



PRESS RELEASE TO THE ICELANDIC STOCK EXCHANGE

Landsvirkjun's results in 2009

Today, March 19th, 2010, the financial statements of Landsvirkjun were approved in a meeting of the Board of Directors. The financial statements include the consolidated financial statements of Landsvirkjun and its subsidiaries. The main figures of the financial statements for the year 2009 are as follows:

- Profit of the year amounted to USD 193 million, which corresponds to approx. ISK 24.4 billion at the current exchange rate.
- EBITDA amounted to USD 271.7 million, including the effect of realised hedges. EBITDA ratio is 79.4% of turnover.
- Operating profit or EBIT amounted to USD 157.3 million, including realised hedges, or 46% of turnover.
- The value of embedded derivatives in relation to the Company's aluminium linked sales agreements increased by USD 253.3 million during 2009. Landsvirkjun used very conservative assumptions when evaluating the value of the embedded derivatives.
- Cash from operation amounted to USD 197 million or around ISK 24.9 billion at the current exchange rate.
- As a result of the international financial crisis Landsvirkjun decided to cut costs, reduce investments and focus on liquidity management.
 - Investments amounted to USD 120.5 million compared to USD 374.8 million in the year 2008.
 - Research and development amounted to USD 23.6 million compared to USD 48.4 million in the year 2008.
 - Net financing amounted to USD 4.6 million.
 - Cash and cash equivalents at year end amounted to USD 194.2 million. In addition, the Company has access to a Revolving Credit Facility, which is undrawn by USD 281.6 million. Liquidity thus amounted to a total of USD 475.8, which in addition to cash from operation will allow the Company to meet all its obligations into the year 2012.
- Landsvirkjun's total assets amount to USD 4.8 billion or around ISK 608 billion based on the current exchange rate. Liabilities amounted to USD 3.2 billion or around ISK 410 billion.

- Landsvirkjun's equity amounted to USD 1.56 billion or to ISK 198 billion based on the current exchange rate. Equity ratio was 32.6%.

The financial statements of Landsvirkjun are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are in USD, which is the functional currency of the parent company. In accordance with the IFRSs, realised aluminium hedges related to electric power sales agreements are recognised among financial items. Landsvirkjun's management believes that a fairer view of the Company is given by recognising realised aluminium hedges among the Company's revenues and therefore presents an income statement in a special sheet at the beginning of the financial statements. The change does not affect the net income, balance sheet items or cash flow, but it affects individual items within the income statement.

Operating revenues decreased by USD 152.2 million between the years 2008 and 2009, which is mainly explained by lower electricity prices to aluminium companies due to a decrease in world market aluminium prices, and by a decrease in the income on the domestic market between years in USD as a result of the weakening of the Icelandic krona. Realised aluminium hedges amounted to USD 42.5 million, whereas in the previous year expense due to such hedges amounted to USD 54.8 million. After taking into account these realised hedges, the decrease in revenues from the previous year amounted to USD 54.9 million. Operating expenses before depreciation and amortisation amounted to USD 70.7 million in the year compared to USD 100.5 million in the previous year. Financial income in excess of financial expenses amounted to USD 95.1 million, which is mainly explained by an increase in the fair value of embedded derivatives in electric power sales agreements which are linked to the price of aluminium, in addition to lower foreign exchange rate loss. Fair value changes and foreign exchange rate losses are for the main part unrealised, which must be taken into consideration when analysing the financial performance of the Company. Average nominal interests on long term loans were around 2.46% in the year 2009 compared to 4.51% in the previous year.

The outlook for the year is good. Aluminium prices are at the moment at acceptable levels even though longer term outlook is uncertain. Interest rate levels in all major markets are low, which is favourable for Landsvirkjun as a substantial portion of its debt has floating interest rates. Therefore, the Company expects good cash generation in near term. Net income will continue to depend largely on fair value changes in embedded derivatives and exchange rate changes. The Company has access to liquid assets and loans, which in addition to cash from operation will ensure that the Company will be able to meet its obligations into the year 2012. The Company is continuously working to refinance existing debt and management is confident that refinancing will be concluded before 2012.

Landsvirkjun will not undertake new large scale projects unless financing is secured but the Company is constantly working on the financing of loans and financing of new power projects. Inquiries and visits from potential customers show that the demand for electricity from Landsvirkjun is high and the Company thus expects that this demand will lead to higher prices in sales agreements in the future.

The financial statements of Landsvirkjun will be submitted to the Company's Annual General Meeting on 16 April.

Reykjavik, 19 March 2010

Key figures in the financial statements (USD thousand):

	Group - management's presentation				IS-GAAP
	Realised hedges recognised among operating revenue				2005
	2009	2008	2007	2006	
Operating revenue	299,788	452,027	368,824	343,511	250,836
Credited (charged) hedges	42,526	(54,759)	(59,447)	(50,963)	(12,745)
Total operating revenue	342,314	397,268	309,377	292,548	238,091
Operating and maintenance cost	(70,655)	(100,512)	(105,800)	(102,805)	(95,366)
EBITDA	271,659	296,756	203,577	189,743	142,725
Depreciation and amortization	(114,321)	(105,532)	(81,960)	(76,932)	(79,104)
Operating profit (EBIT)	157,338	191,224	121,617	112,811	63,621
Finance income and (expenses)	52,602	(605,804)	505,085	(212,470)	38,486
Income tax	(16,944)	70,048	(167,444)	277,230	0
Profit (loss)	192,996	(344,532)	459,258	177,571	102,107

	Group - according to International				IS-GAAP
	Financial Reporting Standards				2005
	2009	2008	2007	IFRS 2006	
Operating revenue	299,788	452,027	368,824	343,511	250,836
Operating expenses:					
Operating and maintenance expenses	70,655	100,512	105,800	102,805	95,366
Depreciation and amortization	114,321	105,532	81,960	76,932	79,104
Total operating expenses	184,976	206,044	187,760	179,737	174,470
Operating profit	114,812	245,983	181,064	163,774	76,366
Finance income and (expenses)	95,128	(660,563)	445,638	(263,433)	25,741
Profit (loss) before taxes	209,940	(414,580)	626,702	(99,659)	102,107
Income tax	(16,944)	70,048	(167,444)	277,230	0
Profit (loss)	192,996	(344,532)	459,258	177,571	102,107

	31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Total assets	4,803,522	4,619,220	5,142,303	4,279,794	2,935,247
Equity	1,564,487	1,376,792	1,600,145	1,143,272	963,269
Liabilities	3,239,035	3,242,428	3,542,158	3,136,522	1,971,978
Cash flow from operating activities	197,023	184,350	138,522	146,789	95,602
Investing activities	120,533	374,797	532,526	731,967	461,008
Equity ratio	32.6%	29.8%	31.1%	26.7%	32.8%
Return on equity	14.0%	-21.5%	40.2%	18.3%	12.3%