



Landsvirkjun's results for the first three months of 2019

Net debt continues to decrease and the equity ratio strengthens

Key figures from the interim financial statements

- Operating revenues amounted to USD 133.2 million and decrease by USD 8.0 million USD (5.7%) from the same period prior year.
- EBITDA amounted to USD 102.5 million. The EBITDA ratio is 76.9% of revenues, but was 74.6% in the same period of the previous year.
- Profit before unrealized financial items amounted to USD 50.5 million, but was USD 55.9 million in the period of the prior year which is an decrease of 9.8%.
- The profit for the period was USD 41.2 million but was USD 9.1 million in the same period of the prior year.
- Net debt decreased by USD 82.7 million from year end and was USD 1,801.9 million at the end of March.
- Cash flow from operations amounted to USD 84.0 million which is an increase of 3.5% compared to the same period prior year.

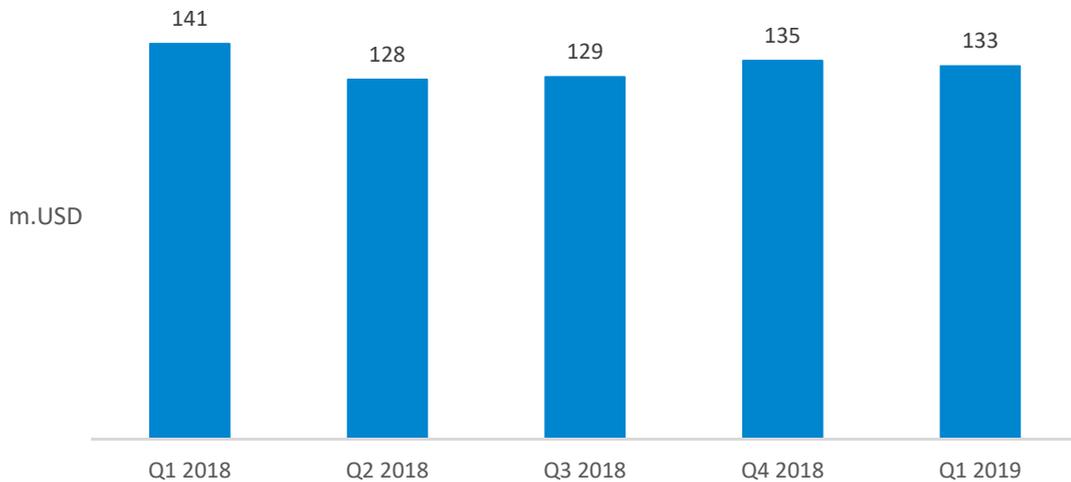
Hörður Arnarson, CEO:

"The operations of Landsvirkjun continued to develop in the right direction in the first quarter and were characterised by a strong cash flow with cash flow from operations amounting to USD 84 million. This cash flow was utilised to pay down debt, where Landsvirkjun's net debt has decreased by USD 236 million over the past 12 months. Revenues decreased by 5.7% between years, mostly due to a 13% decrease in the price of aluminium, less energy sales and a weaker Icelandic Krona, but at the same time operating and maintenance expenses have decreased by 14.5% from last year."



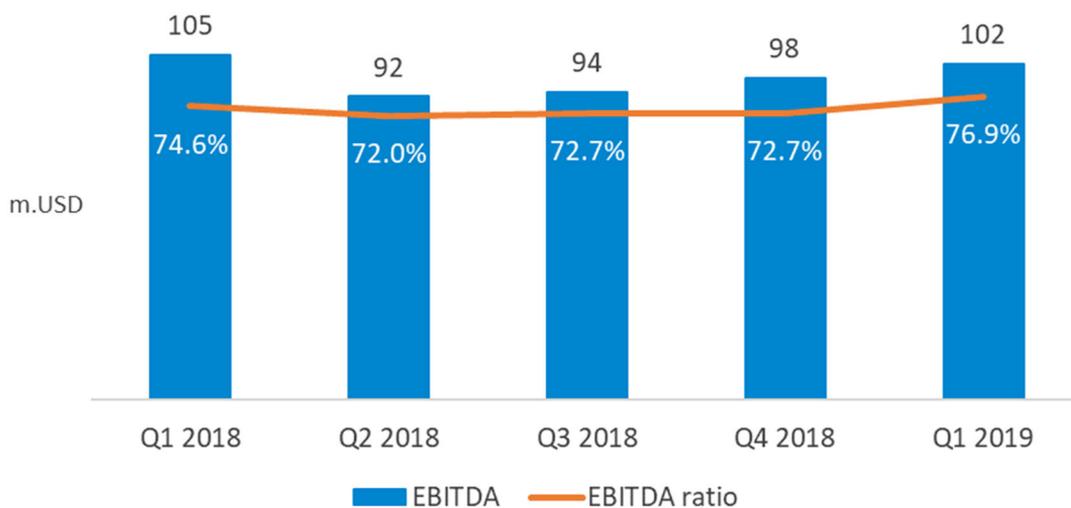
Operations

Development of operating revenues



Operating revenues decreased by USD 8 million compared with the first quarter of last year. This decrease is mainly explained by lower energy sales, lower aluminium prices and a weaker Icelandic Krona. A part of the Company's electricity sales contracts are linked to aluminium prices. It is worth mentioning that Q1 of 2018 was the highest revenue quarter in the Company's history.

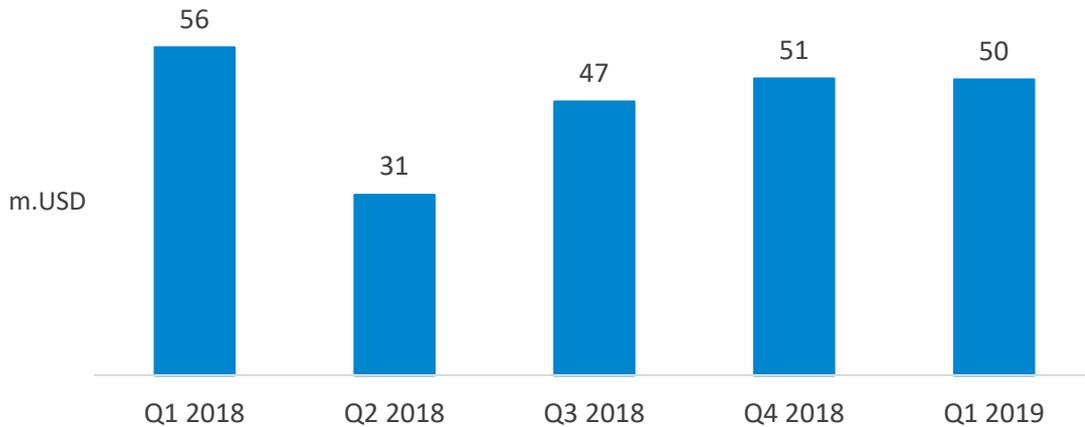
EBITDA and EBITDA ratio



Operating profit of the Group before depreciation, EBITDA, amounted to USD 102.5 in the first quarter.

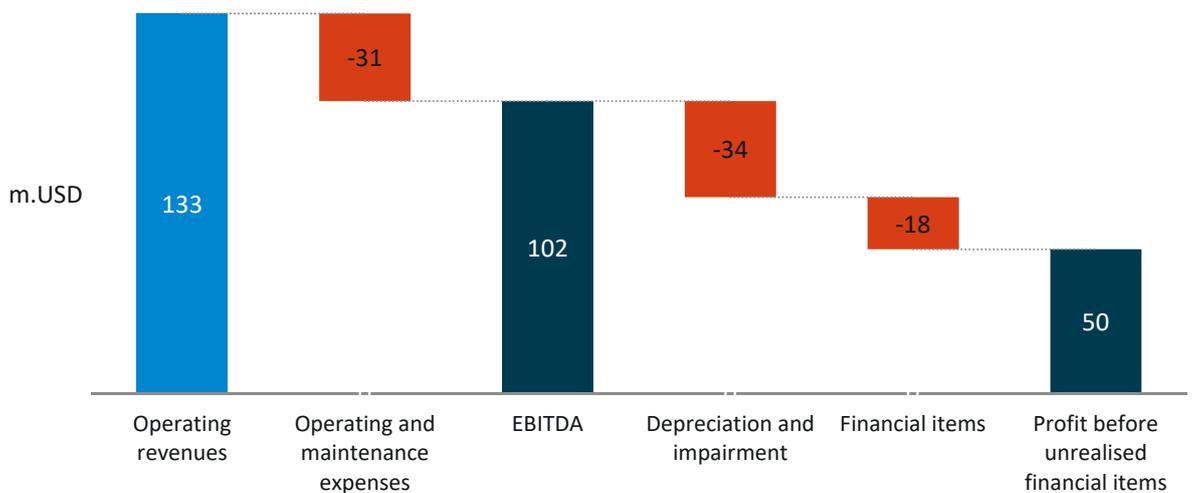


Profit before unrealised financial items



Profit before unrealised 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 of the year but was USD 56 million in the same period of the prior year.

Items affecting profit before unrealised financial items in Q1 2019

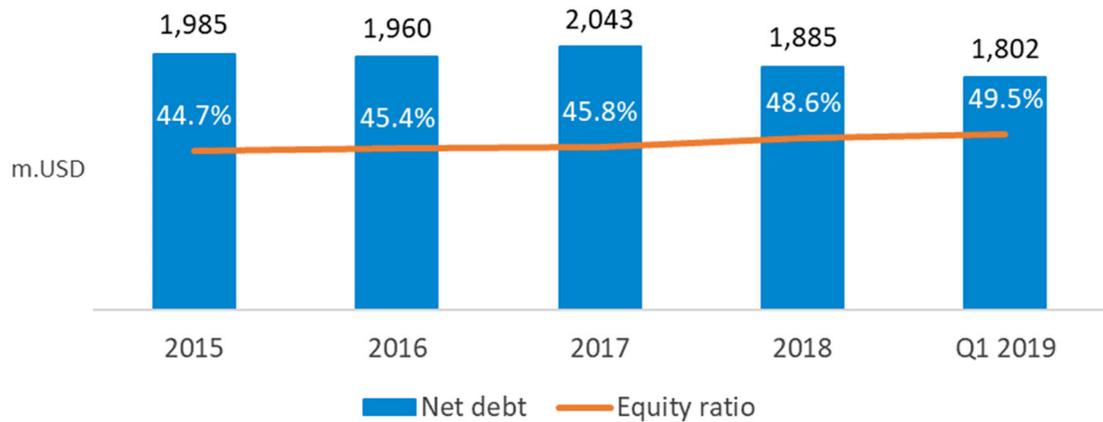


Net debt continues to decrease

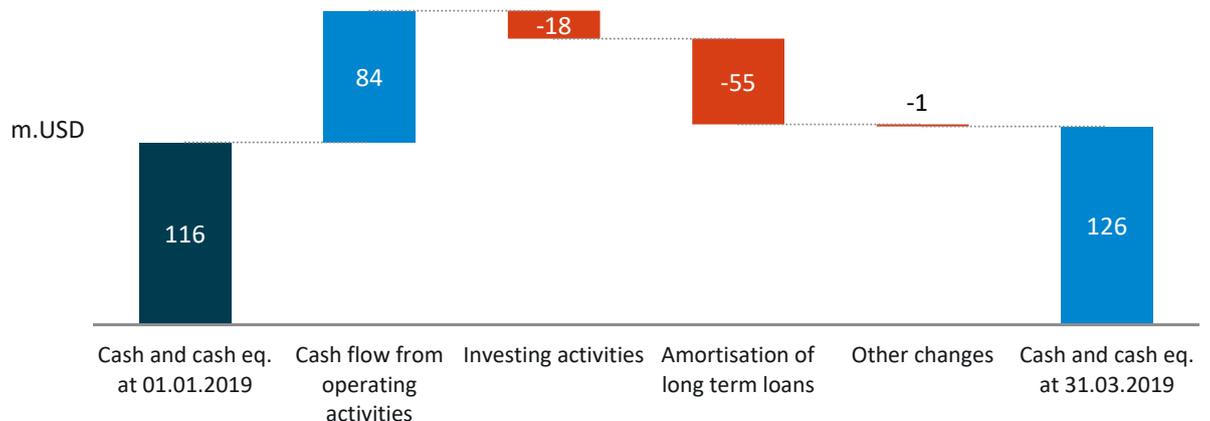
Landsvirkjun's focus in the last years has been on decreasing debt. Net debt is interest bearing liabilities after deducting cash and cash equivalents. Net debt decreased by USD 83 million from year end and decreased by USD 236 million from the same time of last year. Investments have decreased significantly as an extensive construction phase draws to a close with the power plants Þeistareykir (geothermal) and Burfell II (hydro) now fully operational. Cash flow from operations amounted to USD 84 million during the period which is USD 2.8 million higher than for the same period of the prior year and USD 10.9 million higher than Q4 2018.



Net debt and equity ratio



The Group’s cash and cash equivalents at the end of March 2019 amounted to USD 126 million, the development can be seen on the graph below. Cash flows from operating activities have met the investment needs of the past few years, which is a prerequisite for an improved capital structure.



Operating outlook

Landsvirkjun has systematically worked on reducing market risk over the past few years where the proportion of loans bearing fixed rates has increased and foreign exchange risk has been reduced. Aluminium price risk has been reduced, firstly by removing the link in some contracts with current and new customers, and secondly with the use of derivative contracts. Operating performance will however still be affected by developments in global markets and the demand from customers.

Reykjavík, 24. May 2019

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 consolidated financial statements in USD thousand:

	2019	2018	2017	2016	2015
	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.
Operation					
Operating revenues	131,388	142,810	119,465	104,294	109,375
Realised aluminium hedges	1,769	(1,648)	(653)	1,209	2,290
Total operating revenues	133,157	141,162	118,812	105,503	111,665
Operating and maintenance expenses	(30,706)	(35,893)	(30,544)	(23,296)	(22,410)
EBITDA	102,451	105,269	88,268	82,207	89,255
Depreciation and impairment loss	(33,696)	(30,623)	(29,180)	(29,273)	(27,573)
EBIT	68,755	74,646	59,088	52,934	61,682
Financial items	(18,292)	(18,720)	(15,307)	(15,108)	(9,655)
Profit before unrealised financial items	50,463	55,926	43,781	37,826	52,027
Unrealised financial items:					
Fair value changes in embedded derivatives	6,842	(39,556)	42,555	(3,809)	(4,679)
Fair value changes in other derivatives	(5,002)	16,879	(8,110)	(155)	(7,306)
Unrealised foreign exchange difference	9,366	(18,856)	(3,568)	(26,896)	44,791
	11,206	(41,533)	30,877	(30,860)	32,806
Profit before income tax	61,669	14,393	74,658	6,966	84,833
Income tax	(20,508)	(5,328)	(25,277)	(3,522)	(29,253)
Profit	41,161	9,065	49,381	3,444	55,580
Balance sheet					
	31.3.2019	31.3.2018	31.3.2017	31.3.2016	31.3.2015
Total assets	4,440,665	4,712,186	4,472,638	4,261,913	4,202,682
Total equity	2,200,167	2,072,166	2,017,992	1,920,232	1,746,998
Total liabilities	2,240,498	2,640,020	2,454,646	2,341,681	2,455,684
Net liabilities	1,801,882	2,038,072	1,965,833	1,974,816	2,028,575
Key figures					
Cash flow from operating activities	83,989	81,142	66,285	68,711	82,850
Investing activities	(17,832)	(42,582)	(67,732)	(22,248)	(14,403)
Financing activities	(54,022)	160,679	95,757	(64,717)	(52,293)
Total liquidity	474,338	716,710	713,601	491,176	495,789
Equity ratio	49.5%	44.0%	45.1%	45.1%	41.6%
Return on equity	7.4%	3.4%	5.9%	1.8%	7.9%
Interest cover (EBITDA/net interest expenses)	4.75x	5.55x	5.26x	4.68x	4.05x
Net liabilities / EBITDA	4.66x	5.62x	6.39x	6.28x	5.99x

About Landsvirkjun

Landsvirkjun was established in the year 1965 and is a power 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, value creation and efficiency. The Company produces around 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 utilization of energy resources and promotes the development of knowledge, innovation and technology.