



Half year interim results

Strong cash generation and a historically high equity ratio

Key figures from the interim financial statements

- Profit before unrealized financial items amounted to USD 96.4 million compared to USD 86.7 million in the same period of the prior year which is an increase by 11.1%.
- The profit for the period was USD 68.6 million compared to USD 54.5 million in the same period of the prior year.
- Operating revenues amounted to USD 259.7 million and decrease by USD 9.8 million (3.6%) from the same period prior year.
- EBITDA amounted to USD 198.2 million. EBITDA ratio is 76.3% of revenues compared to 73.4% in the same period prior year.
- Net debt decreased by USD 126.1 million from the beginning of the year and amounted to USD 1,758.5 million at the end of June.
- Cash flow from operations amounted to USD 159.9 million which is an increase of 7.1% compared to the same period prior year.

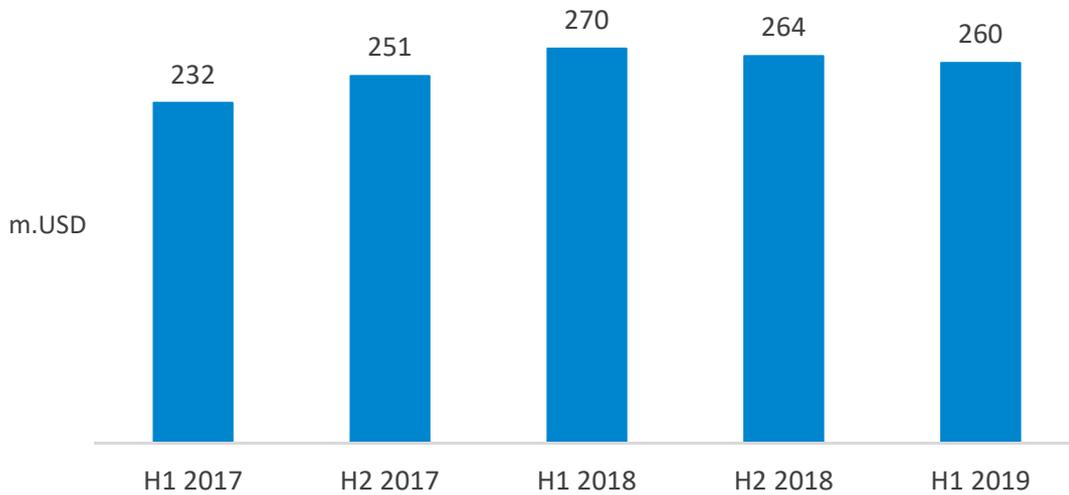
Hörður Arnarson, CEO:

”The operation of Landsvirkjun’s power stations went well during the first half of the year. The business operations continue to develop in the right direction and Landsvirkjun’s financial position continues to strengthen with profit before unrealised financial items increasing by USD 10 million compared with the same period of last year. Net debt decreases by USD 126 million during the first six months of the year resulting in the equity ratio surpassing 50% for the first time in the Company’s history. Operating revenues decrease by 4% but this is countered by a substantial decrease in operating- and interest expenses and a 7% increase in cash from operating activities between years. Our largest customers are currently faced with a challenging operational environment due to developments on international commodity markets.”



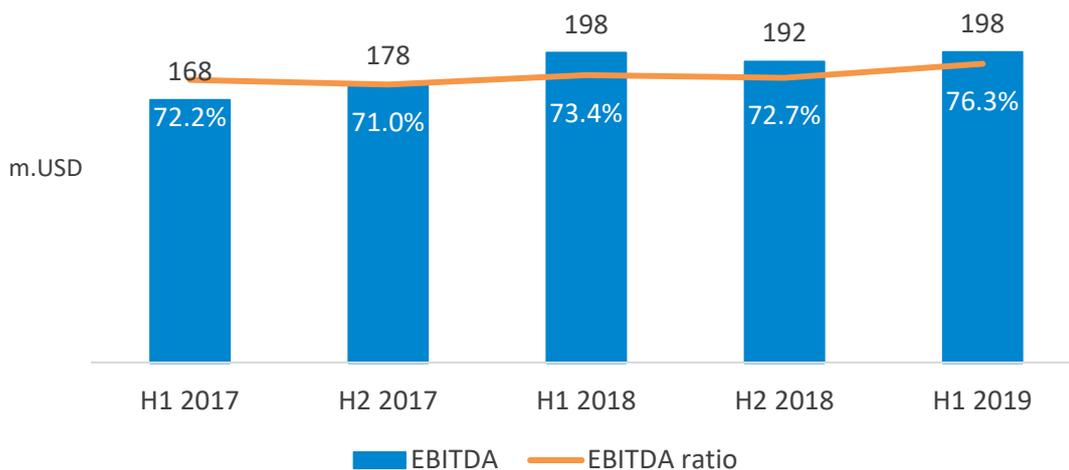
Operations

Development of operating revenues



Operating revenues continue to be strong despite a small decrease in energy sales volume and a significant decrease of the price of aluminium and the value of the Icelandic krona from the same period of last year. The value of the krona has an effect on revenue from the retail market.

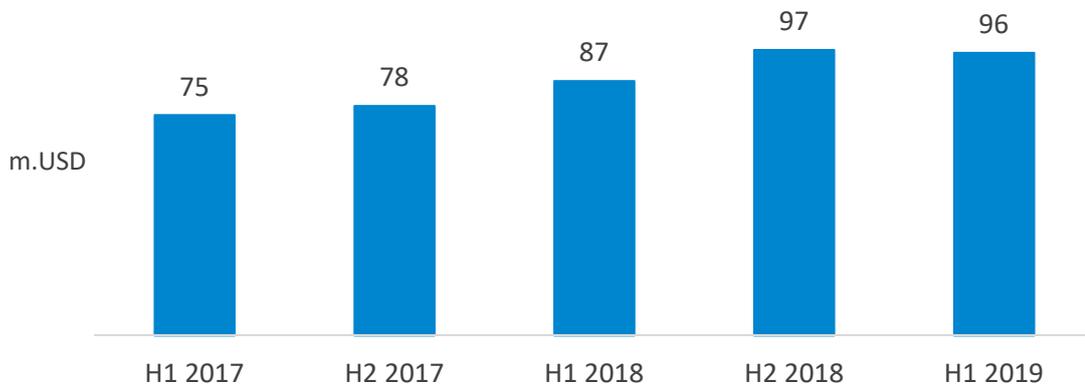
EBITDA and EBITDA ratio



Operating expenses incurred in Icelandic krona form a natural hedge against retail revenues, which are also krona based. Operating profit of the Group before depreciation, EBITDA, amounted to USD 198 million, which is similar to the same period of last year.

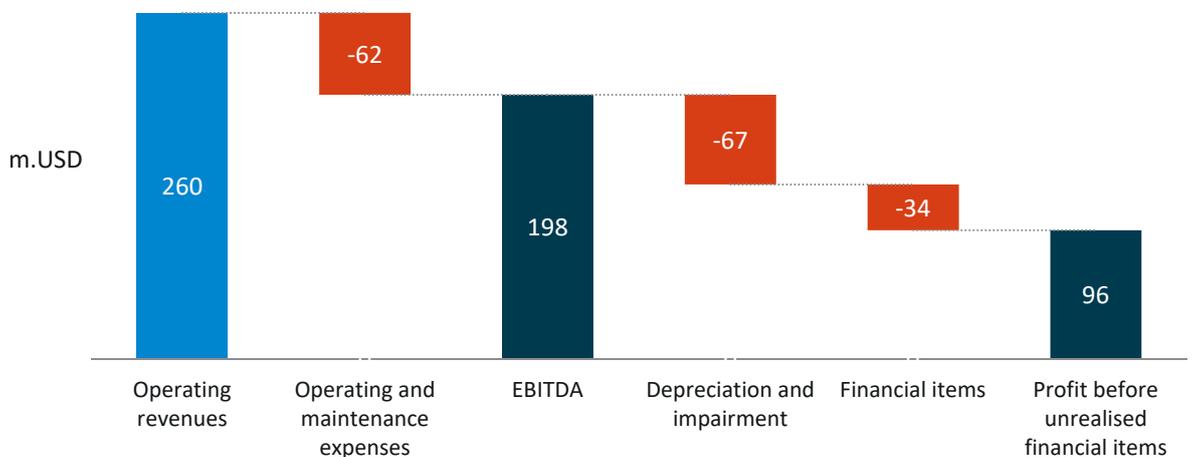


Profit before unrealized financial items



Profit before unrealized financial items is the criterion used by Landsvirkjun in evaluating the Company's core operation. The profit amounted to USD 96 million which is 11% higher than for the same period of last year.

Items affecting profit before unrealised financial items in H1 2019

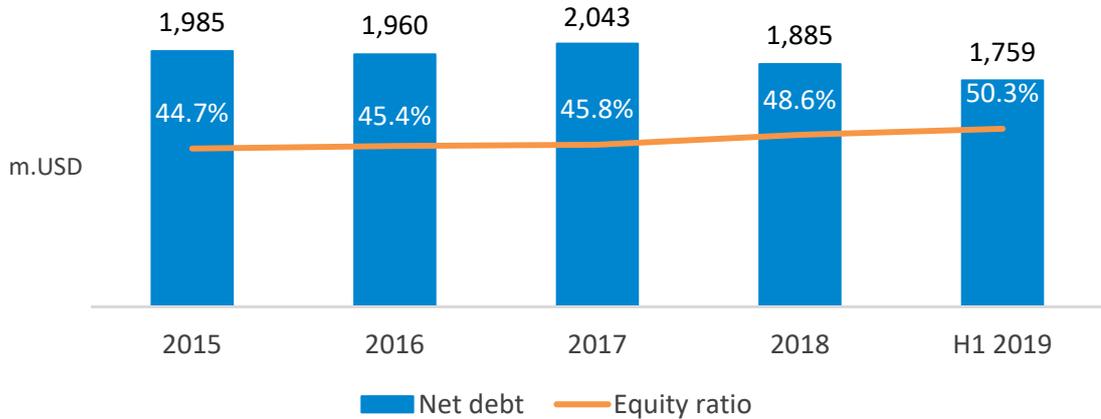


Equity ratio surpasses 50%

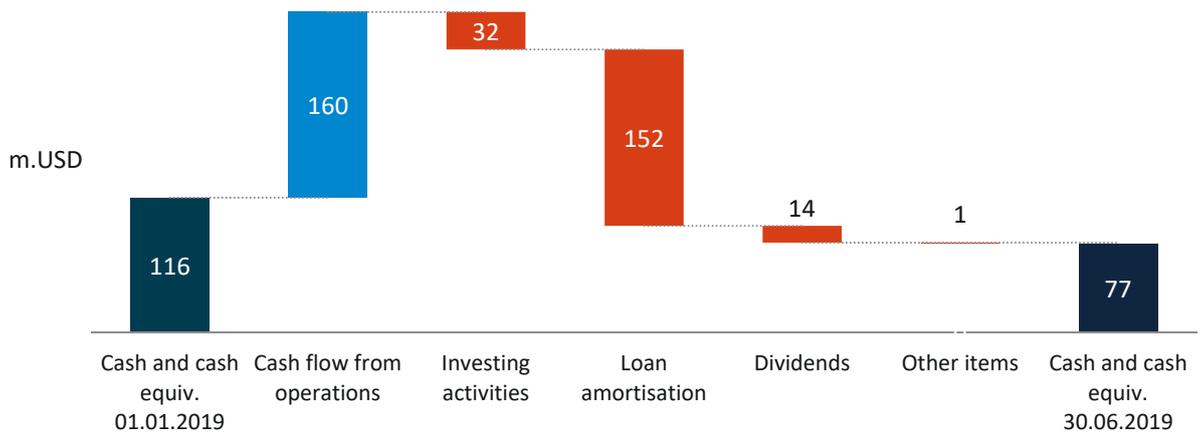
Net debt (interest bearing liabilities after deducting cash and cash equivalents) continues to decrease leading to the equity ratio now surpassing 50% for the first time in the Company's history. Net debt has decreased by USD 126 million since the beginning of the year and by USD 234 million since the same time of last year. The Company's cash generation (cash from operating activities) was USD 160 million during the period which is USD 10.7 million higher than during the same period of last year.



Net debt and equity ratio



The Group’s cash and cash equivalents amounted to USD 76.5 million at the end of June 2019 and has decreased by USD 39.7 million from the beginning of the year. Cash from operating activities continues to be strong and now that a period of significant investments is drawing to a close there is an opportunity to start increasing dividend payments.



Operating outlook

The Company’s operation continues to strengthen. Cash generation has been strong and there will be continued emphasis placed on reducing debt and paying dividends to the Company’s owners, the Icelandic nation. Market risk has been systematically managed where the proportion of loans bearing fixed rates has increased and foreign exchange risk has been reduced. Aluminium price risk has been reduced, firstly with new 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.

Reykjavik, 16 August 2019
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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 1.1.-30.6.	2018 1.1.-30.6.	2017 1.1.-30.6.	2016 1.1.-30.6.	2015 1.1.-30.6.
Operation					
Operating revenues	255,523	273,946	234,172	204,452	210,979
Realised aluminium hedges	4,195 (	4,402) (	1,812)	2,475	4,764
Total operating revenues	259,718	269,544	232,360	206,927	215,743
Operating and maintenance expenses	(61,525)	(71,789)	(64,676)	(51,720)	(46,483)
EBITDA	198,193	197,755	167,684	155,207	169,260
Depreciation and impairment loss	(67,400)	(61,839)	(58,321)	(58,471)	(57,399)
EBIT	130,793	135,916	109,363	96,736	111,861
Financial items	(34,402)	(49,192)	(34,231)	(32,256)	(31,822)
Profit before unrealised financial items	96,391	86,724	75,132	64,480	80,039
Unrealised financial items:					
Fair value changes in embedded derivatives	765 (	29,133)	35,816	14,391 (	13,591)
Fair value changes in other derivatives	(3,431)	14,046 (	2,951) (	2,908) (	3,475)
Unrealised foreign exchange difference	8,419	10,037 (	48,495) (	20,914)	34,130
	5,753 (	5,050) (	15,630) (	9,431)	17,064
Profit before income tax	102,144	81,674	59,502	55,049	97,103
Income tax	(33,586)	(27,167)	(19,789)	(20,216)	(33,203)
Profit	68,558	54,507	39,713	34,833	63,900
Balance sheet	30.6.2019	30.6.2018	30.6.2017	30.6.2016	30.6.2015
Total assets	4,355,140	4,486,572	4,379,436	4,233,437	4,150,537
Total equity	2,191,134	2,099,502	1,995,963	1,937,653	1,750,658
Total liabilities	2,164,006	2,387,070	2,383,473	2,295,784	2,399,879
Net liabilities	1,758,546	1,992,640	2,017,227	1,946,033	2,018,559
Key figures					
Cash flow from operating activities	159,892	149,239	142,366	123,841	146,428
Investing activities	(32,255)	(96,656)	(117,767)	(51,132)	(21,774)
Financing activities	(165,788)	(66,682)	(62,681)	(103,290)	(148,425)
Total liquidity	422,964	491,026	510,647	617,498	461,859
Equity ratio	50.3%	46.8%	45.6%	45.8%	42.2%
Return on equity	6.4%	6.2%	3.7%	3.1%	6.4%
Interest cover (EBITDA/net interest expenses)	5.70x	4.77x	5.32x	4.87x	4.39x
Net liabilities / EBITDA	4.51x	5.30x	6.42x	6.33x	5.82x

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.