



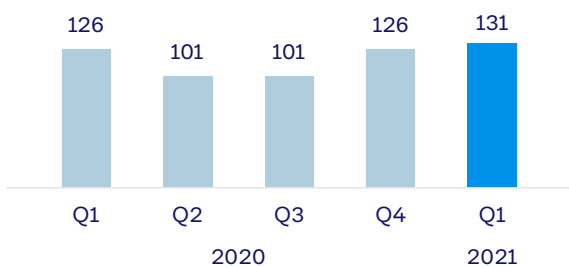
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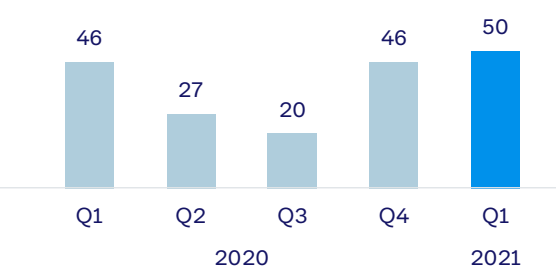


Key figures

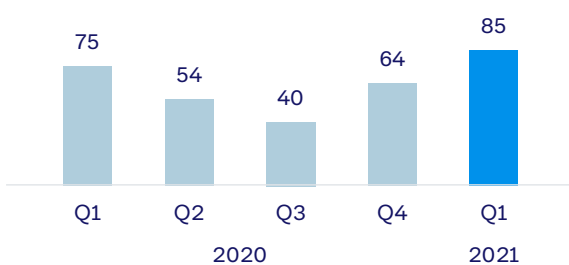
Operating revenues



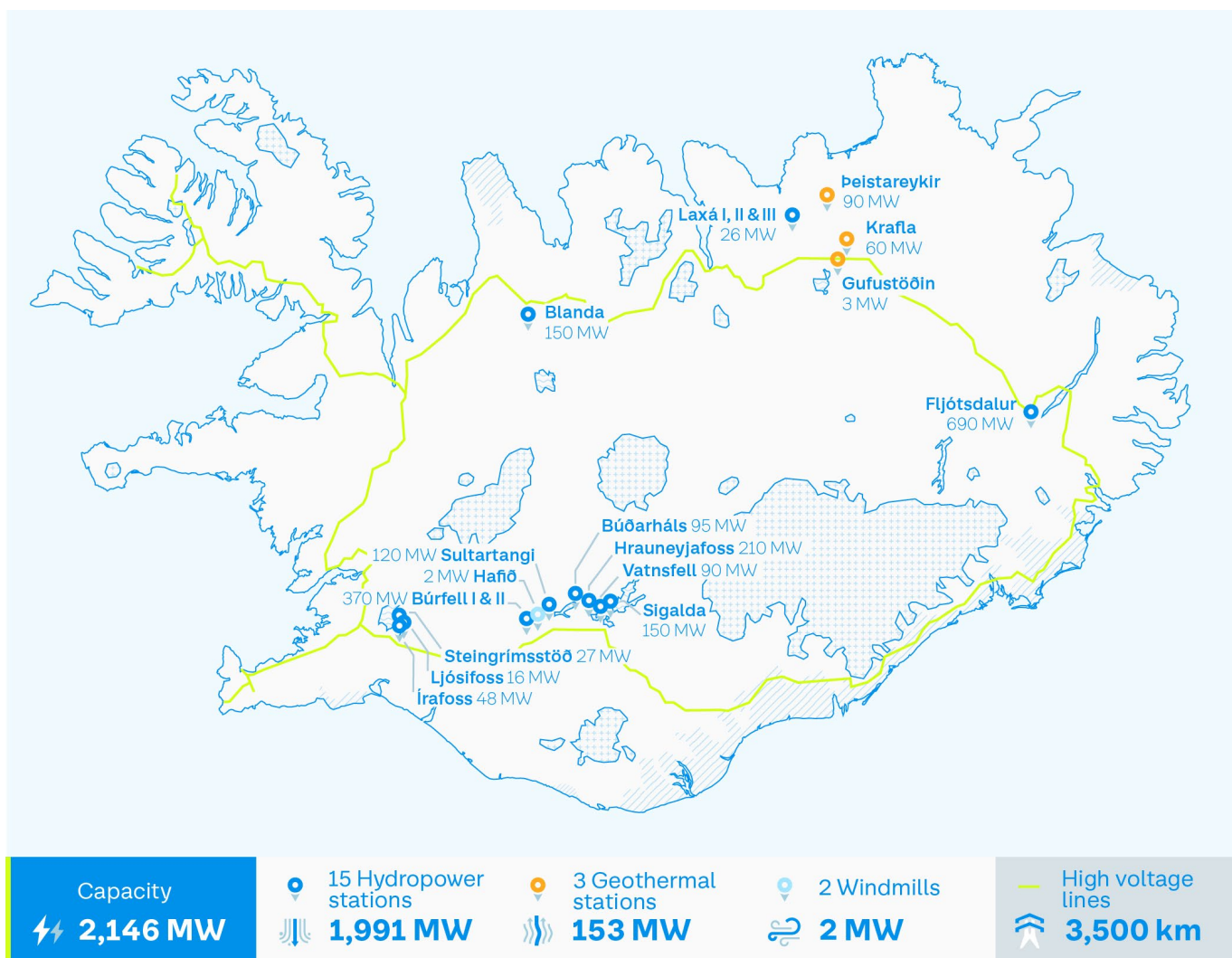
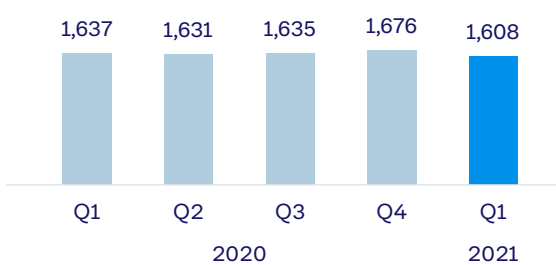
Profit before unrealised financial items



Cash flow from operating activities



Net debt



Key figures

Management's presentation of the operation of Landsvirkjun

Amounts are in USD thousand

	2021 1.1.-31.3.	2020 1.1.-31.3.	2019 1.1.-31.3.	2018 1.1.-31.3.	2017 1.1.-31.3.
Operation					
Operating revenues	135,826	124,886	131,388	142,810	119,465
Realised hedges	(5,118)	1,276	1,769	(1,648)	(653)
Total operating revenues	130,708	126,162	133,157	141,162	118,812
Operating and maintenance expenses	(32,882)	(32,111)	(30,706)	(35,893)	(30,544)
EBITDA	97,826	94,051	102,451	105,269	88,268
Depreciation and impairment loss	(34,128)	(31,955)	(33,696)	(30,623)	(29,180)
EBIT	63,698	62,096	68,755	74,646	59,088
Financial items	(13,558)	(16,114)	(18,292)	(18,720)	(15,307)
Profit before unrealised financial items	50,140	45,982	50,463	55,926	43,781
Unrealised financial items:					
Fair value changes in embedded derivatives ...	3,124	(23,792)	6,842	(39,556)	42,555
Fair value changes in other derivatives	(12,087)	5,902	(5,002)	16,879	(8,110)
Unrealised foreign exchange difference	5,224	19,916	9,366	(18,856)	(3,568)
	(3,739)	2,026	11,206	(41,533)	30,877
Profit before income tax	46,401	48,008	61,669	14,393	74,658
Income tax	(15,448)	(14,940)	(20,508)	(5,328)	(25,277)
Profit for the period	30,953	33,068	41,161	9,065	49,381
Balance sheet					
	31.3.2021	31.3.2020	31.3.2019	31.3.2018	31.3.2017
Total assets	4,409,554	4,341,997	4,440,665	4,712,186	4,472,638
Total equity	2,260,227	2,260,836	2,200,167	2,072,166	2,017,992
Total liabilities	2,149,327	2,081,161	2,240,498	2,640,020	2,454,646
Net debt*	1,608,064	1,637,277	1,801,882	2,038,072	1,965,833
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)	83,964	80,473	85,668	85,030	70,900
Cash flow from operating activities	85,443	75,412	83,989	81,142	66,285
Investing activities	(25,385)	(19,272)	(17,832)	(42,582)	(67,732)
Financing activities	(552)	(66,471)	(54,022)	160,679	95,757
Liquidity					
	31.3.2021	31.3.2020	31.3.2019	31.3.2018	31.3.2017
Cash and cash equivalents	151,801	96,792	126,435	327,844	241,417
Undrawn loans	160,000	180,000	347,903	388,866	472,184
Total liquidity	311,801	276,792	474,338	716,710	713,601
Key ratios					
Return on equity **	3.4%	4.9%	7.4%	3.4%	5.9%
Equity ratio	51.3%	52.1%	49.5%	44.0%	45.1%
Interest cover (EBITDA/net interest exp)**	5.93x	5.58x	4.75x	5.55x	5.26x
FFO / net debt**	16.8%	18.8%	17.6%	14.6%	12.2%
FFO / interest expense**	4.79x	4.45x	3.76x	4.36x	3.89x
Net debt / EBITDA**	4.87x	4.42x	4.66x	5.62x	6.39x
Credit rating without state guarantee at the end of March					
Standard & Poor's	BBB	BBB	BBB	BBB	BBB
Moody's	Baa1	Baa1	Baa2	Baa2	Baa3

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

** 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 2021 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 2021 amounted to USD 31.0 million while during the same period in 2020 the Group's profit amounted to USD 33.1 million. The change between periods is USD 2.1 million. The fair value changes of derivatives was negative and amounted to USD 9.0 million during the period January to March 2021 compared to a negative difference of USD 17.9 million during the same period in the previous year and currency exchange difference was positive and amounted to USD 5.2 million compared to a positive difference in the amount of USD 19.3 million during the same period in 2020. The Group's operating revenues amounted to USD 130.7 million during the period compared to USD 126.2 million during the same period in the previous year. Cash flow from operations amounted to USD 85.4 million during the period compared to USD 75.4 million during the same period in the previous year. At the end of March 2021, the Group's cash and cash equivalents amounted to USD 151.8 million and undrawn loans amounted to USD 160.0 million, a total of USD 311.8 million. The Group's equity at the end of March amounted to USD 2,260.2 million according to the balance sheet compared to USD 2,235.1 million at year end 2020. At the annual general meeting on 15 April 2021 a dividend payment amounting to USD 50.0 million was approved.

Effects of the COVID-19 pandemic on Landsvirkjun's operations

The effects of the COVID-19 pandemic on Landsvirkjun's operations were not as negative in Q1 as in the year 2020. Landsvirkjun continued to participate in a number of initiatives that were launched last spring to help boost the Icelandic economy. These include various new construction, maintenance, and improvement projects in energy generation areas. Research and development projects were launched in the south, west and north of Iceland in cooperation with local stakeholders and various digital transformation projects were also expedited.

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, 2021 and the Group's operating results and changes in cash flow during the period from January to March 2021.

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 2021 give a fair view of the Group's results, financial position and development and describe the main risk factors faced by the Group.

Endorsement and Statement of the Board of Directors and CEO, cont.:

The Board of Directors and the CEO have today discussed the condensed consolidated interim financial statements for the period 1 January to 31 March, 2021 and confirm them by means of their signatures.

Reykjavik, 18 May, 2021.

The Board of Directors:

Jónas Þór Guðmundsson

Álfheiður Ingadóttir

Guðfinna Jóhanna Guðmundsdóttir

Gunnar Tryggvason

Jón Björn Hákonarson

The CEO:

Hörður Arnarson

Income Statement

	Notes	2021	2020
		1.1.-31.3.	1.1.-31.3.
Operating revenues			
Power sales	6	110,378	102,040
Realised hedges .....	(	5,118)	1,276
Transmission	6	21,301	19,951
Other income		4,147	2,895
		<u>130,708</u>	<u>126,162</u>
Operating expenses			
Energy generation costs		36,915	35,287
Transmission costs		14,971	16,374
Cost of general research		3,963	2,037
Other operating expenses		11,161	10,368
		<u>67,010</u>	<u>64,066</u>
Operating profit		<u>63,698</u>	<u>62,096</u>
Financial income and (expenses)			
Interest income		150	763
Interest expenses .....	(	13,648)	(16,291)
Foreign exchange difference		5,164	19,327
Fair value changes in embedded derivatives		3,124	(23,792)
Fair value changes in other derivatives .....	(	12,087)	5,902
	7	<u>(17,297)</u>	<u>(14,091)</u>
Associated companies		<u>0</u>	<u>3</u>
Profit before income tax		46,401	48,008
Income tax .....	(	15,448)	(14,940)
Net profit for the period		<u>30,953</u>	<u>33,068</u>
Attributable to:			
Owners of the parent company		27,720	29,315
Subsidiaries minority interest		3,233	3,753
		<u>30,953</u>	<u>33,068</u>

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

Statement of Comprehensive Income

	2021	2020
	1.1.-31.3.	1.1.-31.3.
Profit for the period	30,953	33,068
Items that will not be reclassified subsequently to profit or loss:		
Pension obligation after income tax, change	(652)	(326)
Demolition obligation after income tax, change	(366)	(1,555)
Items that may be reclassified subsequently to profit or loss:		
Transl. diff. due to subsidiaries and associated companies	19	(2,406)
Total operating items moved to equity	(999)	(4,287)
Total comprehensive income for the period	<u>29,954</u>	<u>28,781</u>
Attributable to:		
Owners of the parent company	26,686	25,900
Subsidiaries minority interest	3,268	2,881
	<u>29,954</u>	<u>28,781</u>

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

Balance Sheet

Assets	Notes	31.3.2021	31.12.2020
Non-current assets			
Property, plant and equipment		3,830,595	3,855,644
Projects under construction		130,084	121,374
Development cost		135,630	136,412
Other intangible assets		48,852	48,590
Derivative financial instruments	8	19,227	14,931
Associated companies		2,121	1,901
Other non-current assets		728	723
Deferred tax asset		28	4
Total non-current assets		<u>4,167,265</u>	<u>4,179,579</u>
Current assets			
Inventories		5,863	5,553
Accounts receivables and other receivables		75,571	69,344
Derivative financial instruments	8	9,054	1,905
Cash and cash equivalents		151,801	91,963
Total current assets		<u>242,289</u>	<u>168,765</u>
Total assets		<u><u>4,409,554</u></u>	<u><u>4,348,344</u></u>
Equity and liabilities			
Equity			
Owners' contributions		586,512	586,512
Revaluation account		145,487	147,161
Restricted reserves		56,245	59,178
Translation difference		(42,377)	(42,232)
Other equity		1,373,165	1,341,726
Equity of the owners of the parent company		<u>2,119,032</u>	<u>2,092,345</u>
Minority interest		141,195	142,790
Total equity		<u>2,260,227</u>	<u>2,235,135</u>
Long-term liabilities			
Interest bearing liabilities	9	1,534,224	1,531,715
Accrued pension liabilities		37,394	36,597
Deferred income tax liability		178,662	173,513
Lease obligation		6,125	6,091
Obligation due to demolition		18,314	17,727
Prepaid income		2,519	2,555
Derivative financial instruments	8	17,941	5,408
		<u>1,795,179</u>	<u>1,773,606</u>
Current liabilities			
Accounts payable and other payables		95,785	71,072
Interest bearing liabilities	9	225,641	236,052
Income tax payable		9,902	24,618
Derivative financial instruments	8	22,820	7,861
		<u>354,148</u>	<u>339,603</u>
Total liabilities		<u>2,149,327</u>	<u>2,113,209</u>
Total equity and liabilities		<u><u>4,409,554</u></u>	<u><u>4,348,344</u></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	Other equity	Equity attributable to the owners of the company	Minority interest	Total equity
1 January to 31 March, 2020								
Equity at 1 January, 2020.....	586,512	155,668	47,191	(41,570)	1,349,582	2,097,383	138,016	2,235,399
Translation difference.....				(2,082)		(2,082)	(324)	(2,406)
Demolition obligation, change.....		(1,007)				(1,007)	(548)	(1,555)
Pension obligation, change.....					(326)	(326)	0	(326)
Profit for the period.....					29,315	29,315	3,753	33,068
Total comprehensive profit.....		(1,007)		(2,082)	28,989	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 31 March, 2020.....	586,512	153,209	47,201	(43,652)	1,380,013	2,123,283	137,553	2,260,836
1 January to 31 March, 2021								
Equity at 1 January, 2021	586,512	147,161	59,178	(42,232)	1,341,726	2,092,345	142,790	2,235,135
Translation difference.....				(145)		(145)	164	19
Demolition obligation, change.....		(237)				(237)	(129)	(366)
Pension obligation, change.....					(652)	(652)	0	(652)
Profit for the period.....					27,720	27,720	3,233	30,953
Total comprehensive profit.....		(237)		(145)	27,068	26,686	3,268	29,954
Dividend.....							(4,863)	(4,863)
Share of profit of subsidiaries and associated companies.....			(2,933)		2,933			0
Revaluation transferred to other equity.....		(1,437)			1,437			0
Equity at 31 March, 2021.....	586,512	145,487	56,245	(42,377)	1,373,165	2,119,032	141,195	2,260,227

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

Statement of Cash Flows

	2021	2020
	1.1.-31.3.	1.1.-31.3.
Operating activities		
Operating profit	63,698	62,096
Depreciation and impairment loss	34,128	31,955
Pension obligation, change	(511)	(443)
Other changes	(6)	0
Working capital from operation before financial items	97,309	93,608
Operating assets, change	(6,517)	3,980
Operating liabilities, change	16,531	3,644
Cash flow from operating activities before financial items	107,323	101,232
Interest income received	131	488
Interest expenses and foreign exch. difference paid	(17,072)	(22,623)
Taxes paid	(4,939)	(3,685)
Cash flow from operating activities	<u>85,443</u>	<u>75,412</u>
Investing activities		
Power stations in operation	(5,743)	(4,575)
Transmission	(16,808)	(12,791)
Power plant preparation cost	(590)	(625)
Purchased shares	(290)	0
Other investments	(1,969)	(1,292)
Assets sold	15	11
Investing activities	<u>(25,385)</u>	<u>(19,272)</u>
Financing activities		
Dividend paid to owners	(4,862)	(3,343)
New loans	120,000	179,524
Currency swaps	0	(41,175)
Amortisation of long-term debt	(115,690)	(201,477)
Financing activities	<u>(552)</u>	<u>(66,471)</u>
Change in cash and cash equivalents	59,506	(10,331)
Effect of exch. difference on cash and cash equivalents .	332	(3,364)
Cash and cash equivalents at the beginning of the year .	<u>91,963</u>	<u>110,487</u>
Cash and cash equivalents at the end of the period	<u><u>151,801</u></u>	<u><u>96,792</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 31 December, 2020.

3. Significant accounting policies

The interim financial statements are prepared using the same accounting policies as for the year 2020 except that the Group has adopted new International Accounting Standards, as adopted by the EU, for the accounting period beginning 1 January, 2021, 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 the 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 2020 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.-31.3.2021	Electricity generation	Electricity transmission	Other segments	Adjustments	Total
Income from third party	108,892	21,502	314		130,708
Income within the Group	4,054	15,303	908	(20,265)	0
Segment income	112,946	36,805	1,222	(20,265)	130,708
Segment operating expenses	(37,436)	(14,786)	(925)	20,265	(32,882)
EBITDA	75,510	22,019	297		97,826
Depreciation and impairm. loss	(26,559)	(7,444)	(229)	104	(34,128)
Segment earnings, EBIT	48,951	14,575	68	104	63,698
Segment assets 31.3.2021	3,759,881	919,878	20,613	(292,939)	4,407,433
Shares in assoc. companies	334	5,463	1,787	(5,463)	2,121
Total assets 31.3.2021	3,760,215	925,341	22,400	(298,402)	4,409,554
Segment liabilities 31.3.2021	1,625,410	525,443	7,859	(9,384)	2,149,327
Total liabilities 31.3.2021	1,625,410	525,443	7,859	(9,384)	2,149,327

Operating segments 1.1.-31.3.2020

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)	(15,069)	(960)	17,671	(32,111)
EBITDA	75,628	18,169	254		94,051
Depreciation and impairm. loss	(24,480)	(7,357)	(213)	95	(31,955)
Segment earnings, EBIT	51,148	10,812	41	95	62,096
Segment assets 31.12.2020	3,716,194	906,025	20,392	(296,168)	4,346,443
Shares in assoc. companies	249	5,413	1,652	(5,413)	1,901
Total assets 31.12.2020	3,716,443	911,438	22,044	(301,581)	4,348,344
Segment liabilities 31.12.2020	1,608,488	506,589	7,489	(9,357)	2,113,209
Total liabilities 31.12.2020	1,608,488	506,589	7,489	(9,357)	2,113,209

6. Operating revenues

	2021	2020
Electricity sales are specified as follows:	1.1.-31.3.	1.1.-31.3.
Retail sales companies	17,901	21,305
Power intensive users	92,477	80,735
Power sales total	110,378	102,040
Revenues from transmission are specified as follows:		
Transmission	18,910	17,012
Transmission losses, grid service and other transmission revenues	2,391	2,939
Transmission total	21,301	19,951

Notes, contd.:

7. Financial income and (expenses)	2021	2020
Financial income and (expenses) are specified as follows:	1.1.-31.3.	1.1.-31.3.
Interest income	150	763
Interest expense	(14,292)	(16,145)
Guarantee fee	(449)	(600)
Indexation	(323)	(69)
The effect of the present value of demolition obligation	(130)	(122)
Capitalised finance cost	1,546	645
Total interest expense	(13,648)	(16,291)
Realised foreign exchange difference	(60)	(589)
Unrealised foreign exchange difference	5,224	19,916
Total foreign exchange difference	5,164	19,327
Fair value changes in embedded derivatives	3,124	(23,792)
Fair value changes in other derivatives	(12,087)	5,902
Financial income and (expenses)	(17,297)	(14,091)

8. Derivative financial instruments in the balance sheet

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

	31.3.2021	31.12.2020
Assets:		
Embedded derivatives in power contracts	6,807	4,571
Commodity hedges	15,919	4,139
Currency swaps	5,555	8,126
	28,281	16,836
Derivative financial instruments are divided as follows:		
Long-term component of derivative agreements	19,227	14,931
Short-term component of derivative agreements	9,054	1,905
	28,281	16,836
Liabilities:		
Embedded derivatives in power contracts	1	890
Commodity hedges	39,106	12,379
Currency swaps	1,654	0
	40,761	13,269
Derivative financial instruments are divided as follows:		
Long-term component of derivative agreements	17,941	5,408
Short-term component of derivative agreements	22,820	7,861
	40,761	13,269

Notes, contd.:

9. Liabilities

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

	Maturity date	31.3.2021 Average interest	Remaining balance	31.12.2020 Average interest	Remaining balance
Liabilities in ISK	2021-2034	5.0%	38,459	5.0%	37,853
Liabilities in CHF	2021-2022	0.0%	6,208	0.0%	9,978
Liabilities in EUR	2024-2026	0.0%	269,594	0.0%	282,143
Liabilities in USD	2021-2035	3.6%	1,445,604	3.4%	1,437,793
			<u>1,759,865</u>		<u>1,767,767</u>
Current maturities of long-term debt			(225,641)		(236,052)
Total long-term debt			<u>1,534,224</u>		<u>1,531,715</u>

Interest rates on the loans range between 0.0-5.0%. Nominal interest rates for the period were on average 3.4%, taking into account the state guarantee fee (2020:3.2%).

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

	31.3.2021
1.4.2021-31.3.2022	225,641
1.4.2022-31.12.2022	28,349
2023	245,666
2024	147,617
2025	189,957
2026	311,954
Later	610,681
	<u>1,759,865</u>

10. Comparison of fair value and book value

	31.3.2021		31.12.2020	
	Book value	Fair value	Book value	Fair value
Interest bearing long term liabilities	1,759,865	1,951,724	1,767,767	2,005,966

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 using the underlying currencies yield curve.

Interest rates are specified as follows:

	31.3.2021	31.12.2020
Interest bearing liabilities in USD	0.1 to 2.1%	0.1 to 1.2%
Interest bearing liabilities other than in USD	-1.3 to 1.9%	-0.8 to 0.9%

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
31.3.2021			
Embedded derivatives		6,806	6,806
Other derivatives	(19,286)	(	19,286)
Revaluation of property, plant and equipment		215,842	215,842
Shares in other companies		583	583
	<u>(19,286)</u>	<u>223,231</u>	<u>203,945</u>
31.12.2020			
Embedded derivatives		3,681	3,681
Other derivatives	(113)	(	113)
Revaluation of property, plant and equipment		218,605	218,605
Shares in other companies		579	579
	<u>(113)</u>	<u>222,865</u>	<u>222,752</u>

12. Other matters

At the annual general meeting on 15 April, 2021 a dividend payment amounting to USD 50.0 million was approved.

The Icelandic Minister of Finance and Economic Affairs and The Icelandic Minister of Tourism, Industry and Innovation have, on behalf of the Treasury, signed a letter of intent with the owners of Landsnet to enter into negotiations on the State's purchase of shares in Landsnet. Landsvirkjun owns 64.7% of Landsnet's shares.