

Landsvirkjun's Financial Statements

Revenues have never been higher and proposal for USD 120m dividend

Key figures from the consolidated financial statements

- Profit before unrealised financial items amounted to USD 227.1 million compared to USD 138,7 million in the previous year which is an increase of 63.7%.
- The profit for the year amounted to USD 148.6 million but was USD 78.6 million in the previous year.
- Operating revenues amounted to USD 558.8 million and increase by USD 105.3 million (23.2%) from the previous year.
- Net debt decreased by USD 175 million between years and was USD 1,500.8 million at year end.
- Cash flow from operating activities amounted to USD 323.3 million, an increase of 38.1% from the previous year.

Hörður Arnarson, CEO:

“After the uncertainty and difficulties in the company’s business environment at the beginning of the pandemic in 2020 there were very positive developments in Landsvirkjun’s operations in 2021. Profit before unrealised financial items, which is the benchmark we tend to use when evaluating the company’s core operations, was USD 227 million and increased by 64% between years. Landsvirkjun’s operating revenues increased by 23% between years and were higher than at any point in the company’s history.

The improved results can be attributed to a vast improvement in the operating environment of our industrial customers and of Landsvirkjun. Iceland’s electric power system was fully utilised towards the end of last year and demand was high from a variety of customers.

Total power sales increased by 5% between years. The average price on the wholesale market to homes and smaller companies did not increase from the previous year and was ISK 5.3/kWh while the average price to industrial customers increased by 55% and was USD 32.7/MWh. This increase is mainly due to favourable external conditions on aluminium and power markets and also because renegotiations have taken place with most of our customers. They now pay a similar price to what one can expect in those countries which we want to compare ourselves with. The improved results of last year can therefore be completely attributed to increased sales to power intensive users.

We continued along the same lines of reducing debt. Net debt decreased by about USD 175 million from the beginning of the year. The main debt ratios are now comparable to our sister companies in the Nordic countries which is an achievement we are proud of. The key benchmark net debt/EBITDA decreased substantially last year and net debt is now only 3.5

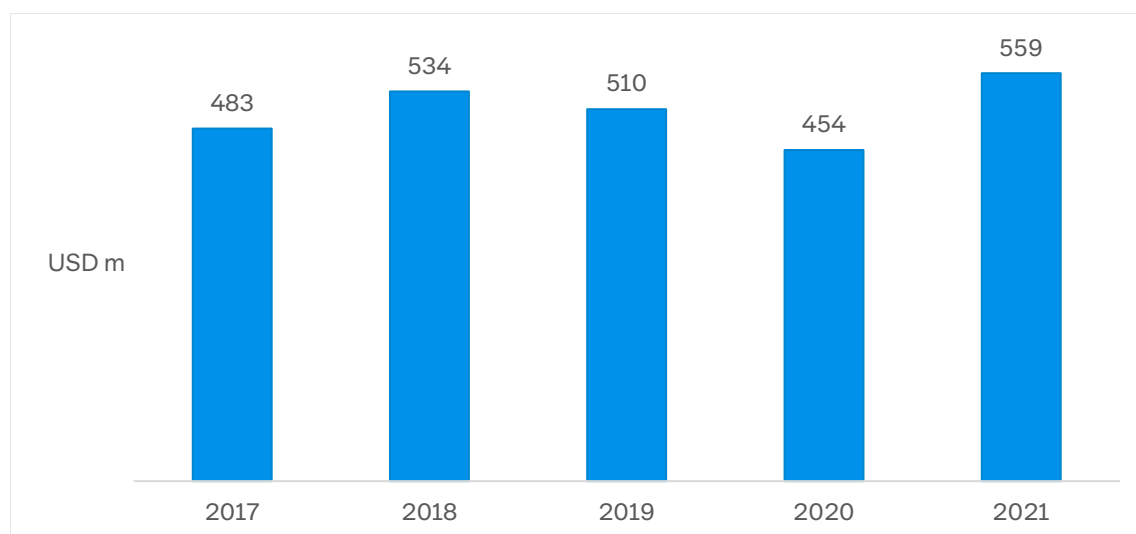
times operating profit before depreciation. It is therefore not necessary to continue to emphasise a rapid decrease in debt which is why the company’s ability to pay dividends has increased. In light of this, the Board of directors plans to recommend a dividend of USD 120 million for the prior year at the annual general meeting.

This strong financial position of Landsvirkjun provides a solid foundation for future challenges on the road to the community’s green and climate friendly future. There are a few projects in development related to increased power generation which will be ready to initiate later this year. There are a lot of opportunities and we have already started preparing projects which will support national energy transition and the government’s ambitious climate goals.

Power station operations were good, as in previous years, despite various challenges posed by the COVID-19 pandemic. We are therefore in a strong position to face the challenges which the future brings.“

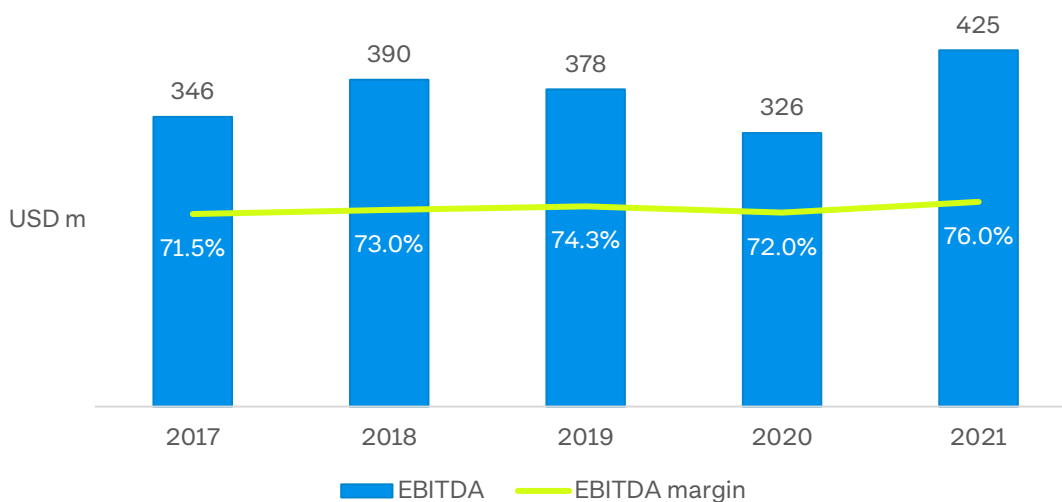
Operations

Development of operating revenues



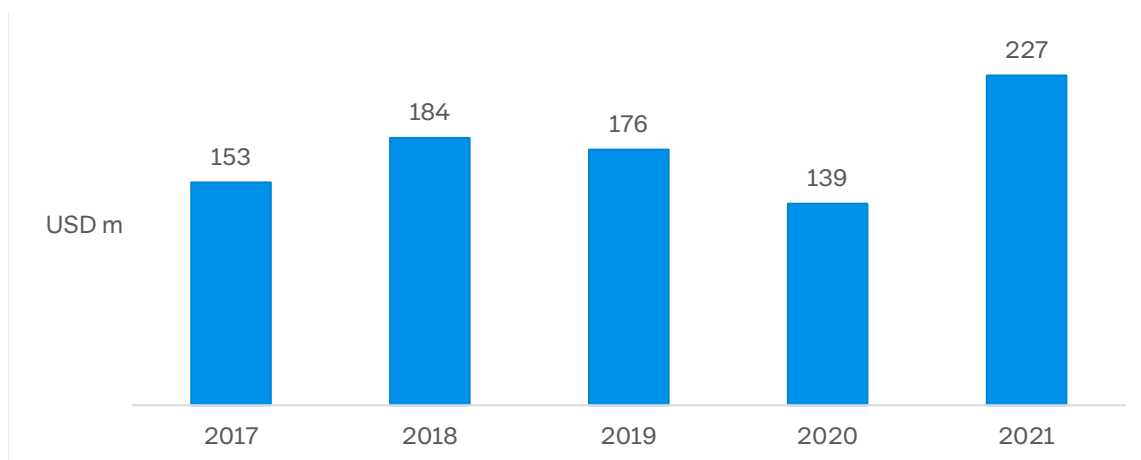
Operating revenues increase by USD 105m between years and have never been higher in the company’s history. This increase is mainly due to price increases on international commodity and energy markets because some of the power contracts are linked to aluminium- and Nord Pool prices.

EBITDA and EBITDA margin



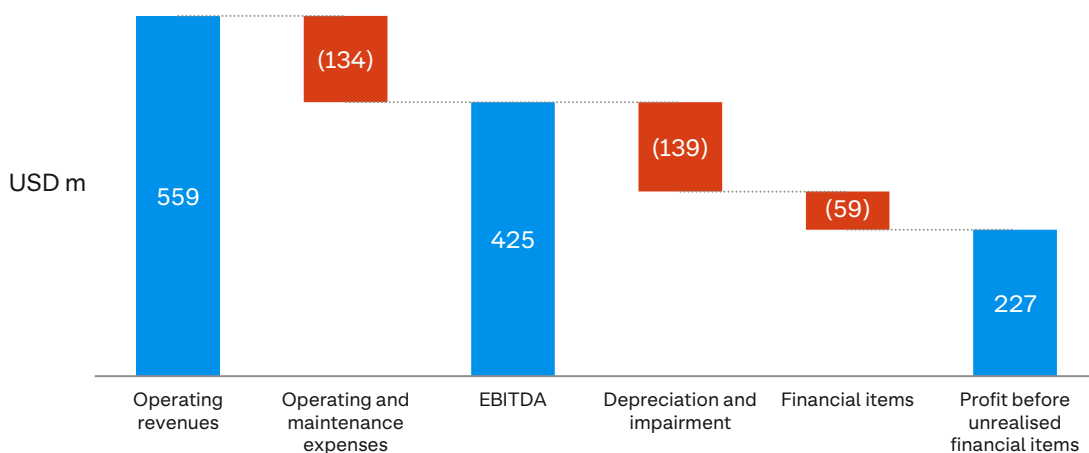
Operating profit before depreciation and amortisation, EBITDA, amounted to USD 425m for the year and has never been higher in the company’s history. This increase is in line with the positive development of operating revenues.

Profit before unrealized financial items



Profit before unrealized financial items is the benchmark Landsvirkjun uses to evaluate the company’s core operations. The profit was USD 227m for the year and is historically high.

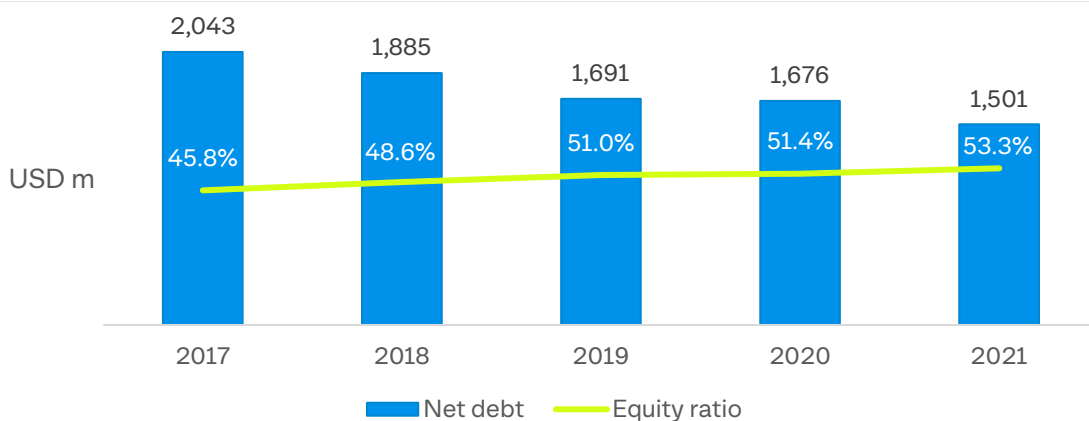
Items affecting profit before unrealized financial items



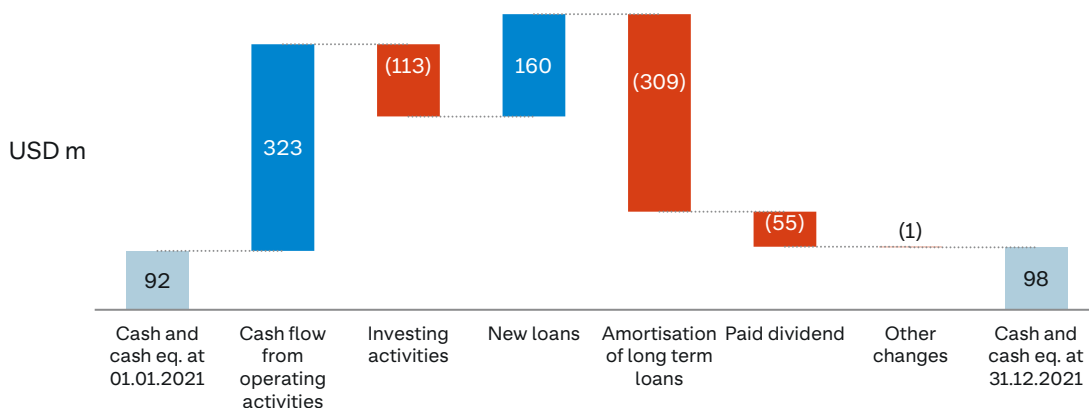
Strong cash generation

The company’s cash generation (cash flow from operations) was USD 323m during the year which is USD 89m higher than the prior year and a historical record for Landsvirkjun. Net debt (interest bearing liabilities less cash and cash equivalent) decreased by USD 175m from the start of the year.

Net debt and equity ratio



Cash and cash equivalent was USD 98m at the end of the year which is a USD 6m increase from year end 2020.



Operational outlook

There has been a dramatic improvement in Landsvirkjun’s operating environment between years and the outlook is positive. Landsvirkjun is experiencing an increase in demand and is determined to meet society’s need for renewable energy whether for energy transition or running the various companies and flourishing economy of Iceland.

Reykjavík, February 18, 2022
 Further information is provided by:
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About the financial statements

The 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 financial statements in thousand USD:

	2021	2020	2019	2018	2017
Operation					
Operating revenues	617,703	448,276	499,547	538,455	491,175
Realised hedges	(58,881)	5,262	10,047	(4,534)	(8,098)
Total operating revenues	558,822	453,538	509,594	533,921	483,077
Operating expenses	(133,842)	(127,214)	(131,106)	(144,041)	(137,503)
EBITDA	424,980	326,324	378,488	389,880	345,574
Depreciation and impairment loss	(138,722)	(128,967)	(134,779)	(125,448)	(127,086)
EBIT	286,258	197,357	243,709	264,432	218,488
Financial items	(58,914)	(58,651)	(67,681)	(80,178)	(64,844)
Associated companies	(248)	(12)	(27)	(179)	(228)
Profit before unrealised financial items	227,096	138,694	176,001	184,075	153,416
Unrealised financial items:					
Fair value changes in embedded derivatives	33,455	970	(1,323)	(49,410)	84,494
Fair value changes in other derivatives	(46,301)	(12,726)	(8,011)	24,878	(12,990)
Unrealised foreign exchange difference	12,031	(8,189)	8,290	21,014	(60,745)
	(815)	(19,945)	(1,044)	(3,518)	10,759
Profit before income tax	226,281	118,749	174,957	180,557	164,175
Income tax	(77,703)	(40,131)	(60,079)	(59,528)	(56,211)
Profit	148,578	78,618	114,878	121,029	107,964
Balance sheet					
Total assets	4,446,381	4,348,344	4,381,633	4,451,081	4,506,392
Total equity	2,368,767	2,235,135	2,235,399	2,163,056	2,063,112
Total liabilities	2,077,614	2,113,209	2,146,234	2,288,025	2,443,280
Net debt	1,500,786	1,675,804	1,691,462	1,884,603	2,042,642
Key figures					
Cash flow from operating activities	323,299	234,084	295,764	295,761	277,937
Investing activities	(113,035)	(111,550)	(82,420)	(150,864)	(253,740)
Financing activities	(204,453)	(142,399)	(218,261)	(151,876)	(45,282)
Total liquidity	267,560	371,963	290,487	469,433	547,907
Equity ratio	53.3%	51.4%	51.0%	48.6%	45.8%
Return on equity	6.6%	3.5%	5.3%	5.9%	5.5%
Interest cover (EBITDA/net interest expenses) ...	7.23x	5.66x	5.55x	4.76x	5.53x
Net debt / EBITDA	3.53x	5.14x	4.47x	4.83x	5.91x

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.