
Long-term component of derivative agreements	21,534	4,140
Short-term component of derivative agreements	6,126	15,842
	<u>27,660</u>	<u>19,982</u>

Notes, contd.:

9. Liabilities

Interest bearing long-term debt is specified as follows by currencies:

	Maturity date	31.3.2020		31.12.2019	
		Average interest	Remaining balance	Average interest	Remaining balance
Liabilities in ISK	2020-2034	5.0%	34,578	3.7%	268,797
Liabilities in CHF	2020-2022	0.0%	12,143	0.0%	15,141
Liabilities in EUR	2024-2026	0.0%	251,947	0.0%	257,879
Liabilities in USD	2020-2035	3.7%	1,435,401	3.8%	1,260,132
			<u>1,734,069</u>		<u>1,801,949</u>
Current maturities of long-term debt			(137,953)		(258,661)
Total long-term debt			<u>1,596,116</u>		<u>1,543,288</u>

Interest rates on the loans range between 0.0-5.0%. Nominal interest rates for the period were on average 3.6%, taking into account the state guarantee fee (2019:3.6%).

According to loan agreements, the maturities of long-term debt are as follows:

	31.3.2020
1.4.2020-31.3.2021	137,953
1.4.2021-31.12.2021	98,953
2022	163,139
2023	245,287
2024	141,083
2025	189,538
Later	758,116
	<u>1,734,069</u>

10. Comparison of fair value and book value

	31.3.2020		31.12.2019	
	Book value	Fair value	Book value	Fair value
Interest bearing long term liabilities	1,734,069	1,991,415	1,801,949	1,970,328

Fair value of other financial instruments is equal to book value.

Fair value of interest bearing liabilities is calculated by discounting the expected cash flows with the underlying currencies yield curve.

Interest rates are specified as follows:

	31.3.2020	31.12.2019
Interest bearing liabilities in ISK	0.2 - 0.4%	0.8 - 1.2%
Interest bearing liabilities other than in ISK	-0.6 - 1.4%	-0.7 - 2.0%

Notes, contd.:

11. Fair value classification

The table shows the level categorisation for items in the interim financial statements recognised at fair value.

	Level 2	Level 3	Total
31.3.2020			
Embedded derivatives		(21,081)	(21,081)
Other derivatives	3,928	0	3,928
Revaluation of property, plant and equipment		227,152	227,152
Shares in other companies		502	502
	<u>3,928</u>	<u>206,573</u>	<u>210,501</u>
31.12.2019			
Embedded derivatives		2,711	2,711
Other derivatives	(692)	(7,536)	(8,228)
Revaluation of property, plant and equipment		230,000	230,000
Shares in other companies		587	587
	<u>(692)</u>	<u>225,762</u>	<u>225,070</u>

12. Other matters

At the annual general meeting on April 22, 2020 a dividend payment amounting to ISK 10.0 billion or USD 68.7 million was approved according to the exchange rate on the day of the annual general meeting.

The Icelandic Minister of Tourism, Industry and Innovation appointed a workgroup in 2019 to lead discussions on Landsvirkjun's future ownership in Landsnet hf. Landsnet operates the Icelandic electricity transmission system. Landsvirkjun owns 64.7% of Landsnet.

The COVID-19 pandemic has brought unprecedented challenges for our society. There is uncertainty about the effect this will have on the company. It is the opinion of the management of Landsvirkjun that the operation of the company is sound and that there is no uncertainty about its going concern.