

Landsvirkjun's Financial Statements

Results reflect the global pandemic

Key figures from the consolidated financial statements

- Profit before unrealized financial items amounted to USD 138.7 million compared to USD 176.0 million in the previous year and decreases by 21.2% between years.
- The profit for the year amounted to USD 78.6 million but was USD 114.9 million in the previous year.
- Operating revenues amounted to USD 453.5 million and decrease by USD 56.1 million (11.0%) from the previous year.
- Net debt decreases by USD 15.7 between years and was USD 1,675.8 at year end. Interest expenses decrease by USD 11.9 million between years.
- Cash flow from operating activities amounted to USD 234.1 million, a decrease of 20.9% from the previous year.

Hörður Arnarson, CEO:

"Landsvirkjun's operations and results were inevitably affected by the pandemic during 2020 which had a substantial effect on the economy in Iceland and the rest of the world. Many of our customers reduced their manufacturing output due to decreasing demand and product prices. There was also a large price decrease in energy markets, although that development saw a reversal late in the year. Some of Landsvirkjun's energy contracts are linked to aluminium price and electricity price on the Nord Pool market.

The year 2021 starts well as prices on aluminium and Nord Pool markets increase between years. There was a positive development earlier this week when Landsvirkjun signed an amendment to its current power purchase agreement with its oldest customer, Rio Tinto Iceland Ltd., which strengthens the operations of the aluminium smelter over the coming years and ensures the predictability of Landsvirkjun's revenue stream.

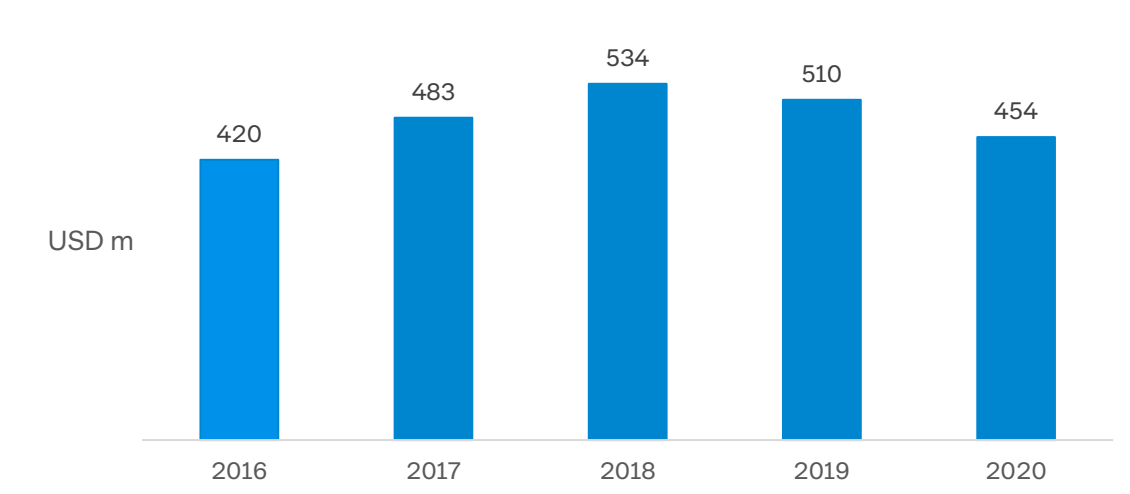
Landsvirkjun is a pillar of the Icelandic economy. We have a great responsibility which is why we have worked hard to improve the company's debt position over the past decade or so. As a result of this work we can now support our customers by offering them a temporary discount on energy prices and take part in the economic recovery by launching various construction, maintenance and research and development projects nationwide.

Profit before unrealized financial items, which is the measure which best reflects the company's core operations, decreased by 21% between years. The largest effects of this decrease were due to a reduction in energy sales, special terms for our customers and the connection of aluminium- and Nord Pool prices to our energy prices. Operating revenues decreased by 11% and cash flow from operating activities decreased by 21%. However, it was positive to see that we managed to keep reducing net debt at the same time. The company's operations went well despite this external turbulence. Power station operations were good. Our customers are increasing productions despite the current economic difficulties and

Landsvirkjun sees various future opportunities, for example in green hydrogen production, eco-friendly industrial parks and other green innovation like the Orkidea project in southern Iceland, Blámi on the Westfjords and EIMUR in northern Iceland. The future looks bright despite the current difficulties.“

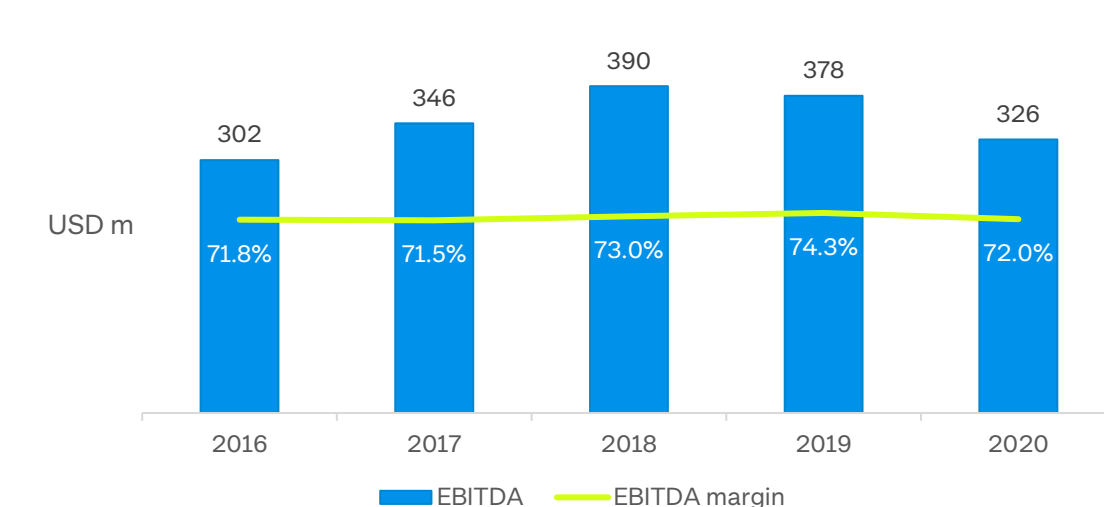
Operations

Development of operating revenues



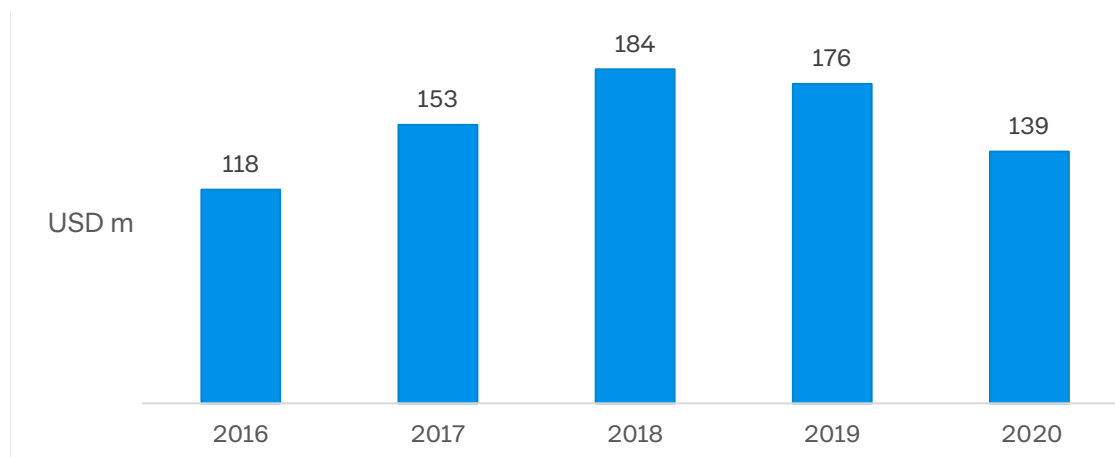
The company's operating revenues decreased by USD 56 million between years, which is largely due to price decreases on international commodity and energy markets. Additionally there was a slight decrease in demand from our customers as their operating environment worsened with lower demand and product prices.

EBITDA and EBITDA margin



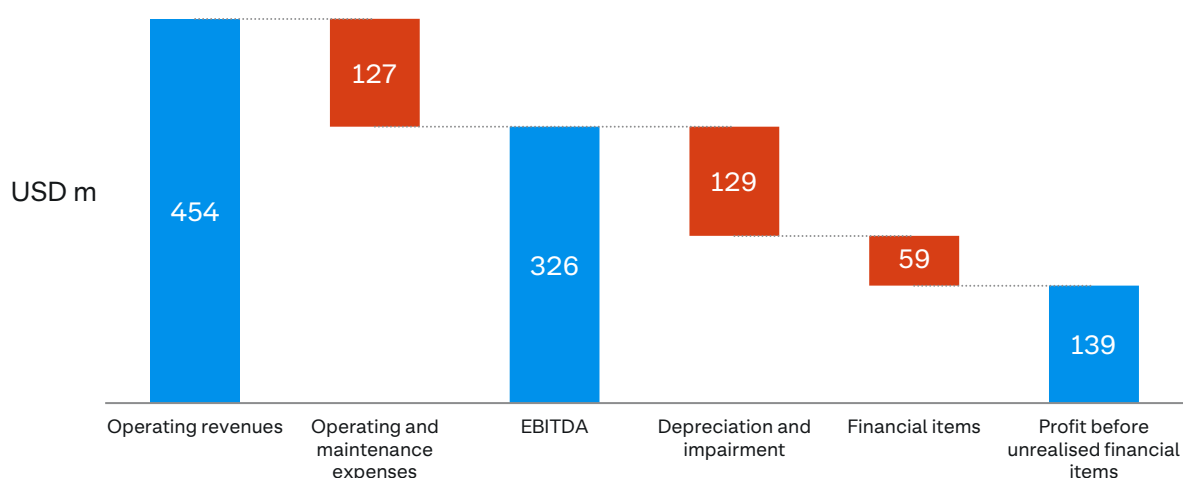
Operating expenses decrease between years. Operating profit before depreciation and amortisation, EBITDA, amounted to USD 326 million for 2020 which is USD 52 million lower than for the previous year.

Profit before unrealized financial items



Profit before unrealised financial items is the benchmark Landsvirkjun uses to evaluate the company's core operations. The profit was USD 139 million in 2020 which is a decrease of 21% between years.

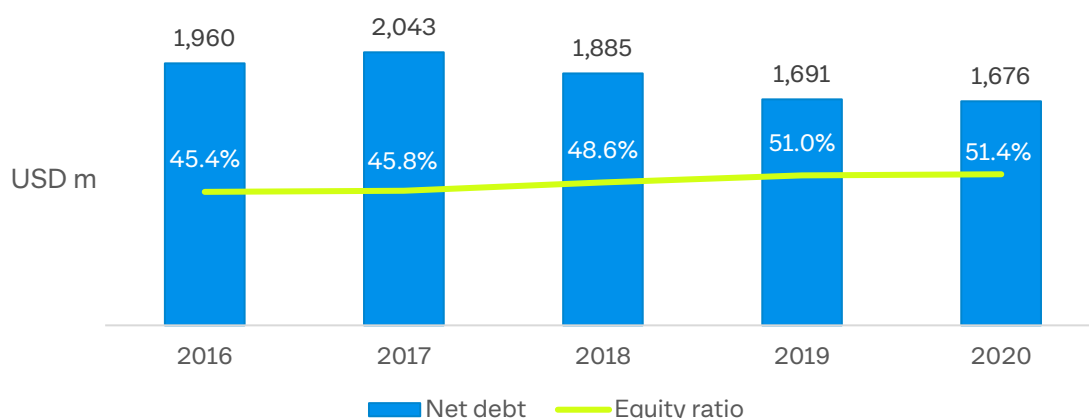
Items affecting profit before unrealized financial items in 2020



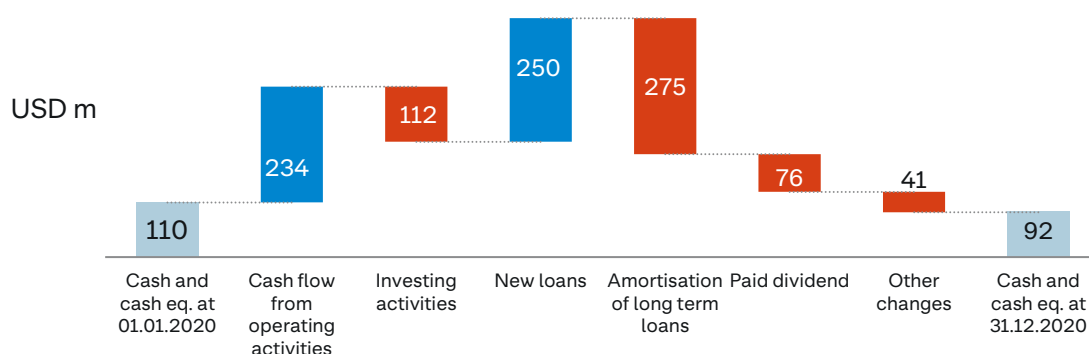
Net debt continues to decrease

Cash flow from operations was USD 234 million for the year which is USD 62 million lower than the previous year. Net debt (interest bearing debt less cash and cash equivalent) decreased by USD 16 million between years. The equity ratio has developed in line with debt repayments and is now 51.4%.

Net debt and equity ratio



Cash and cash equivalent was USD 92 million at year end 2020 which is USD 19 million lower than at year end 2019. However, at the same time Landsvirkjun paid the largest dividend in the company's history.



Operational outlook

Like most other companies we face challenges in the difficult economic environment resulting from the COVID-19 pandemic. Many of Landsvirkjun's customers are experiencing a reduction in demand for their products. However, we are in a strong position to face these challenges as can be seen in the many economic initiatives we have announced and undertaken. In addition to this have had the capacity to offer temporary discounts to industrial customers. We will continue to place emphasis on reliable energy generation and delivery to our customers while also ensuring the health and safety of our employees.

Reykjavík, February 18, 2021
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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:

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|----------------|----------------|----------------|----------------|----------------|
| Operation | | | | | |
| Operating revenues | 448,276 | 499,547 | 538,455 | 491,175 | 415,480 |
| Realised hedges | 5,262 | 10,047 (| 4,534) (| 8,098) | 4,890 |
| Total operating revenues | 453,538 | 509,594 | 533,921 | 483,077 | 420,370 |
| Operating expenses | (127,214) (| 131,106) (| 144,041) (| 137,503) (| 118,630) |
| EBITDA | 326,324 | 378,488 | 389,880 | 345,574 | 301,740 |
| Depreciation and impairment loss | (128,967) (| 134,779) (| 125,448) (| 127,086) (| 118,571) |
| EBIT | 197,357 | 243,709 | 264,432 | 218,488 | 183,169 |
| Financial items | (58,651) (| 67,681) (| 80,178) (| 64,844) (| 60,045) |
| Associated companies | (12) (| 27) (| 179) (| 228) (| 5,448) |
| Profit before unrealised financial items | 138,694 | 176,001 | 184,075 | 153,416 | 117,676 |
| Unrealised financial items: | | | | | |
| Fair value changes in embedded derivatives | 970 (| 1,323) (| 49,410) | 84,494 | 21,164 |
| Fair value changes in other derivatives | (12,726) (| 8,011) | 24,878 (| 12,990) (| 1,269) |
| Unrealised foreign exchange difference | (8,189) | 8,290 | 21,014 (| 60,745) (| 23,314) |
| | (19,945) (| 1,044) (| 3,518) | 10,759 (| 3,419) |
| Profit before income tax | 118,749 | 174,957 | 180,557 | 164,175 | 114,257 |
| Income tax | (40,131) (| 60,079) (| 59,528) (| 56,211) (| 47,437) |
| Profit | 78,618 | 114,878 | 121,029 | 107,964 | 66,820 |
| Balance sheet | | | | | |
| Total assets | 4,348,344 | 4,381,633 | 4,451,081 | 4,506,392 | 4,332,864 |
| Total equity | 2,235,135 | 2,235,399 | 2,163,056 | 2,063,112 | 1,969,088 |
| Total liabilities | 2,113,209 | 2,146,234 | 2,288,025 | 2,443,280 | 2,363,776 |
| Net debt | 1,675,804 | 1,691,462 | 1,884,603 | 2,042,642 | 1,960,497 |
| Key figures | | | | | |
| Cash flow from operating activities | 234,084 | 295,764 | 295,761 | 277,937 | 229,827 |
| Investing activities | (111,550) (| 82,420) (| 150,864) (| 253,740) (| 172,277) |
| Financing activities | (142,399) (| 218,261) (| 151,876) (| 45,282) (| 59,305) |
| Total liquidity | 371,963 | 290,487 | 469,433 | 547,907 | 616,982 |
| Equity ratio | 51.4% | 51.0% | 48.6% | 45.8% | 45.4% |
| Return on equity | 3.5% | 5.3% | 5.9% | 5.5% | 3.5% |
| Interest cover (EBITDA/net interest expenses) ... | 5.66x | 5.55x | 4.76x | 5.53x | 5.15x |
| Net debt / EBITDA | 5.14x | 4.47x | 4.83x | 5.91x | 6.50x |

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 and efficiency. The company generates around 70% of all electricity in Iceland from renewable energy resources, hydroelectric energy, geothermal energy and wind energy. The company is at the same time a leader in sustainable utilization of energy resources and contributes to increased knowledge, innovation and technical development.