



## Landsvirkjun's first quarter 2020 results

### Secure power generation in pandemic times

#### Key figures from the interim financial statements

- Profit before unrealised financial items amounted to USD 44.0 million compared to USD 50.5 million in the same period of the prior year which is a decrease of 12.7%.
- The profit for the period was USD 31.5 million compared to USD 41.2 million in the same period of the prior year.
- Operating revenues amounted to USD 126.2 million decreasing by USD 7.0 million (5.3%) from the same period of the prior year.
- Net debt decreased by USD 54.2 million from the beginning of the year and amounted to USD 1,637.3 million at the end of March.
- Cash flow from operations amounted to USD 75.4 million which is a decrease of 10.2% compared to the same period of the prior year.

#### Hörður Arnarson, CEO:

“The first quarter results were acceptable in light of the challenging external conditions, with electricity sales decreasing by 3.4% compared with the same quarter of last year. Electricity prices decreased for those contracts that are linked to aluminium prices and Nord Pool electricity prices. Profit before unrealised financial items was USD 44 million, compared with USD 50.5 million for the same period of last year.

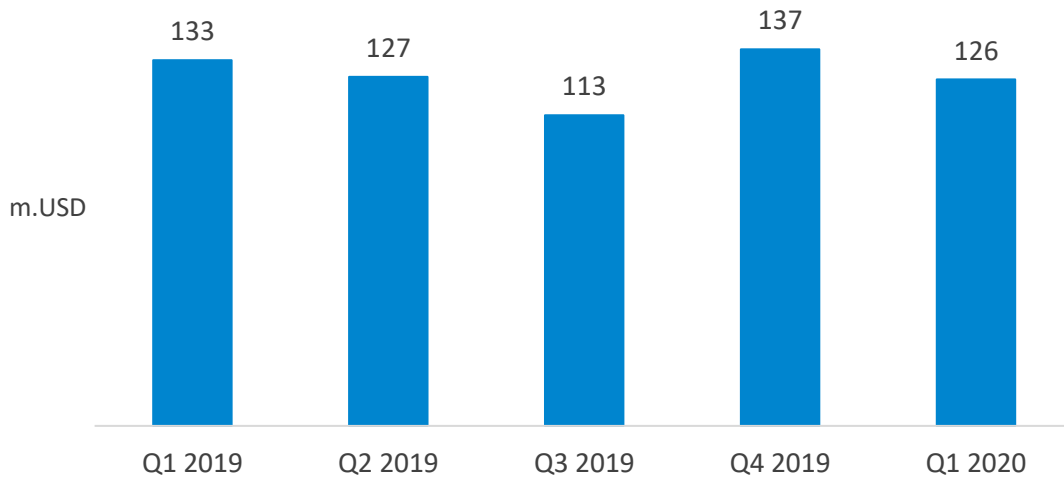
The first quarter results are considerably affected by the COVID-19 pandemic, and the effects will be increasing in the coming months. Landsvirkjun's most important task during the pandemic has been to ensure the generation and delivery of power to customers, while at the same time guaranteeing the health and safety of the company's employees.

After substantial debt repayments over the past few years, the company is in a good position to address the challenges ahead and to support the local community during these difficult times. The company recently announced a 12 billion Icelandic krona (USD 85m) contribution towards various new construction-, renovation- and maintenance projects over the next three years, in addition to offering temporary discounts on electricity prices to industrial customers, amounting to ISK 1.5 billion (USD 11m). We also announced the launch of new research and development projects in southern- and northern Iceland, in cooperation with local stakeholders, in addition to plans to hasten projects relating to digital development. It was also decided that Landsvirkjun would pay a 10 billion Icelandic krona (USD 70m) dividend to the treasury this year, which is more than double the amount paid last year.”



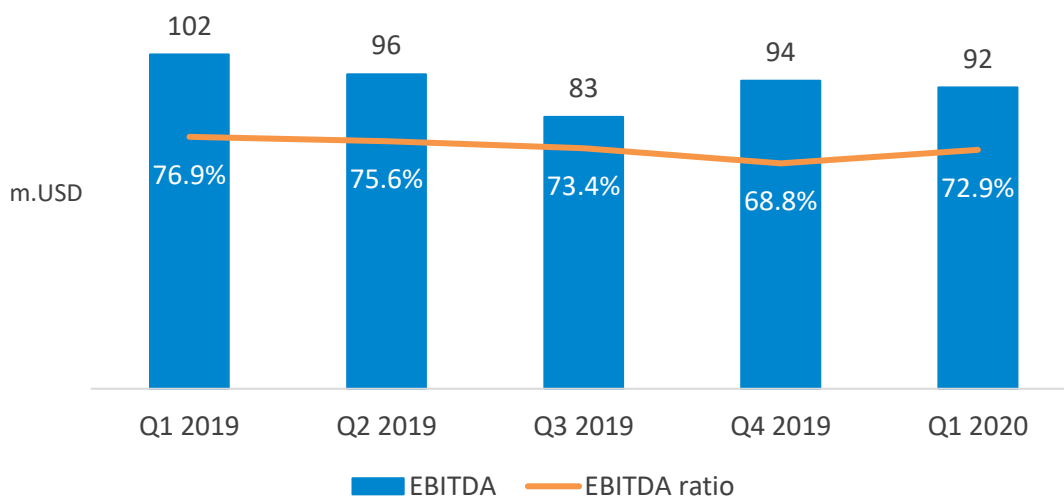
## Operations

### Development of operating revenues



The COVID-19 pandemic is now putting more pressure on Landsvirkjun’s operating revenues which have been negatively affected by low aluminium prices and a weak Icelandic krona. Many of Landsvirkjun’s customers are now experiencing a contraction in demand for their products. There has been a substantial reduction in the demand for production goods and there are examples of markets completely shutting down. This has caused some of our customers to temporarily scale down production. Customers in the data centre sector are optimistic about the future, despite temporary operational challenges and a potential slowdown in near term demand. Operating revenues amounted to USD 126 million during the first quarter which is 5% lower than for the same period of last year.

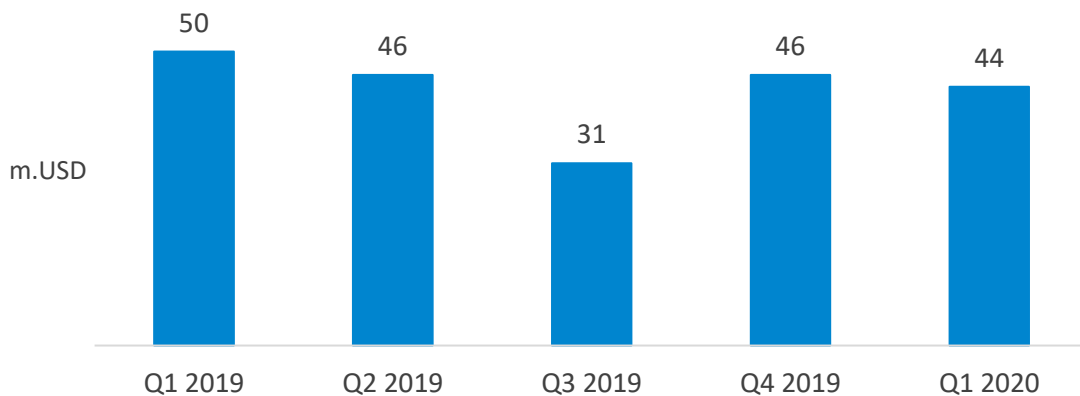
### EBITDA and EBITDA ratio





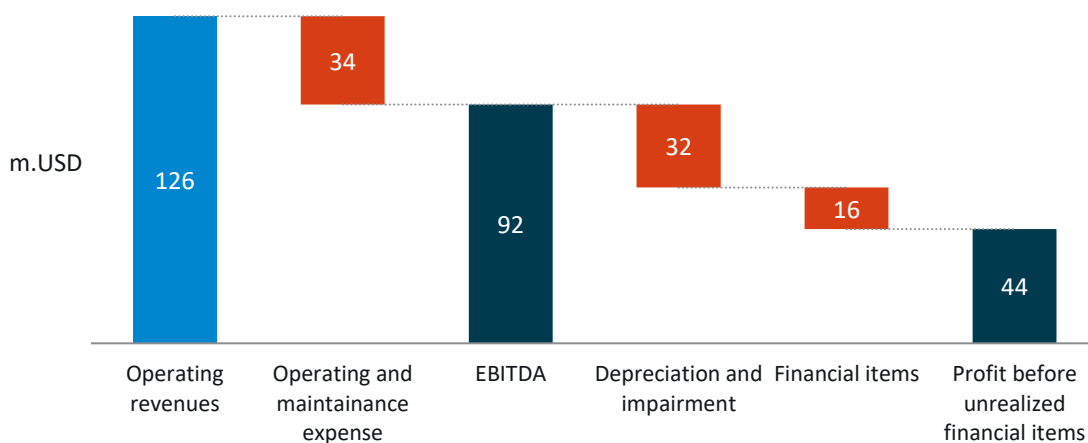
Operating expenses increase between years due to, among other things, bad weather at the beginning of the year. The Group’s operating profit before depreciation, EBITDA, amounted to USD 92 million in the first quarter which is USD 10 million lower than for the same period of the previous year.

### 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 44 million in the first quarter which is a 13% decrease on the same period of the prior year.

### Items affecting profit before unrealized financial items in Q1 2020

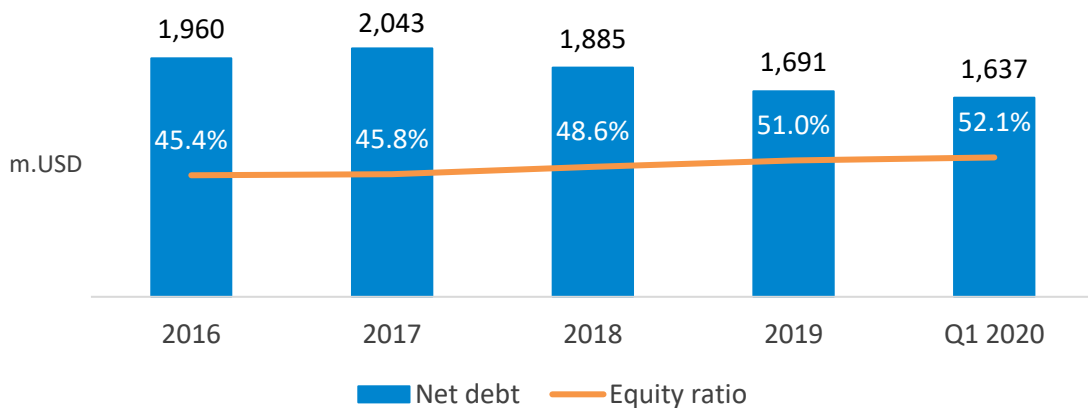


### The equity ratio keeps increasing

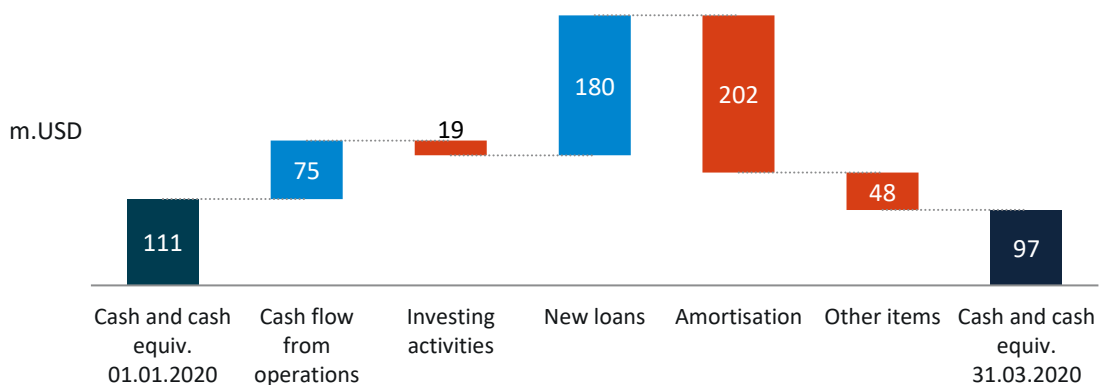
The company’s cash generation (cash flow from operations) was USD 75 million during the period which is USD 9 million lower than for the same period of the previous year. Net debt (interest bearing liabilities less cash and cash equivalent) has decreased by USD 54 million since the start of the year and has decreased by USD 165 million since the same time last year. The equity ratio is now 52% for the first time in the company’s history.



### Net debt and equity ratio



The Group’s cash and cash equivalents amounted to USD 97 million at the end of March 2020 and has decreased by USD 14 million from the start of the year.



### Operating outlook

The Coronavirus pandemic has had a negative effect on the demand for electricity around the world and many of Landsvirkjun’s customers are now experiencing a reduction in the demand for their products. Landsvirkjun will address the potential operational difficulties of its industrial customers by providing temporary electricity price discounts. Landsvirkjun is also preparing various initiatives in order to take part in the effort to mitigate the economic effects of the pandemic. Landsvirkjun’s most important task during the pandemic will be to ensure the generation and delivery of power to customers alongside guaranteeing the health and safety of its staff. Landsvirkjun’s results remain strong with a recent announcement of a 10 billion Icelandic krona dividend payment to the treasury this year which is more than double the amount paid last year.

Reykjavik, May 15, 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.-31.3.	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.
<b>Operation</b>					
Operating revenues .....	124,886	131,388	142,810	119,465	104,294
Realised aluminium hedges .....	1,276	1,769	( 1,648)	( 653)	1,209
<b>Total operating revenues .....</b>	<b>126,162</b>	<b>133,157</b>	<b>141,162</b>	<b>118,812</b>	<b>105,503</b>
Operating and maintainance expenses .....	( 34,177)	( 30,706)	( 35,893)	( 30,544)	( 23,296)
<b>EBITDA .....</b>	<b>91,985</b>	<b>102,451</b>	<b>105,269</b>	<b>88,268</b>	<b>82,207</b>
Depreciation and impairment loss .....	( 31,955)	( 33,696)	( 30,623)	( 29,180)	( 29,273)
<b>EBIT .....</b>	<b>60,030</b>	<b>68,755</b>	<b>74,646</b>	<b>59,088</b>	<b>52,934</b>
Financial items .....	( 15,992)	( 18,292)	( 18,720)	( 15,307)	( 15,108)
<b>Profit before unrealised financial items .....</b>	<b>44,038</b>	<b>50,463</b>	<b>55,926</b>	<b>43,781</b>	<b>37,826</b>
<b>Unrealised financial items:</b>					
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)
<b>Profit before income tax .....</b>	<b>46,064</b>	<b>61,669</b>	<b>14,393</b>	<b>74,658</b>	<b>6,966</b>
Income tax .....	( 14,551)	( 20,508)	( 5,328)	( 25,277)	( 3,522)
<b>Profit .....</b>	<b>31,513</b>	<b>41,161</b>	<b>9,065</b>	<b>49,381</b>	<b>3,444</b>
<b>Balance sheet</b>					
	<b>31.3.2020</b>	<b>31.3.2019</b>	<b>31.3.2018</b>	<b>31.3.2017</b>	<b>31.3.2016</b>
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 liabilities .....	1,637,277	1,801,882	2,038,072	1,965,833	1,974,816
<b>Key figures</b>					
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)
Total liquidity .....	276,792	474,338	716,710	713,601	491,176
Equity ratio .....	52.1%	49.5%	44.0%	45.1%	45.1%
Return on equity .....	4.7%	7.4%	3.4%	5.9%	1.8%
Interest cover (EBITDA/net interest expenses) .....	5.55x	4.75x	5.55x	5.26x	4.68x
Net liabilities / EBITDA .....	4.49x	4.66x	5.62x	6.39x	6.28x

## 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.