



Landsvirkjun's results for the first six months of the year 2015

- Equity ratio 42.2%
- Profit for the period was USD 63.9 million

Key figures from the interim financial statements

- Operating revenues amounted to USD 215.7 million which is an increase of 6.2% compared to the same period in 2014.
- EBITDA amounted to USD 169.3 million. EBITDA ratio is 78.5% of revenues, compared to 76.2% in the same period in 2014.
- Profit before unrealised financial items amounted to USD 80.0 million compared to USD 54.4 million in the same period in 2014 which is an increase of 47.1% between periods.
- The profit for the period was USD 63.9 million but was USD 34.5 million in the same period in 2014.
- Net liabilities decreased by USD 171.9 million from the beginning of the year and amounted to USD 2,018.6 million at the end of June.
- Cash flow from operations amounted to USD 146.4 million which is an increase of 28.2% compared to the same period in 2014.

Hörður Arnarson, the CEO:

"Landsvirkjun's operations performed generally well the first half of the year and strong cash flow enabled us to continue to decrease the net debt of Landsvirkjun, which resulted in a decrease by USD 172 million in the period.

There are positive signs in the interim financial statements for the first half of the year. Key ratios are improving, the equity ratio is 42.2% compared to 39.9% at the beginning of the year and the Group's net liabilities measured against profit before depreciation decreases from 6.6 to 5.8. In the first half of the year all conditions precedent were lifted in the electricity contract with PCC BakkiSilicon hf. Furthermore, the construction of Theistareykir power plant commenced in the period.

There is a great demand for electricity in Iceland, coming from diverse industries, which are prepared to pay higher prices than before. Landsvirkjun aims to utilize every opportunity the Company has to increase the energy production in order to meet this interesting demand.

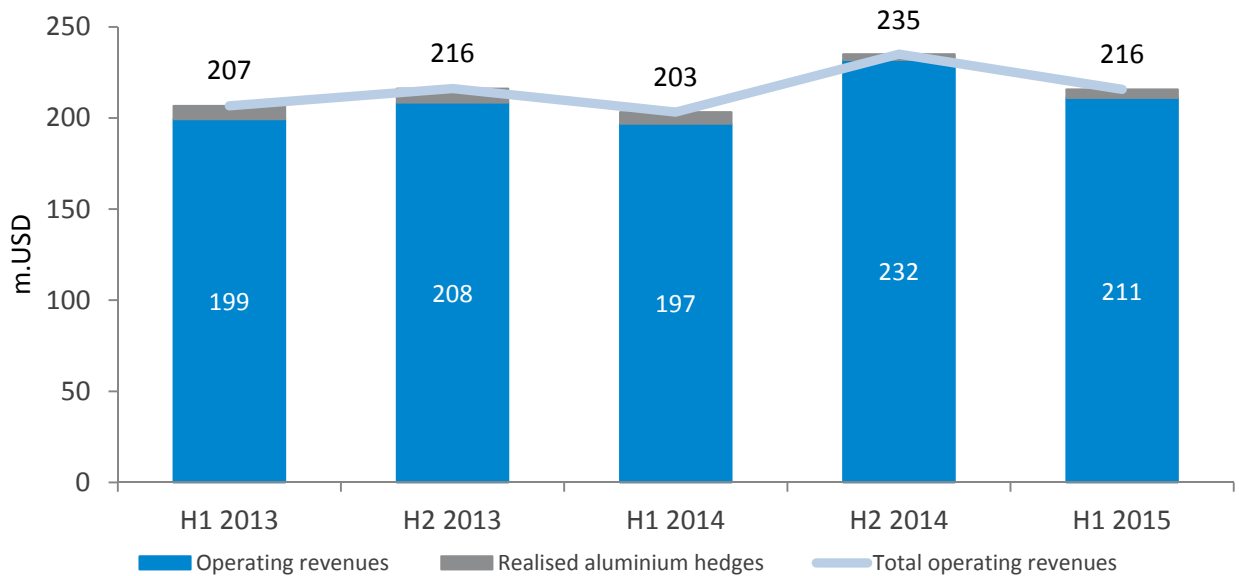
However, short term, there are concerns in the external environment. Aluminium prices have decreased considerably in the last months, which has negative effects on



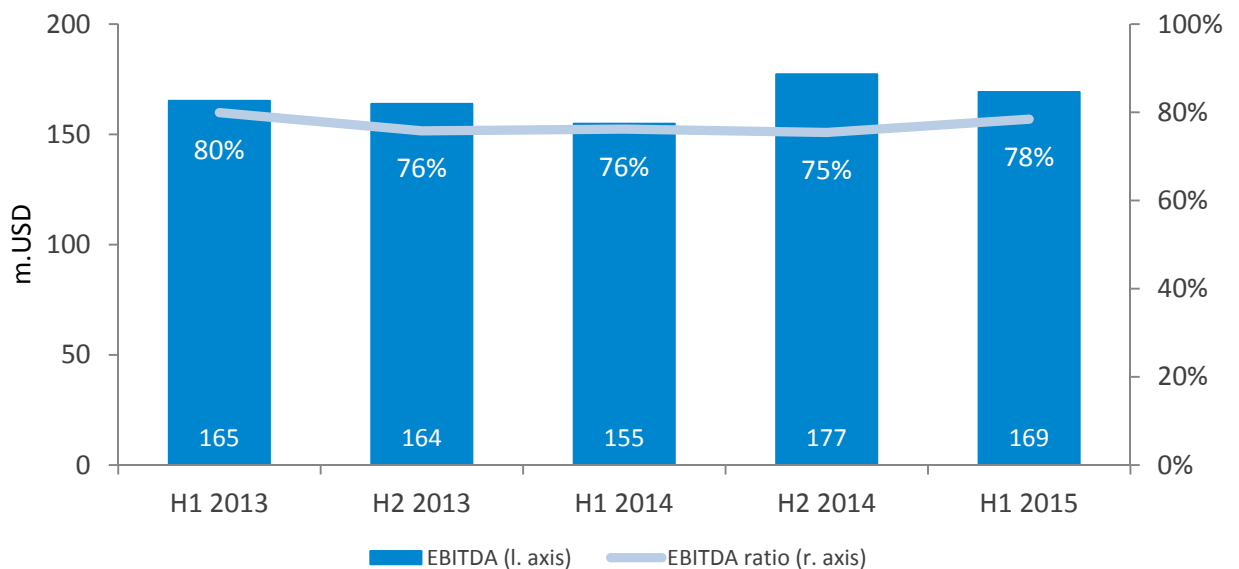
Landsvirkjun’s revenues. Furthermore, inflow to Landsvirkjun’s reservoirs has been low this summer due to a late arrival of spring.”

Operation

Development of operating revenues taking realised aluminium hedges into account



EBITDA & EBITDA ratio

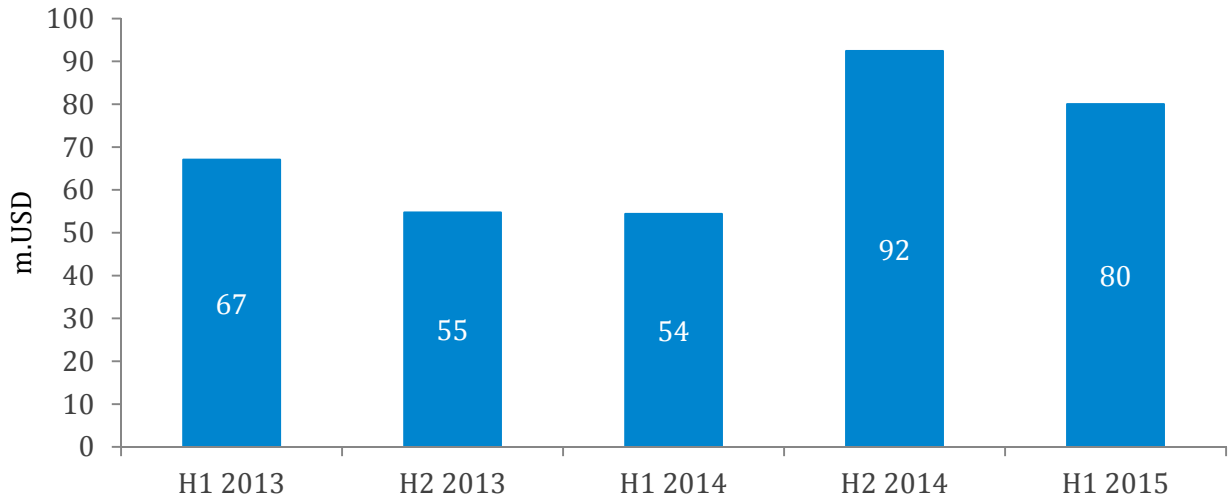


Total operating revenues of the Group for the first half of 2015 increased by USD 13 million compared to the same period in 2014. The Group’s profit before depreciation, EBITDA, amounted to USD 169 million.



Profit before unrealised financial items is the criterion used by Landsvirkjun in evaluating the Company’s core operations. The profit amounted to USD 80 million in the period from January to June 2015 compared to USD 54 million in the same period last year.

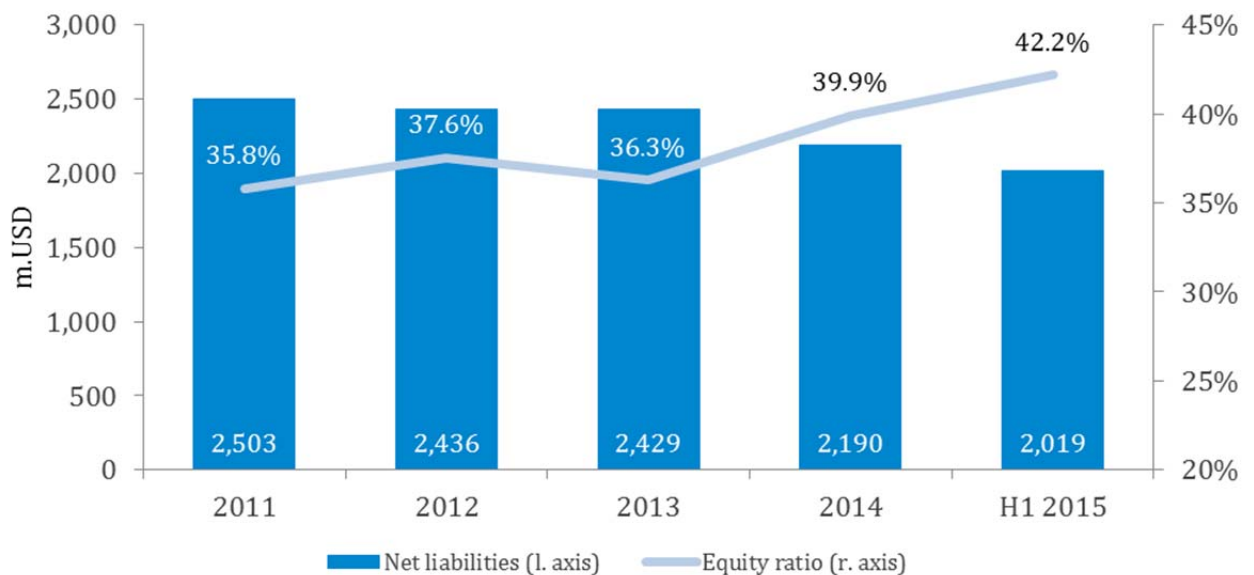
Profit before unrealised financial items



Low interest rates in the global markets and the decrease in interest bearing liabilities over the last years has had a positive effect on the Company’s results. Average nominal interest rates on long-term loans were around 3.3% in the period, taking into account the state guarantee fee, compared to 3.5% in the previous year. Profit in the period amounted to USD 64 million compared to USD 35 million in the same period last year.

Emphasis on decreasing debt in the last years

Net debt and equity ratio

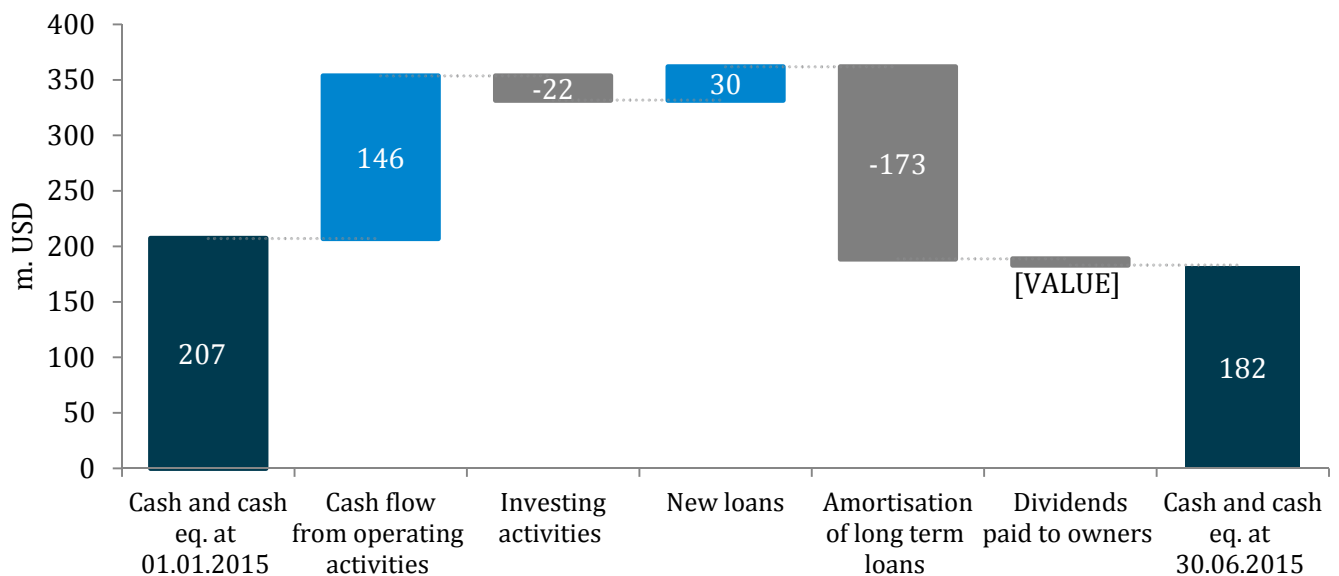


Landsvirkjun has put much emphasis on decreasing debt in the last years and net liabilities have decreased by USD 484 million since year end 2011. Net liabilities are interest bearing liabilities less the Company's cash and cash equivalents. Landsvirkjun's net liabilities have decreased by USD 172 million from year end 2014.

The Company's total equity amounted to USD 1,751 million at the end of June 2015. The equity ratio has increased the last years, but since 2011 it has increased from around 36% to around 42%. Landsvirkjun's total assets amounted to USD 4,151 million at the end of June 2015.

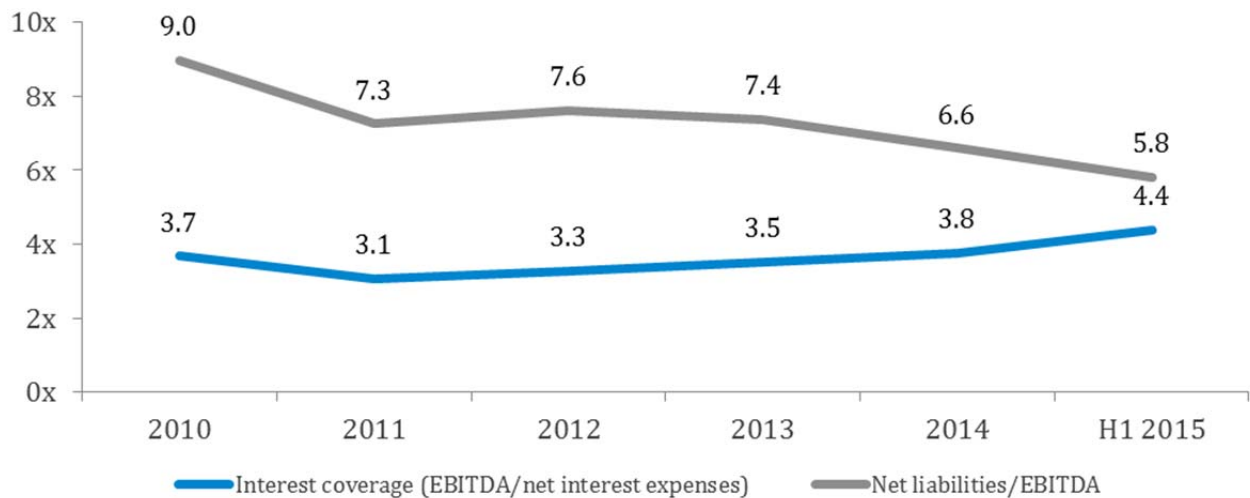
Robust cash generation and improved key ratios

The Group's cash and cash equivalents amounted to USD 182 million at the end of June 2015. The change can be seen in the graph below. The Group's cash flow from operating activities amounted to USD 146 million. Investing activities amounted to USD 22 million. Cash flow from operating activities has sustained the last years' investing activities which is the prerequisite of the Company's improved debt level.



Landsvirkjun will continue to put emphasis on decreasing the Company's debt. The largest part of the Company's cash flow from operations will thus, as in the last years, be used to decrease debt. This emphasis has resulted in that net liabilities are currently 5.8x EBITDA. Landsvirkjun's aim is to get this ratio below 5. If this will be successful, there will be more leeway to pay dividends to the owners and refinance foreign long term liabilities at more favourable interest rates. The development of key ratios can be seen in the graph below.

Key ratios



Role and vision

At Landsvirkjun, we consistently endeavour to maximise the potential yield and value of the natural resources we have been entrusted with, in a sustainable, responsible and efficient manner. Landsvirkjun's vision is to be a progressive energy company in the field of renewable energy. The Company operates within an international environment and hopes to be amongst the very best in generating and selling energy.

Good operation in the first half of the year

At the beginning of 2015 the state of Landsvirkjun's reservoirs was good, but cold weather during spring delayed the inflow to the reservoirs and thus decreased the probability that the reservoirs will be full in the autumn. Hydroelectric energy is around 96% of the production of Landsvirkjun and geothermal energy around 4%. There have been no serious interruptions in the period.

Operating outlook

Landsvirkjun's results will continue to be subject to the development of aluminium prices, interest rates and foreign exchange rates. Landsvirkjun's revenues is partly linked to aluminium prices and changes in the world market aluminium prices will therefore continue to have an effect on Landsvirkjun's future revenues. Aluminium prices have decreased considerably and that will have a negative effect on Landsvirkjun's results. The majority of the Company's loans are on floating interest rates and therefore continued low interest rates are important for the Company.

About Landsvirkjun

Landsvirkjun was established in the year 1965 and is an energy production company owned by the Icelandic nation. The Company produces $\frac{3}{4}$ 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 utilization of energy resources and contributes to increased knowledge, innovation and technical development.

About the interim financial statements

The interim financial statements of Landsvirkjun have been prepared in accordance with International Financial Reporting Standards (IFRS) and are in USD which is the functional currency of the parent company.

Key figures from the interim financial statements in USD thousand:

	2015	2014	2013	2012	2011
	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.
Operation					
Operating revenues	210,979	196,877	199,266	193,454	214,370
Realised aluminium hedges	4,764	6,363	7,447	9,426	3,515
Total operating revenues	215,743	203,240	206,713	202,880	217,885
Operating and maintenance expenses	(46,483)	(48,381)	(41,460)	(38,932)	(38,667)
EBITDA	169,260	154,859	165,253	163,948	179,218
Depreciation and impairment loss	(57,399)	(55,831)	(60,603)	(52,391)	(53,777)
EBIT	111,861	99,028	104,650	111,557	125,441
Financial items	(31,822)	(44,601)	(37,577)	(63,905)	(74,959)
Profit before unrealised financial items	80,039	54,427	67,073	47,652	50,482
Unrealised financial items:					
Fair value changes in embedded derivatives	(13,591)	(5,650)	(169,459)	(67,420)	59,000
Fair value changes in other derivatives	(3,475)	(6,566)	564	12,239	21,817
Unrealised foreign exchange difference	34,130	8,779	16,510	22,018	(94,221)
	17,064	(3,437)	(152,385)	(33,163)	(13,404)
Profit (loss) before income tax	97,103	50,990	(85,312)	14,489	37,078
Income tax	(33,203)	(16,443)	33,089	(5,470)	(13,675)
Profit (loss)	63,900	34,547	(52,223)	9,019	23,403
Balance sheet					
	30.6.2015	30.6.2014	30.6.2013	30.6.2012	30.6.2011
Total assets	4,150,537	4,455,652	4,389,289	4,541,882	4,792,271
Total equity	1,750,658	1,681,003	1,635,705	1,651,834	1,670,073
Total liabilities	2,399,879	2,774,649	2,753,584	2,890,048	3,122,198
Net liabilities	2,018,559	2,376,422	2,405,474	2,428,898	2,684,795
Key figures					
Cash flow from operating activities	146,428	114,226	134,430	118,087	132,669
Investing activities	(21,774)	(48,533)	(75,363)	(36,414)	(26,226)
Financing activities	(148,425)	(139,227)	(89,290)	(63,106)	(178,161)
Total liquidity	461,859	508,284	558,905	656,143	545,004
Equity ratio	42.2%	37.7%	37.3%	36.4%	34.8%
Return on equity	6.4%	2.9%	(0.4%)	0.7%	5.1%
Interest cover (EBITDA/net interest expenses)	4.39x	3.35x	3.62x	2.90x	3.38x
Net liabilities / EBITDA	5.82x	7.46x	7.46x	7.36x	8.05x

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Further information is provided by:

Rafnar Larusson, CFO

Tel. + 354 515 9000