

Landsvirkjun's first quarter results

Strong demand and an upward trend in prices to industrial customers

Key figures from the interim financial statements

- Profit before unrealised financial items amounted to USD 82.5 million, compared to USD 50.1 million for the same period of the prior year, an increase by 64.5%.
- The profit for the period was USD 115.2 million, compared to USD 31 million for the same period of the prior year.
- Operating revenues amounted to USD 164.8 million, increasing by USD 34.1 million (26.1%) from the same period of the prior year.
- Net debt decreased by USD 110 million from the beginning of the year and amounted to USD 1,390.9 million at the end of March.
- Cash flow from operations amounted to USD 131 million, which is an increase of 53.4% compared to the same period of the prior year.
- The average price to industrial customers excluding transmission was USD 41 per megawatt hour, the highest price for one quarter in Landsvirkjun's history.

Hörður Arnarson, CEO:

“Landsvirkjun's operations were good during the quarter in particularly challenging circumstances which were affected by high energy demand, a prolonged period of low reservoir inflow and frequent bad weather at the company's operating locations. Primary energy delivery to industrial customers increased by 2% and by 20% to homes and smaller companies. However, a temporary curtailment on curtailable power agreements was necessary during the period. The curtailment has now been eased.

Profit before unrealised financial items, which gives the clearest picture of the company's results, increased by 64.5% from the prior year and was USD 82.5 million and has never been higher. The increase in profit can mainly be attributed to the higher power prices to industrial customers. The profit for the period after taxes was USD 115.2 million, 3.7 fold that of the prior year, and about half of the profit can be traced to unrealised financial items.

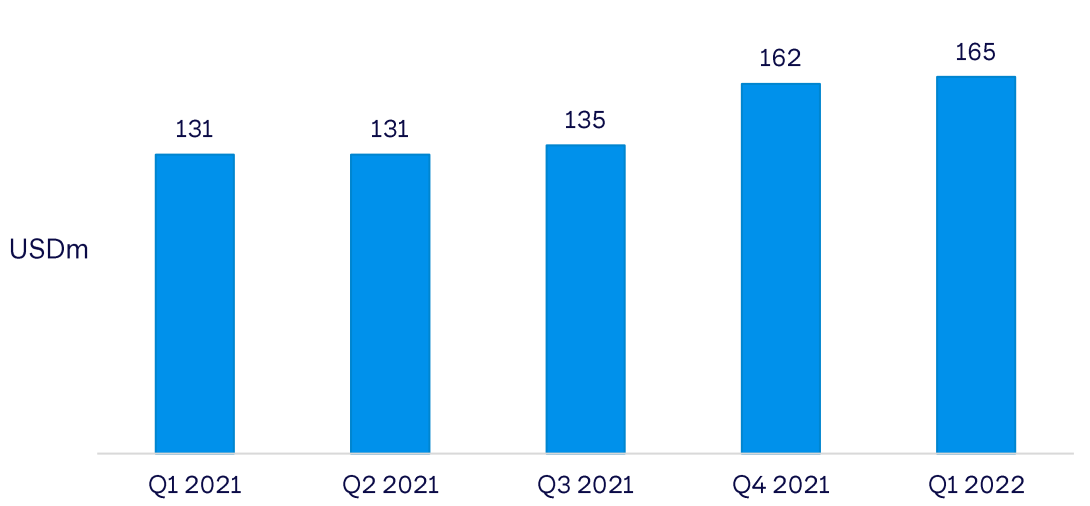
Cash flow was particularly strong during the period, amounting to USD 131 million, leading to a USD 110 million reduction in net debt.

The average price to industrial customers excluding transmission cost was higher than it has ever been in Landsvirkjun's history, amounting to USD 41 per megawatt hour. As a result of recent renegotiations, most of Landsvirkjun's customers now pay a price usually seen in the countries we compare ourselves with. This positive development is in line with our role, to maximise the value of the renewable energy resources which the company has been entrusted with and to return the dividend to our owner, the Icelandic nation.

Power plant operations were good during the period despite challenges posed by bad weather in February and low water levels which are among the worst ever experienced by Landsvirkjun. These circumstances were difficult for Landsvirkjun’s employees, who deserve thanks for a job well done.”

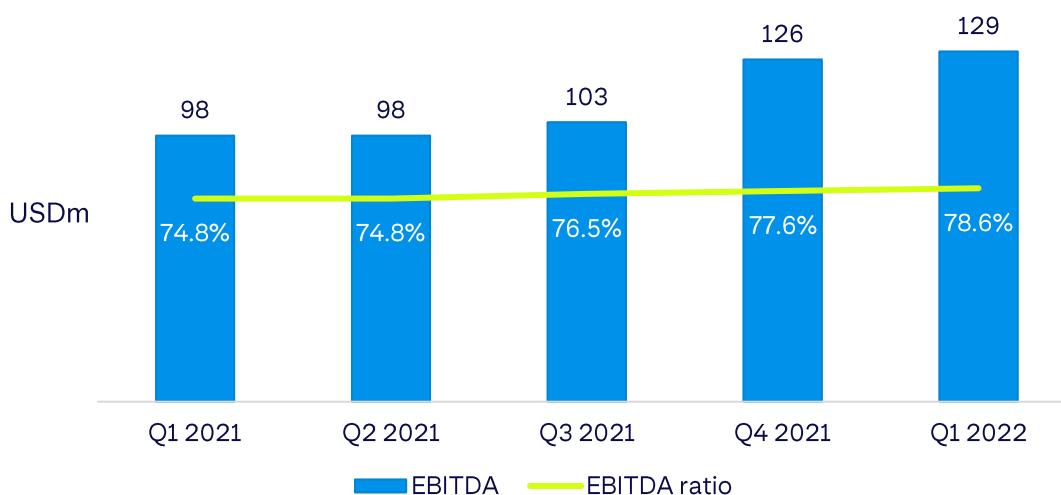
Operations

Development of operating revenues



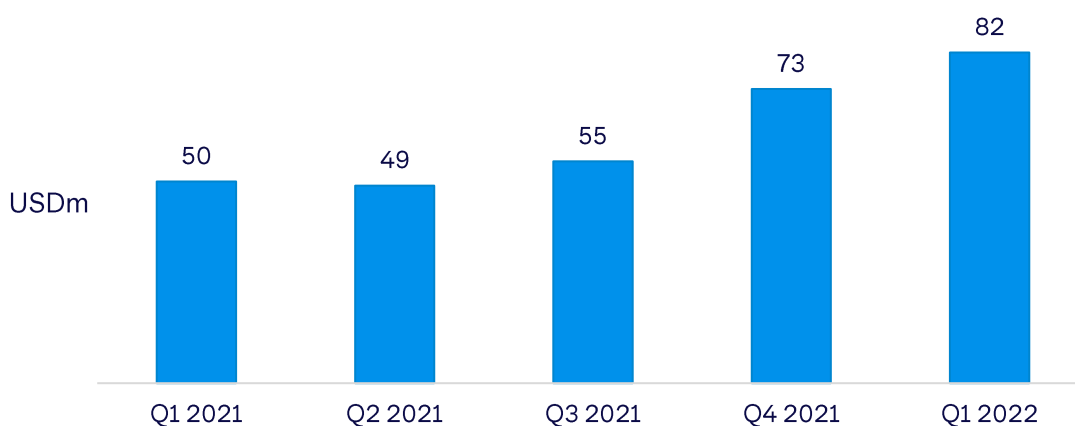
Operating revenues amounted to USD 165m for the first quarter of the year, a 26% increase from the same period of the previous year and have never been higher during one quarter. Prices in international commodity and energy markets has been unusually high lately, which explains the largest part of this increase.

EBITDA and EBITDA ratio



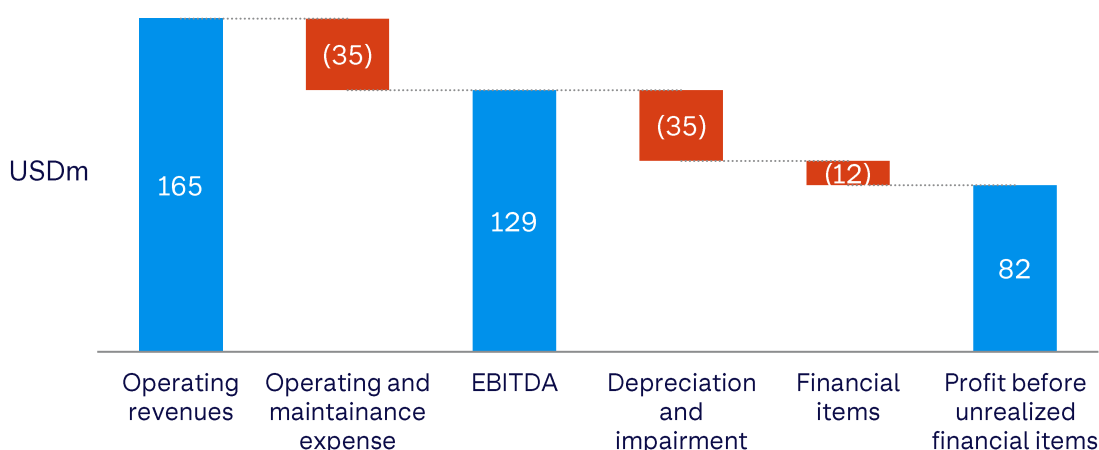
Operating profit before depreciation and amortisation, EBITDA, amounted to USD 129 million in the quarter and has never been higher. This increase is in line with revenues.

Profit before unrealised financial items



The profit amounted to USD 82 million in the first quarter, reflecting Landsvirkjun’s strong core operations.

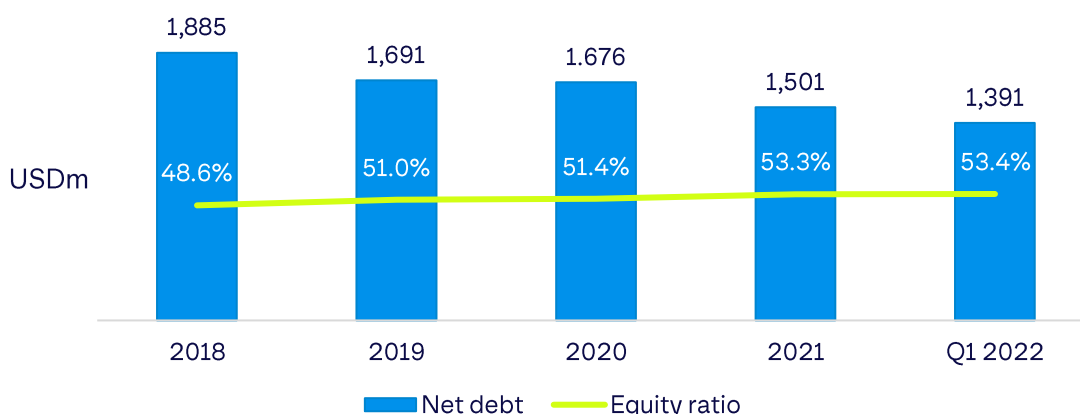
Items affecting profit before unrealized financial items in Q1 2022



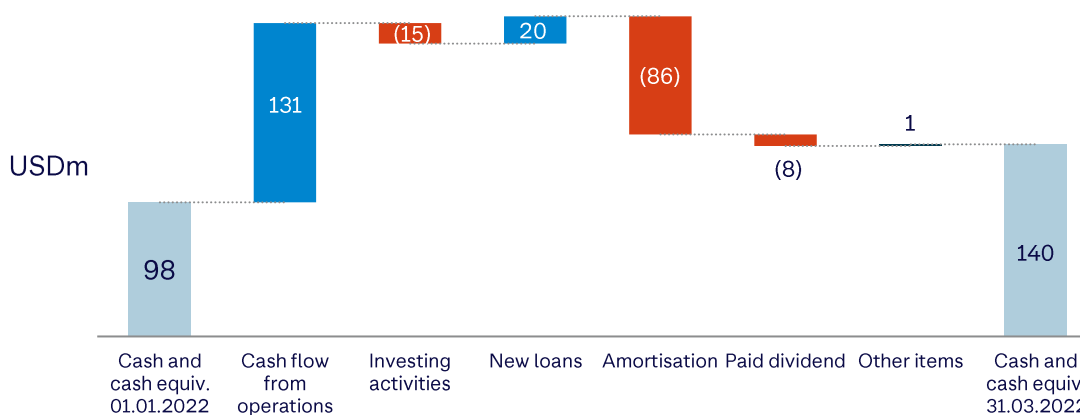
Strong cash flow

The Company’s cash generation (cash flow from operations) was USD 131 million during the quarter, which is USD 46 million higher than for the prior year. Net debt (interest bearing liabilities less cash and cash equivalents) decreased by USD 110 million since the start of the year.

Net debt and equity ratio



The Group’s cash and cash equivalents amounted to USD 140 million at the end of the first quarter, an increase of USD 42 million from year end 2021.



Operating outlook

Landsvirkjun’s operating environment is currently very favourable, which can be attributed to strong power demand and historically high prices in international commodity and energy markets. The difficulties which arose from low water levels during the first quarter are now over and all curtailment of curtailable power contracts has been eased. The operating outlook is therefore currently good, and results will continue to be influenced by developments on international commodity and power markets.

Reykjavik, May 19, 2022

Further information is provided by:

Rafnar Lárusson, CFO Tel. + 354 515 9000

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:

	2022	2021	2020	2019	2018
	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.
Operation					
Operating revenues	192,636	135,826	124,886	131,388	142,810
Realised hedges	(27,836)	(5,118)	1,276	1,769	(1,648)
Total operating revenues	164,800	130,708	126,162	133,157	141,162
Operating and maintenance expenses	(35,346)	(32,882)	(32,111)	(30,706)	(35,893)
EBITDA	129,454	97,826	94,051	102,451	105,269
Depreciation and impairment loss	(34,879)	(34,128)	(31,955)	(33,696)	(30,623)
EBIT	94,575	63,698	62,096	68,755	74,646
Financial items	(12,102)	(13,558)	(16,114)	(18,292)	(18,720)
Profit before unrealised financial items	82,473	50,140	45,982	50,463	55,926
Unrealised financial items:					
Fair value changes in embedded derivatives	162,243	3,124	(23,792)	6,842	(39,556)
Fair value changes in other derivatives	(62,119)	(12,087)	5,902	(5,002)	16,879
Unrealised foreign exchange difference	115	5,224	19,916	9,366	(18,856)
	100,239	(3,739)	2,026	11,206	(41,533)
Profit before income tax	182,712	46,401	48,008	61,669	14,393
Income tax	(67,504)	(15,448)	(14,940)	(20,508)	(5,328)
Profit	115,208	30,953	33,068	41,161	9,065
Balance sheet					
	31.3.2022	31.3.2021	31.3.2020	31.3.2019	31.3.2018
Total assets	4,642,751	4,409,554	4,341,997	4,440,665	4,712,186
Total equity	2,477,181	2,260,227	2,260,836	2,200,167	2,072,166
Total liabilities	2,165,570	2,149,327	2,081,161	2,240,498	2,640,020
Net liabilities	1,390,904	1,608,064	1,637,277	1,801,882	2,038,072
Key figures					
Cash flow from operating activities	131,024	85,443	75,412	83,989	81,142
Investing activities	(15,468)	(25,385)	(19,272)	(17,832)	(42,582)
Financing activities	(74,159)	(552)	(66,471)	(54,022)	160,679
Total liquidity	290,278	311,801	276,792	474,338	716,710
Equity ratio	53.4%	51.3%	52.1%	49.5%	44.0%
Return on equity	10.3%	3.4%	4.9%	7.4%	3.4%
Interest cover (EBITDA/net interest expenses)	7.83x	5.93x	5.58x	4.75x	5.55x
Net liabilities / EBITDA	3.05x	4.87x	4.42x	4.66x	5.62x

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 generates 70% of all electricity in Iceland, from 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.