

Landsvirkjun's first quarter 2021 results

Operating environment improving

Key figures from the interim financial statements

- Profit before unrealised financial items amounted to USD 50.1 million, compared to USD 46.0 million for the same period of the prior year, an increase by 9%.
- The profit for the period was USD 31.0 million, compared to USD 33.1 million for the same period of the prior year.
- Operating revenues amounted to USD 130.7 million, increasing by USD 4.5 million (3.6%) from the same period of the prior year.
- Net debt decreased by USD 67.7 million from the beginning of the year and amounted to USD 1,608.1 million at the end of March.
- Cash flow from operations amounted to USD 85.4 million, which is an increase of 13% compared to the same period of the prior year.

Hörður Arnarson, CEO:

“The company’s operating environment has improved substantially during the past few months, following a challenging period caused by the COVID-19 pandemic. Our customers in the metal industry have increased their electricity usage over the past few months and most of them plan on fully utilising their contracts later this year. At the same time, demand for metals has improved to previous levels. The price of aluminium has increased by approximately 60% from pandemic lows, averaging USD 2,100 per ton during the first quarter and currently just under USD 2,500 per ton. Sales to data centres have also increased during recent months and are expected to reach record levels this year.

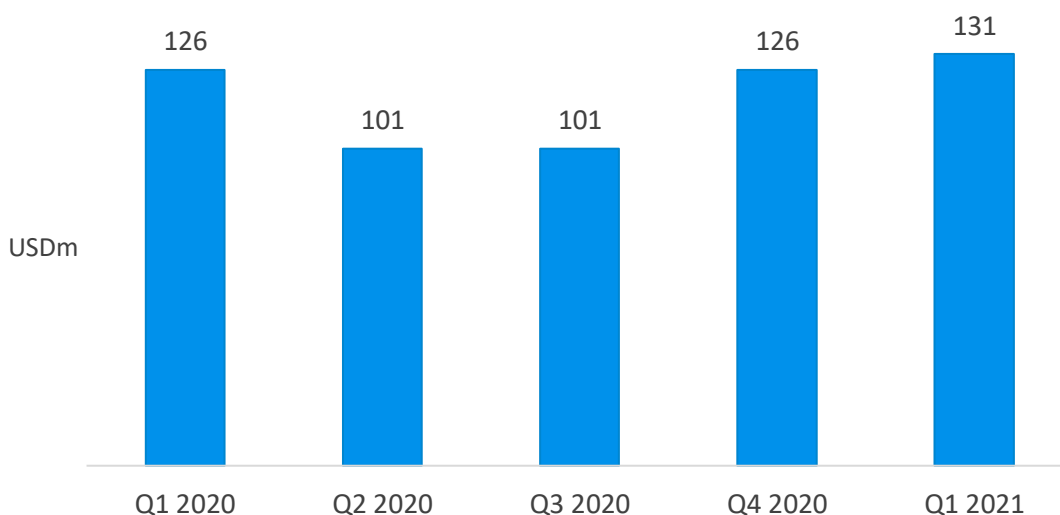
Simultaneously, electricity prices on European markets have been increasing. The average Nord Pool price was just over USD 50 per megawatt hour during the first quarter, compared to USD 13 per megawatt hour during last year. Landsvirkjun’s average electricity price to industrial customers increased by about 20% from the previous year, to USD 27 per megawatt hour, an all time high.

These changes in the operating environment are clearly reflected in the company’s performance during the first quarter. Profit before unrealised financial items, the criteria we use to assess the company’s operating performance, increased by 9% from the same period of the previous year. We continue to place great emphasis on paying down debt, with net debt decreasing by about USD 68m from the start of the year.

The operations of Landsvirkjun’s power stations went well during the period, as well as various projects like the innovation projects Orkídea in the south, Blámi on the Westfjords and Eimur in the north.”

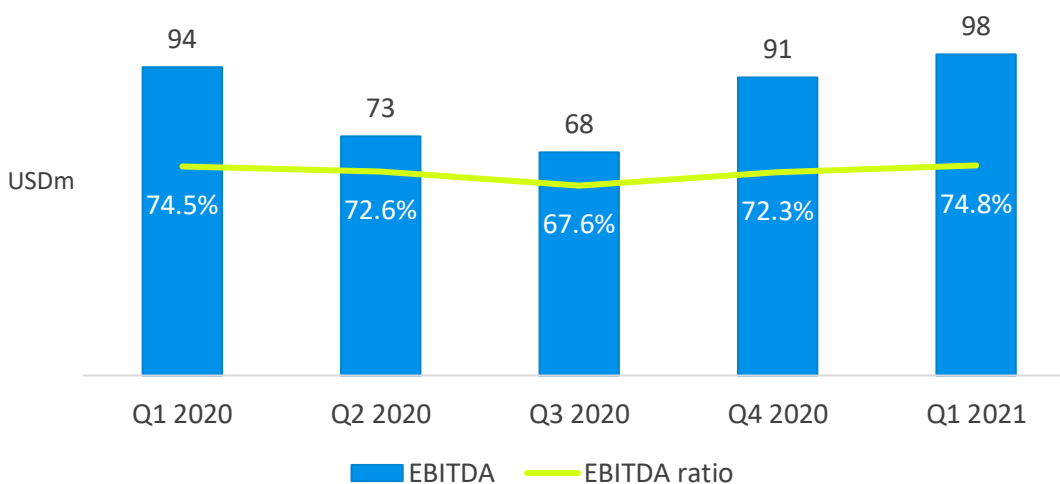
Operations

Development of operating revenues



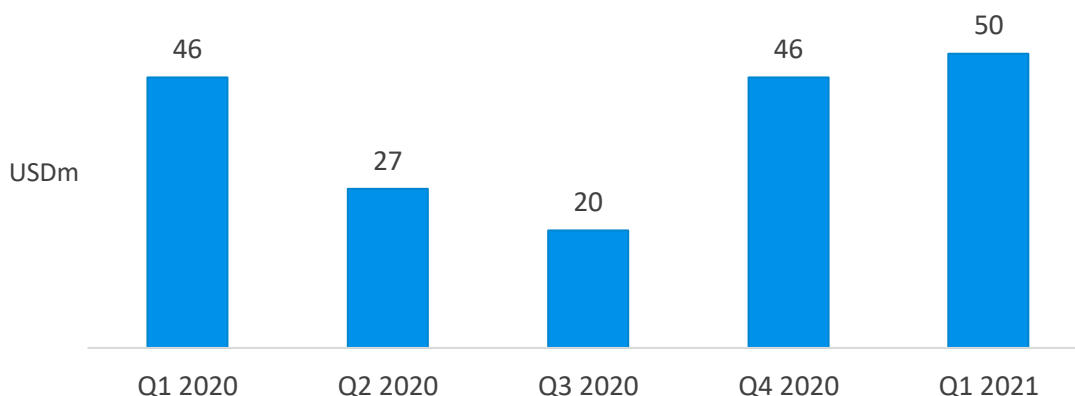
Operating revenues amounted to USD 131m for the first quarter of the year, a 4% increase from the same period of the previous year. There has been a strong improvement on international commodity and energy markets from last year’s lows brought on by the COVID pandemic. This development has a positive effect on revenues, as some contracts are linked to prices on these markets.

EBITDA and EBITDA ratio



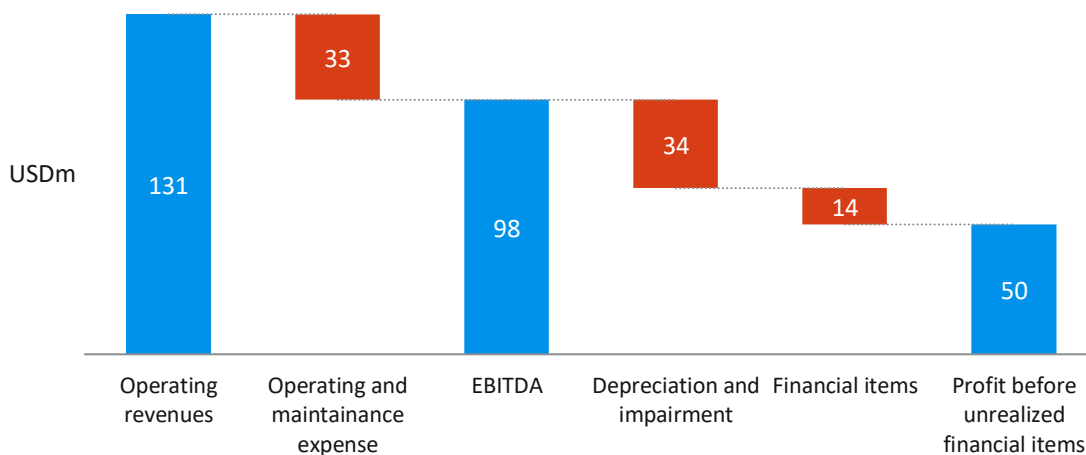
Operating expenses are similar between years, with the operating profit before depreciation, EBITDA, amounting to USD 98 million in the first quarter, which is USD 4 million higher than for the same period of the previous year.

Profit before unrealised 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 50 million in the first quarter, a 9% increase from the same period of the previous year.

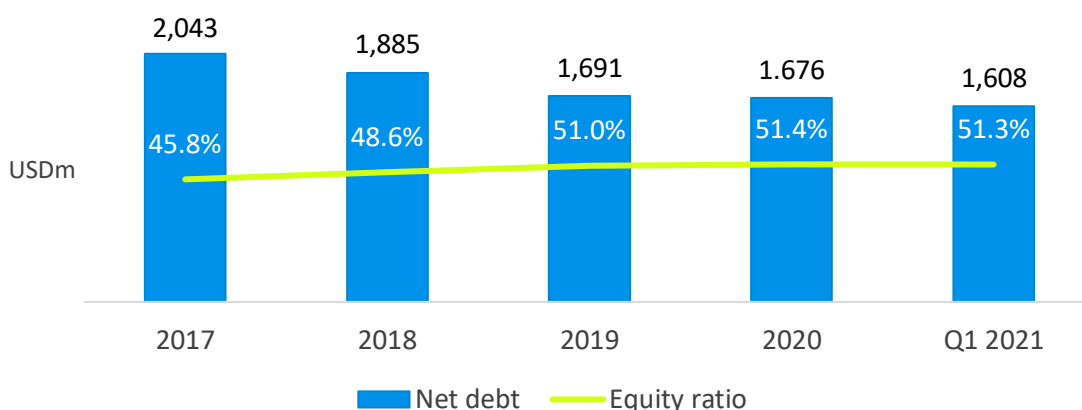
Items affecting profit before unrealized financial items in Q1 2021



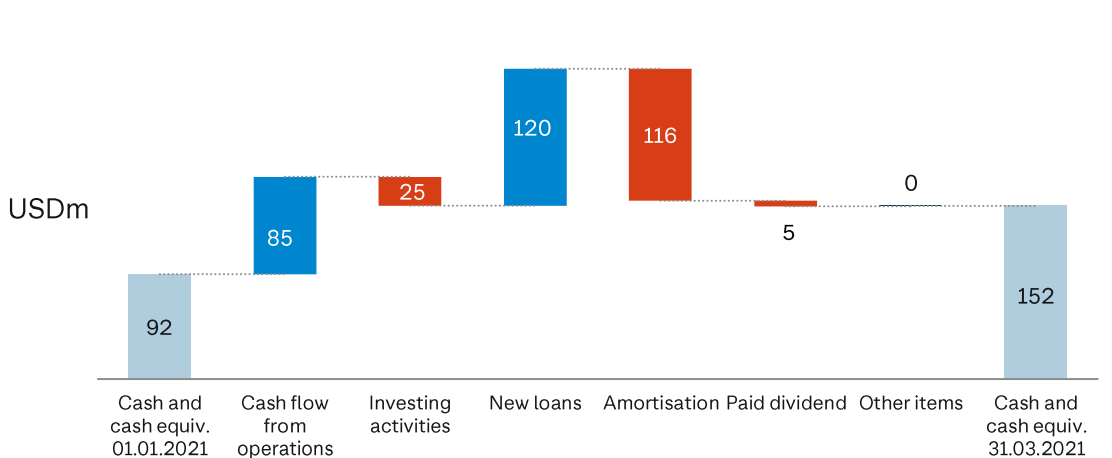
Net debt still decreasing

The Company’s cash generation (cash flow from operations) was USD 85 million during the period, which is USD 10 million higher than for the same period of the previous year. Net debt (interest bearing liabilities less cash and cash equivalents) has decreased by USD 68 million since the start of the year. The equity ratio has developed in line with debt reduction and is now 51.3%.

Net debt and equity ratio



The Group’s cash and cash equivalents amounted to USD 152 million at the end of the first quarter, an increase of USD 60 million from year end 2020.



Operating outlook

Landsvirkjun’s operations were not as negatively affected by the COVID-19 pandemic during this quarter as they were during last year. The Company continued its participation in the projects which were announced during spring of 2020 and relate to kickstarting the Icelandic economy in response to the pandemic, as well as research and development projects in the south, the Westfjords and the north in cooperation with local stakeholders. Landsvirkjun will continue to place emphasis on climate issues and sustainability, alongside ensuring reliable energy production.

Reykjavik, May 18, 2021

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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:

	2021	2020	2019	2018	2017
	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.	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	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 liabilities	1,608,064	1,637,277	1,801,882	2,038,072	1,965,833
Key figures					
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
Total liquidity	311,801	276,792	474,338	716,710	713,601
Equity ratio	51.3%	52.1%	49.5%	44.0%	45.1%
Return on equity	3.4%	4.9%	7.4%	3.4%	5.9%
Interest cover (EBITDA/net interest expenses)	5.93x	5.58x	4.75x	5.55x	5.26x
Net liabilities / EBITDA	4.87x	4.42x	4.66x	5.62x	6.39x

About Landsvirkjun

Landsvirkjun was established in the year 1965 and is an energy generation 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.