



## Half year interim results

### Challenging economic conditions put pressure on demand

#### Key figures from the interim financial statements

- Profit before unrealized financial items amounted to USD 69.4 million compared to USD 96.4 million in the same period of the prior year which is a decrease of 28.0%.
- The profit for the period was USD 40.6 million compared to USD 68.6 million in the same period of the prior year.
- Operating revenues amounted to USD 227.1 million and decrease by USD 32.6 million (12.6%) from the same period of the prior year.
- Net debt decreased by USD 60.2 million from the beginning of the year and amounted to USD 1,631.3 million at the end of June.
- Cash flow from operations amounted to USD 129.7 million which is a decrease of 18.9% compared to the same period of the prior year.

#### Hörður Arnarson, CEO:

“Landsvirkjun’s results for the first half of the year reflect the difficult economic conditions throughout the world. The COVID-19 pandemic has adversely affected demand of our largest customers, which is reflected in the revenues for the period, in particular for the second quarter. Landsvirkjun has supported its industrial customers during these difficult times by offering them discounted prices until the 31 October, 2020.

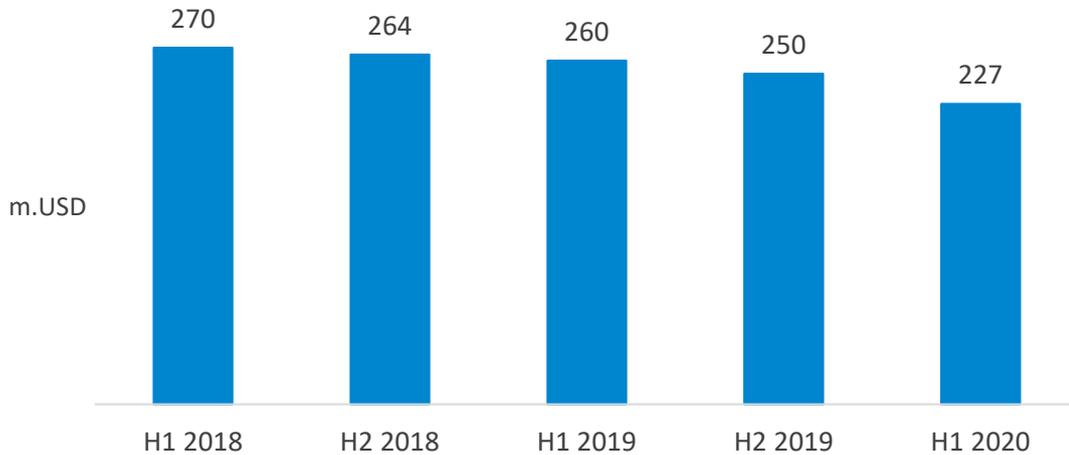
Total volume of electricity sold was down by 6% between years and profit before unrealised financial items decreased by 28% and amounted to USD 69.4 million. The average price of aluminium for the period decreased by 13% between years and prices on the Nord Pool market decreased by 75%, some of the contracts with industrial customers are linked to these variables. Net debt decreased by USD 60.2 million from the beginning of the year despite these difficult external conditions. The operating outlook is uncertain and is very dependent on the containment of the pandemic and the subsequent economic recovery.

The operation of Landsvirkjun’s power stations went well during the period and I would like to thank the company’s employees for their dedication in ensuring that there have been no operational disruptions during this difficult pandemic. “



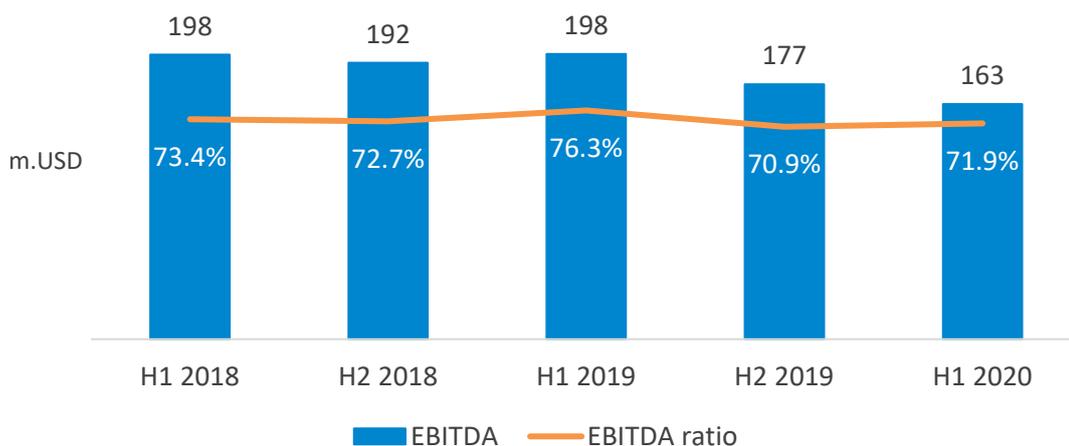
## Operations

### Development of operating revenues



Some of Landsvirkjun’s largest customers have experienced challenging conditions in markets for their products as demand and prices have been decreasing. Landsvirkjun has responded by temporarily lowering electricity prices to these customers during these difficult times. Some customers have decreased production, resulting in a lower demand for energy. This development has put pressure on Landsvirkjun’s operating revenues which are USD 33 million lower during the first half of 2020 than they were during the same period of 2019.

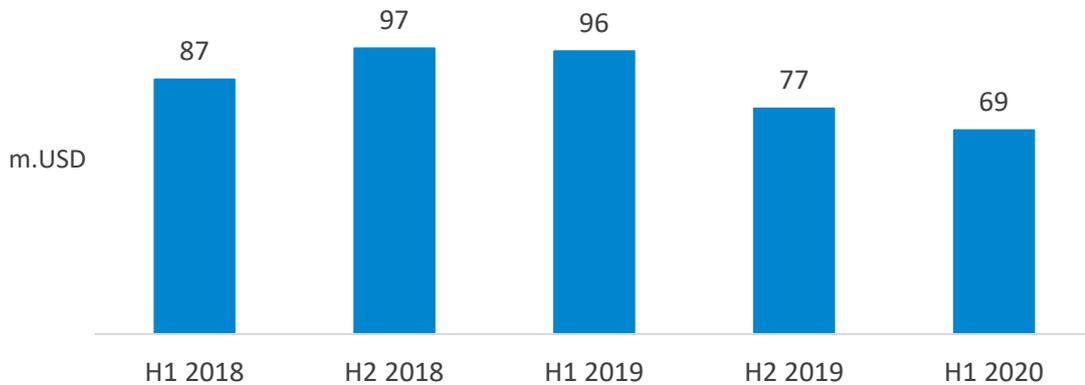
### EBITDA and EBITDA ratio



Operating expenses increase between years mainly due to cost in the transmission system relating to bad weather at the beginning of the year and an increase in demolition obligations. The Group’s operating profit before depreciation, EBITDA, amounted to USD 163 million in the first half of the year which is USD 35 million lower than for the same period of the previous year.

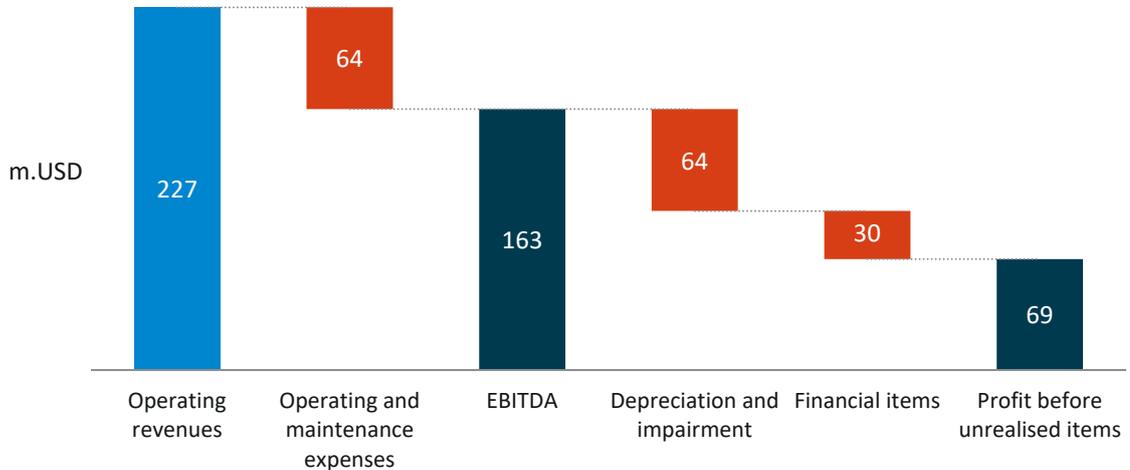


### Profit before unrealized financial items



Profit before unrealized financial items is the criterion used by Landsvirkjun in evaluating the company's core operation. The profit amounted to USD 69 million which is 28% lower than for the same period of last year.

### Items affecting profit before unrealised financial items in H1 2020

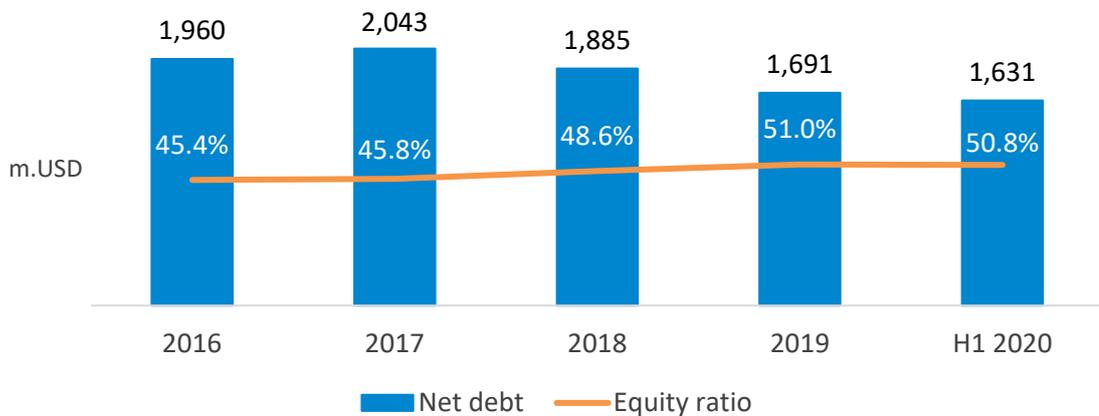


### Net debt decreases

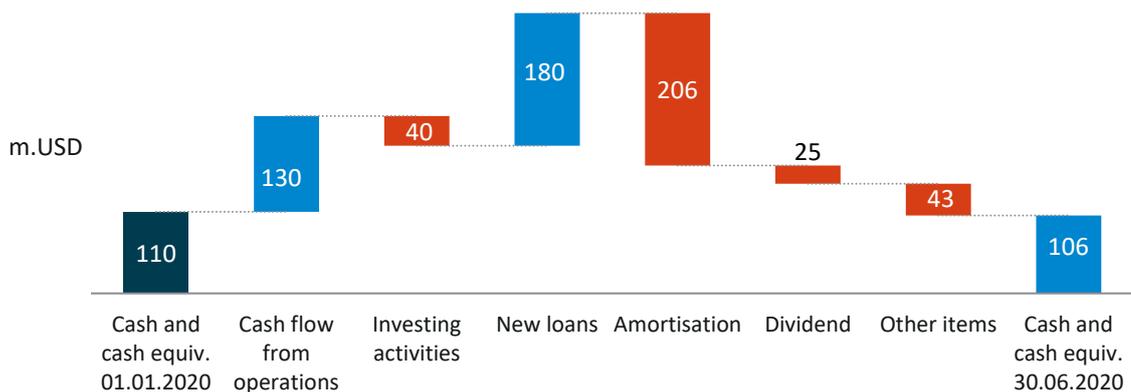
The company's cash generation (cash from operating activities) was USD 130 million for the period which is USD 30 million lower than for the same period of last year. Net debt (interest bearing liabilities less cash and cash equivalents) decreased by USD 60 million from the beginning of the year and has decreased by USD 127 million from the same period of last year. The equity ratio has been developing in line with decreasing debt and is currently 51%.



### Net debt and equity ratio



The group's cash and cash equivalents amounted to USD 106 million at the end of June 2020 and has decreased by USD 5 million from the beginning 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 less demand for their products. Landsvirkjun has addressed these operational difficulties of its industrial customers by providing temporary electricity price discounts. Landsvirkjun is also preparing various initiatives in order to participate in efforts to mitigate the effects of the pandemic on the economy. Landsvirkjun's most important task during the pandemic has been to ensure the generation and delivery of power to customers as well as guaranteeing the health and safety of its employees.

Reykjavik, August 21, 2020

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:

	2020	2019	2018	2017	2016
	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.
<b>Operation</b>					
Operating revenues .....	223,281	255,523	273,946	234,172	204,452
Realised aluminium hedges .....	3,819	4,195	( 4,402)	( 1,812)	2,475
<b>Total operating revenues</b> .....	<b>227,100</b>	<b>259,718</b>	<b>269,544</b>	<b>232,360</b>	<b>206,927</b>
Operating and maintenance expenses .....	( 63,714)	( 61,525)	( 71,789)	( 64,676)	( 51,720)
<b>EBITDA</b> .....	<b>163,386</b>	<b>198,193</b>	<b>197,755</b>	<b>167,684</b>	<b>155,207</b>
Depreciation and impairment loss .....	( 63,848)	( 67,400)	( 61,839)	( 58,321)	( 58,471)
<b>EBIT</b> .....	<b>99,538</b>	<b>130,793</b>	<b>135,916</b>	<b>109,363</b>	<b>96,736</b>
Financial items .....	( 30,097)	( 34,402)	( 49,192)	( 34,231)	( 32,256)
<b>Profit before unrealised financial items</b> .....	<b>69,441</b>	<b>96,391</b>	<b>86,724</b>	<b>75,132</b>	<b>64,480</b>
<b>Unrealised financial items:</b>					
Fair value changes in embedded derivatives .....	( 19,626)	765	( 29,133)	35,816	14,391
Fair value changes in other derivatives .....	( 29)	( 3,431)	14,046	( 2,951)	( 2,908)
Unrealised foreign exchange difference .....	9,824	8,419	10,037	( 48,495)	( 20,914)
	( 9,831)	5,753	( 5,050)	( 15,630)	( 9,431)
<b>Profit before income tax</b> .....	<b>59,610</b>	<b>102,144</b>	<b>81,674</b>	<b>59,502</b>	<b>55,049</b>
Income tax .....	( 19,026)	( 33,586)	( 27,167)	( 19,789)	( 20,216)
<b>Profit</b> .....	<b>40,584</b>	<b>68,558</b>	<b>54,507</b>	<b>39,713</b>	<b>34,833</b>
<b>Balance sheet</b>					
	<b>30.6.2020</b>	<b>30.6.2019</b>	<b>30.6.2018</b>	<b>30.6.2017</b>	<b>30.6.2016</b>
Total assets .....	4,332,388	4,355,140	4,486,572	4,379,436	4,233,437
Total equity .....	2,201,115	2,191,134	2,099,502	1,995,963	1,937,653
Total liabilities .....	2,131,273	2,164,006	2,387,070	2,383,473	2,295,784
Net liabilities .....	1,631,302	1,758,546	1,992,640	2,017,227	1,946,033
<b>Key figures</b>					
Cash flow from operating activities .....	129,654	159,892	149,239	142,366	123,841
Investing activities .....	( 40,201)	( 32,255)	( 96,656)	( 117,767)	( 51,132)
Financing activities .....	( 92,586)	( 165,788)	( 66,682)	( 62,681)	( 103,290)
Total liquidity .....	285,523	422,964	491,026	510,647	617,498
Equity ratio .....	50.8%	50.3%	46.8%	45.6%	45.8%
Return on equity .....	3.9%	6.4%	6.2%	3.7%	3.1%
Interest cover (EBITDA/net interest expenses) ....	5.38x	5.70x	4.77x	5.32x	4.87x
Net liabilities / EBITDA .....	4.79x	4.51x	5.30x	6.42x	6.33x

## 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.