



Landsvirkjun's results for the first six months of the year 2018

Revenue, EBITDA and profit increase between periods

Key figures from the interim financial statements

- Operating revenues amounted to USD 269.5 million and increase by USD 37.2 million (16.0%) from the same period prior year.
- EBITDA amounted to USD 197.8 million. EBITDA ratio is 73.4% of revenues compared to 72.2% in the same period prior year.
- Profit before unrealized financial items amounted to USD 86.7 million compared to USD 75.1 million in the period prior year which is an increase by 15.4%.
- The profit for the period was USD 54.5 million compared to USD 39.7 million in the same period prior year.
- Net debt decreased by USD 50 million from the beginning of the year and amounted to USD 1,992.6 million at the end of June.
- Cash flow from operations amounted to USD 149.2 million which is an increase of 4.8% compared to the same period prior year.

Hörður Arnarson, CEO:

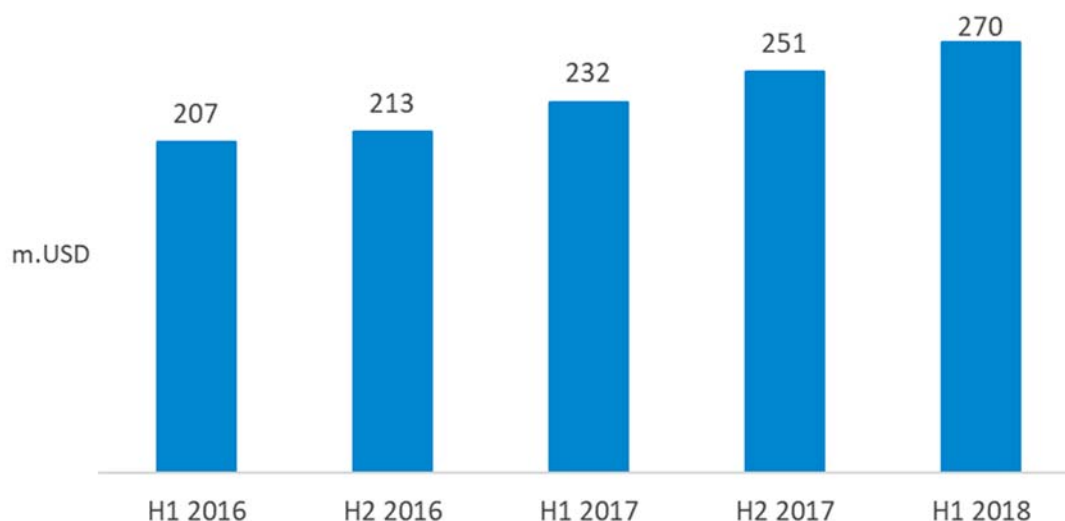
"Landsvirkjun's operations continue to develop in a positive way. The first half of 2018 is the highest revenue half recorded in the Company's history, partly due to increased energy sales and higher aluminium prices. Profit before unrealized financial items, which is the criterion we preferably focus on, amounted in USD 87 million and increased by 15% from the same period prior year. The Company's net debt decreased by USD 50 million from the beginning of the year, after a temporary decrease in debt reduction due to an extensive construction period.

A corner stone was set in Burfell II hydro power station, Landsvirkjun's eighteenth power station, and the station commissioned at the end of June. The station will be taken into full operation in August 2018. Earlier, Theistareykir geothermal power station was taken into full operation in April 2018."



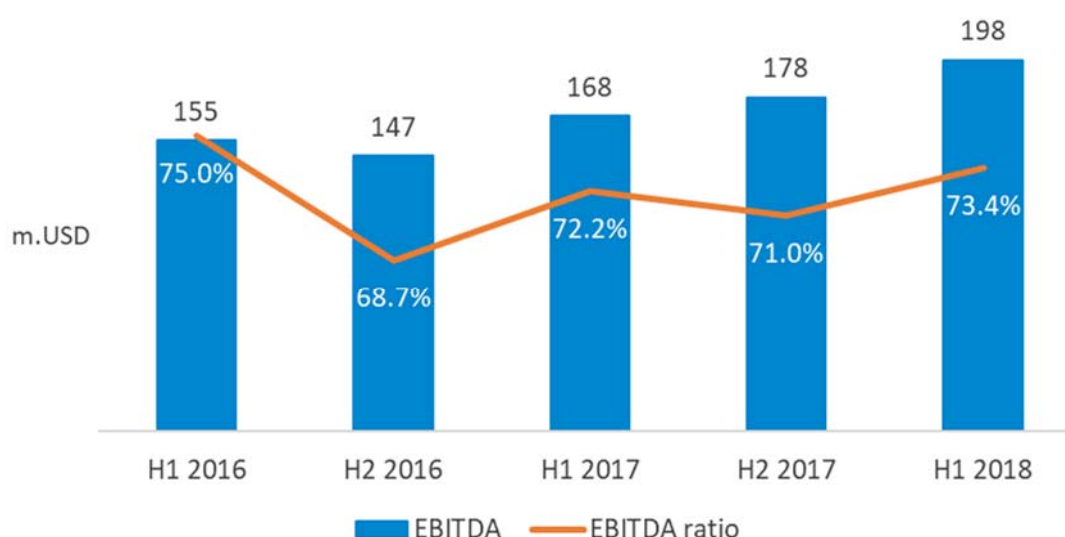
Operations

Development of operating revenues



Operating revenues increased by USD 37 million compared to the same period last year. This increase is mainly explained by higher aluminium prices, increased energy sales and strengthening of the Icelandic Krona (ISK) in relation to USD. A part of the Company's electricity sales contracts are linked to aluminium prices and revenues related to the wholesale market are in ISK.

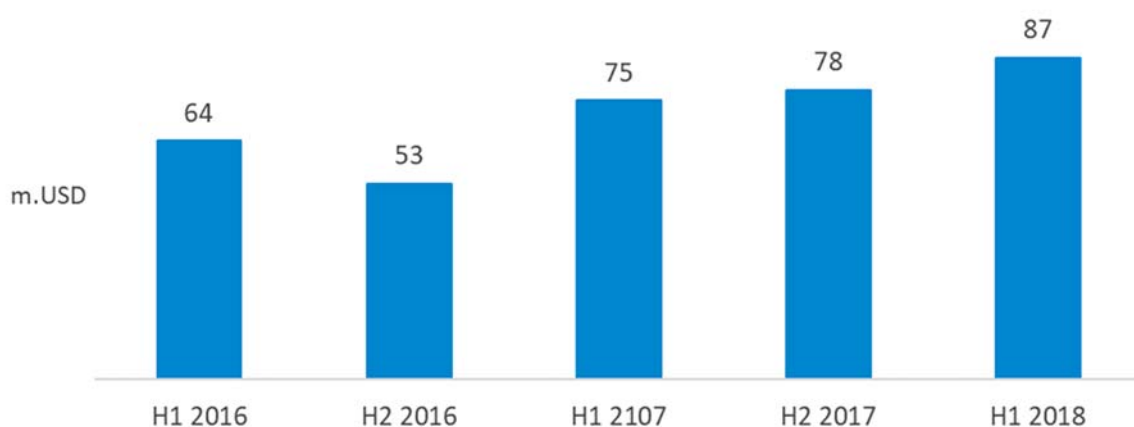
EBITDA and EBITDA ratio



Operating profit of the Group before depreciation, EBITDA, amounted to USD 198 million. The strengthening of the ISK increases operating expenses offsetting the effects of the strengthening on revenues, providing a natural hedge. The EBITDA trend has been in line with the Company's positive revenue trend.

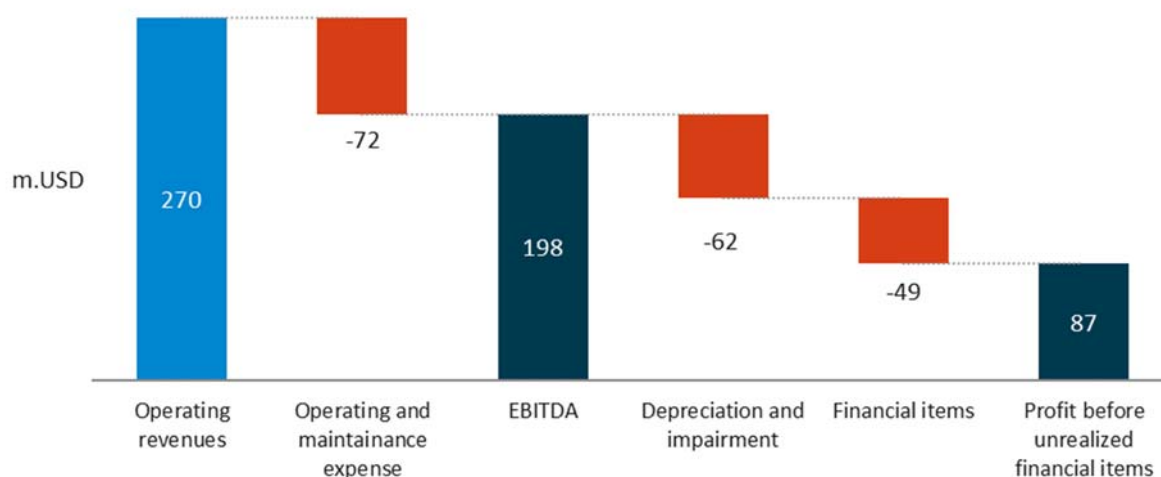


Profit before unrealized financial items



Profit before unrealized financial items is the criterion used by Landsvirkjun in evaluating the Company's core operation. The profit amounted to USD 87 million in the first six months of 2018 but was USD 75 million in the same period prior year. The increase is principally due to increased revenue but conversely financial expenses increase by USD 10 million due to a onetime recognition of interest expenses in relation to the prepayment of a bond and a loan.

Items affecting profit before unrealized financial items in H1 2018

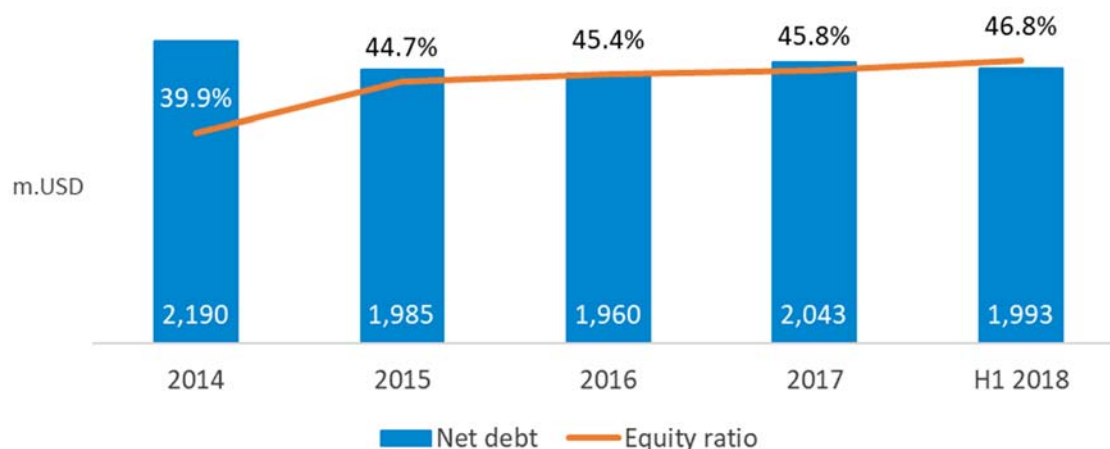


Net debt decreases

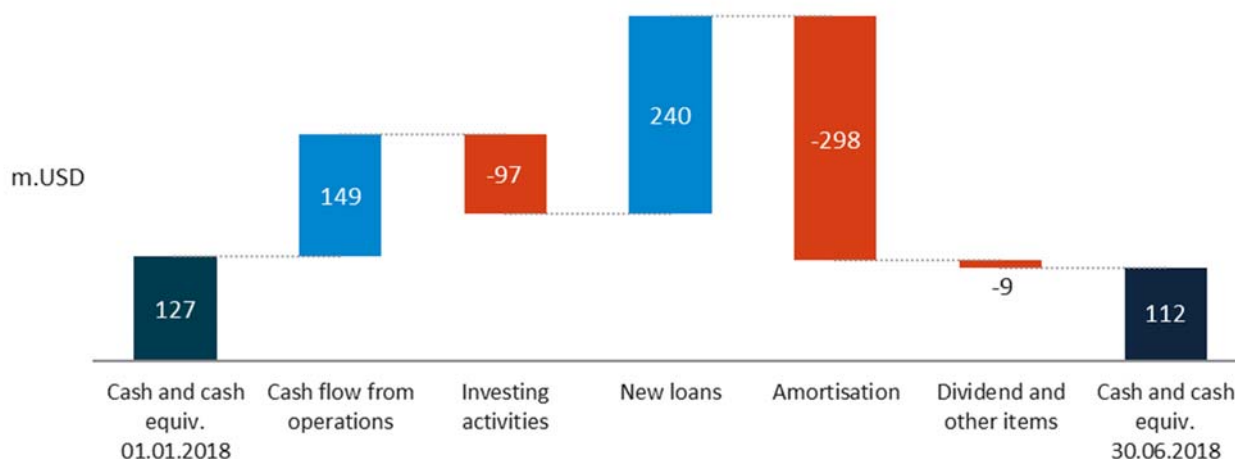
Landsvirkjun's focus the recent years has been on decreasing debt. Net debt is interest bearing liabilities after deducting cash and cash equivalent. Net debt decreased by USD 50 million from the beginning of the year. An extensive construction period is now about to come to an end but in the first half of 2018 the company investments amounted to USD 97 million. The main part of investments are the constructions of two power stations, Theistareykir which is already in full operation and Burfell II, which was commissioned at the end of June but will be taken into full operation in August 2018. The Company's capital formation (cash flow from operations) during the period amounted in USD 149 million and thus sustained the period's investments.



Net debt and equity ratio



The Group's cash amounted to USD 112 million at the end of June 2018 but the development can be seen in the graph below. Cash flow from operating activities has sustained the last years' investing activities which is the prerequisite of the Company's improved debt level.



Operating outlook

Landsvirkjun's results will, as before, for the most part be subject to the development in aluminium prices, interest rates and foreign exchange rates. Landsvirkjun's income is partly linked to aluminium prices, part of the Company's loans carry floating rate interests and part of the loan portfolio is in other currencies than USD. Changes in these factors therefore affect the future earnings of Landsvirkjun but systematic steps have been taken to minimize that risk.

Reykjavik, 17 August 2018

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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:

	2018 1.1.-30.6.	2017 1.1.-30.6.	2016 1.1.-30.6.	2015 1.1.-30.6.	2014 1.1.-30.6.
Operation					
Operating revenues	273,946	234,172	204,452	210,979	196,877
Realised aluminium hedges	(4,402)	(1,812)	2,475	4,764	6,363
Total operating revenues	269,544	232,360	206,927	215,743	203,240
Operating and maintainance expenses	(71,789)	(64,676)	(51,720)	(46,483)	(48,381)
EBITDA	197,755	167,684	155,207	169,260	154,859
Depreciation and impairment loss	(61,839)	(58,321)	(58,471)	(57,399)	(55,831)
EBIT	135,916	109,363	96,736	111,861	99,028
Financial items	(49,192)	(34,231)	(32,256)	(31,822)	(44,601)
Profit before unrealised financial items	86,724	75,132	64,480	80,039	54,427
Unrealised financial items:					
Fair value changes in embedded derivatives	(29,133)	35,816	14,391	(13,591)	(5,650)
Fair value changes in other derivatives	14,046	(2,951)	(2,908)	(3,475)	(6,566)
Unrealised foreign exchange difference	10,037	(48,495)	(20,914)	34,130	8,779
	(5,050)	(15,630)	(9,431)	17,064	(3,437)
Profit before income tax	81,674	59,502	55,049	97,103	50,990
Income tax	(27,167)	(19,789)	(20,216)	(33,203)	(16,443)
Profit	54,507	39,713	34,833	63,900	34,547
Balance sheet	30.6.2018	30.6.2017	30.6.2016	30.6.2015	30.6.2014
Total assets	4,486,572	4,379,436	4,233,437	4,150,537	4,455,652
Total equity	2,099,502	1,995,963	1,937,653	1,750,658	1,681,003
Total liabilities	2,387,070	2,383,473	2,295,784	2,399,879	2,774,649
Net liabilities	1,992,640	2,017,227	1,946,033	2,018,559	2,376,422
Key figures					
Cash flow from operating activities	149,239	142,366	123,841	146,428	114,226
Investing activities	(96,656)	(117,767)	(51,132)	(21,774)	(48,533)
Financing activities	(66,682)	(62,681)	(103,290)	(148,425)	(139,227)
Total liquidity	491,026	510,647	617,498	461,859	508,284
Equity ratio	46.8%	45.6%	45.8%	42.2%	37.7%
Return on equity	6.2%	3.7%	3.1%	6.4%	2.9%
Interest cover (EBITDA/net interest expenses)	4.77x	5.32x	4.87x	4.39x	3.35x
Net liabilities / EBITDA	5.30x	6.42x	6.33x	5.82x	7.46x

About Landsvirkjun

Landsvirkjun was established in the year 1965 and is an energy production 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 utilisation of energy resources and contributes to increased knowledge, innovation and technical development.