

CREDIT OPINION

11 July 2024

Update

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RATINGS

Landsvirkjun

Domicile	Reykjavik, Iceland
Long Term Rating	Baa1
Type	LT Issuer Rating - Fgn Curr
Outlook	Positive

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Landsvirkjun

Update following change in outlook to positive

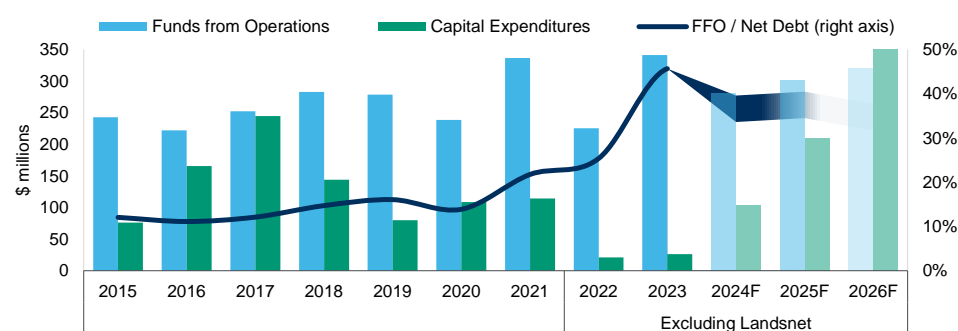
Summary

[Landsvirkjun's](#) (Baa1 positive) credit quality is underpinned by its dominant position in the Icelandic energy market and its strategic importance as the provider of electricity to power-intensive industries, which directly contribute around a third of the country's exports, and its low-cost renewable energy generation assets, which require minimal capital investments for maintenance. Landsvirkjun currently displays a strong financial profile, with a ratio of funds from operations (FFO)/net debt or around 46% as of year-end 2023.

However, Landsvirkjun's credit profile also reflects its large and concentrated exposure to a small number of counterparties, mainly in the aluminium industry with some exposure to aluminium prices; significantly higher capital spending over the next few years; and a dividend policy that allows for large dividend payments when certain financial thresholds are met.

Given Landsvirkjun's 100% ownership by the [Government of Iceland](#) (A2 positive), the company's Baa1 unguaranteed ratings incorporate two notches of uplift from the Baseline Credit Assessment (BCA) of baa3, reflecting the high likelihood of Landsvirkjun receiving extraordinary support in the event of financial distress.

Exhibit 1
Increased capex from 2025 will reduce Landsvirkjun's free cash flow generation



All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. The Landsnet stake was sold as per 31 December 2022. The 2022 figures are based on the restated financial accounts excluding Landsnet. Periods are financial year-end unless indicated. Moody's forecasts are Moody's opinion and do not represent the views of the issuer. Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Credit strengths

- » Dominant position in Icelandic power generation
- » Long-term take-or-pay contracts, which provide significant predictability over volumes
- » Strong free cash flow generation thanks to low maintenance capital investment requirements have allowed the company to significantly reduce leverage in recent years
- » Expectation that the government would provide extraordinary support if required, reflecting Landsvirkjun's core strategic role in Iceland's economy

Credit challenges

- » Large exposure to a small number of counterparties in the aluminium industry
- » Exposure to aluminium price volatility, because around 33% of Landsvirkjun's generation is sold under contracts linked to aluminium prices, partly mitigated by hedging agreements
- » Likelihood of higher capital spending because of increased electricity needs stemming from energy transition in the period 2024-2028

Rating outlook

The positive outlook on Landsvirkjun is in line with the positive outlook on the rating of the Government of Iceland.

Factors that could lead to an upgrade

The BCA could be upgraded if Landsvirkjun achieves FFO/net debt consistently above the low-30s in percentage terms, along with a further diversification of its customer base and progress in the execution of its sizeable investment programme. An upgrade of the BCA may not necessarily lead to an upgrade of Landsvirkjun's ratings. The unguaranteed ratings could be upgraded, if the rating of the Government of Iceland were to be upgraded — assuming that our view on the likelihood of receiving extraordinary support does not change. The guaranteed rating could be upgraded if the Icelandic government's rating were to be upgraded.

Factors that could lead to a downgrade

The BCA could be downgraded if Landsvirkjun's FFO/net debt appeared likely to decline below 25% on a sustained basis. A downgrade of the BCA may not necessarily lead to a downgrade of Landsvirkjun's ratings. The unguaranteed ratings could be downgraded if our assessment of high support for the company was to be revised downward. The guaranteed rating could be downgraded if the Icelandic government's rating was downgraded.

Key indicators

Exhibit 2

Landsvirkjun

	2019	2020	2021	2022	2023	Moody's 12-18 month forward view
(CFO Pre-W/C + Interest) / Interest Expense	4.8x	4.8x	8.6x	7.0x	10.5x	8.5x - 9.7x
(CFO Pre-W/C) / Net Debt	16.1%	13.9%	21.7%	25.4%	45.7%	35.5% - 37.5%
(CFO Pre-W/C) / Debt	15.1%	13.2%	20.5%	21.7%	41.0%	34.0% - 37.5%
RCF / Debt	13.7%	9.0%	17.1%	10.1%	24.1%	7.0% - 19.0%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Periods are financial year-end unless indicated. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.

Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

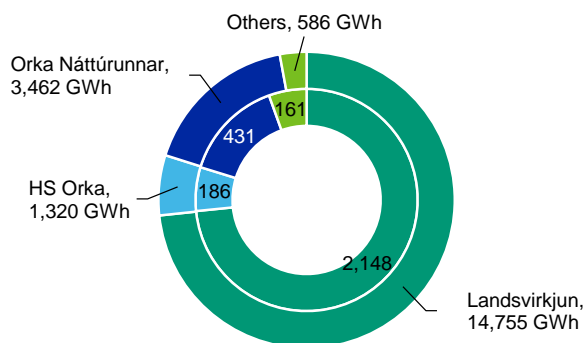
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Profile

Landsvirkjun is the dominant power producer in Iceland, responsible for more than 70% of the country's total electricity generation capacity. The company provides 100% renewable energy to public utilities and power-intensive industries, particularly under long-term take-or-pay contracts with aluminium smelters.

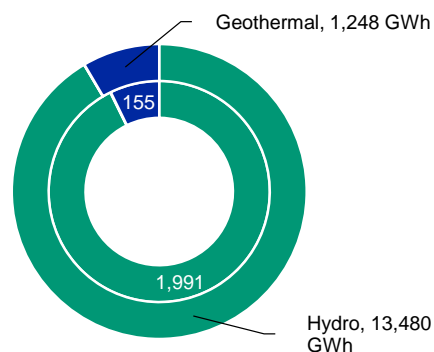
Landsvirkjun is a partnership company wholly owned by the Government of Iceland. The company is 99.9% directly owned by the state, with the remainder owned by Eignarhlutir hf., a special-purpose vehicle owned by the state.

Exhibit 3
Market share of production (outer) and capacity (inner, MW) (2022)



Source: National Energy Authority

Exhibit 4
Landsvirkjun's production (outer) and capacity (inner, MW) by technology (2023)



For better visibility, 1.8 MW of wind capacity (6.2 GWh production in 2023) is not represented in the graph.
Source: Landsvirkjun

Detailed credit considerations

Landsvirkjun is the dominant power generation company in the Icelandic energy market

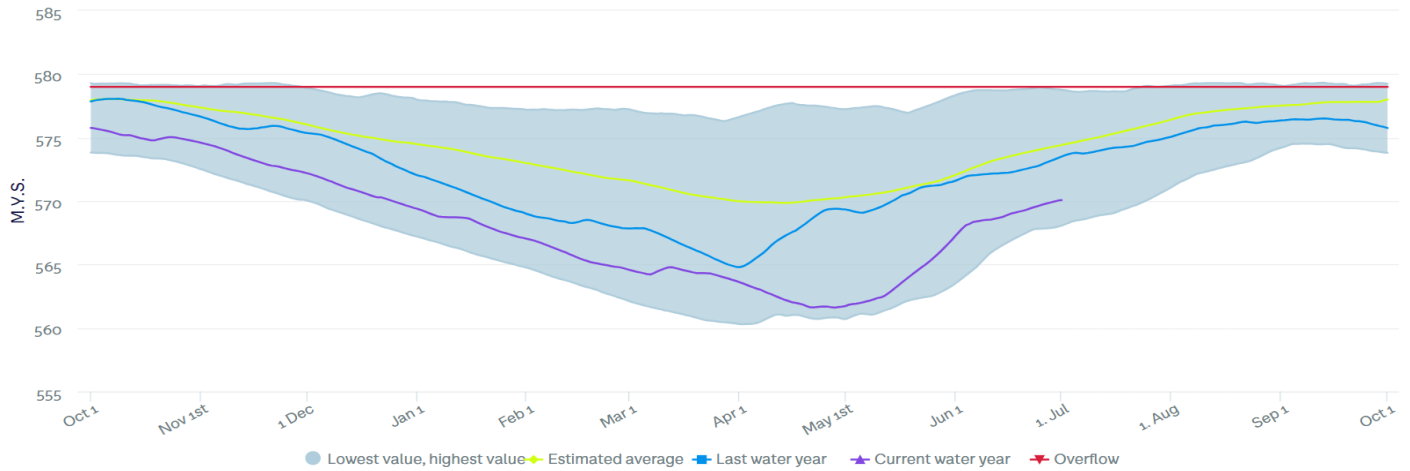
Landsvirkjun is Iceland's largest power producer, with a total installed generation capacity of about 2.1 gigawatts (GW), which represents around 70% of the country's total electricity generation capacity. The company operates 15 hydropower plants, three geothermal plants and two wind turbines.

In 2023, Landsvirkjun generated 91% of its energy from glacier- and reservoir-backed hydropower plants and 9% from geothermal resources, very much in line with Iceland's total generation mix. Landsvirkjun's sales volume in 2023 was stable at around 14.7 terawatt hours (TWh). Production facilities are located further away from the Reykjanes peninsula where seismic activities have intensified in October 2023 and continued since then. Landsvirkjun does not expect any business interruptions.

Landsvirkjun has a low cost of production, and faces little competition from domestic competitors and none from imported electricity because of Iceland's geographic isolation. However, these strengths are balanced by the fact that the power market in Iceland is small and highly dependent on demand from power-intensive industries, which use around 80% of all the electricity generated in the country. As a result, based on low production costs, Iceland is the most electricity-intensive economy in Europe.

The company's power generation is hydropower focused and relies on the fill levels of the main reservoirs. Iceland experienced a drought at the end of 2023, resulting in lower-than-average reservoir level. This is because precipitation fell as snow rather than rain and levels recover only when rising temperatures melt the snow. As a result, Landsvirkjun had to reduce power supply to energy-intensive customers in winter 2023 and early 2024. Flexibility options embedded in Landsvirkjun's contracts with large users helped reduce supply without any financial penalties. The curtailments were abolished in May 2024 and a further recovery in the reservoir level is expected (see Exhibit 5).

Exhibit 5
Levels at the Þórisvatn reservoir (meters above the sea level)



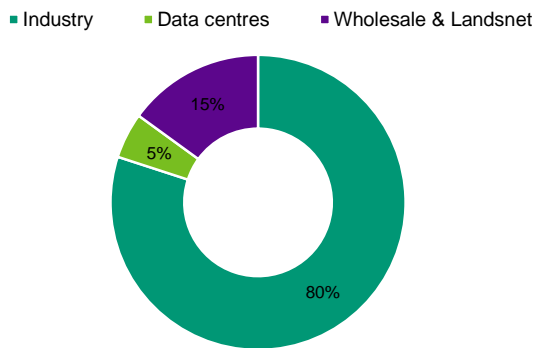
m.y.s. (metra yfir sjávarmáli) = meters above sea.
Source: Landsvirkjun

Long-term take-or-pay contracts provide good visibility, but create counterparty risk

Most of Landsvirkjun's output is sold under long-term take-or-pay, US dollar-denominated contracts extending into the 2040s, which provide good visibility into long-term power demand. However, these contracts result in significant exposure to a small number of counterparties. Landsvirkjun's three largest customers, subsidiaries of [Alcoa Nederland Holding B.V.](#) (Ba1 stable), [Rio Tinto plc](#) (A1 stable) and [Century Aluminum Company](#) (B3 positive), are aluminium companies that purchase around 67% of the company's generation output (see Exhibit 6). However, only 33% of Landsvirkjun's generation output contracts with energy-intensive users on a 12-month forward-looking basis are directly linked to aluminium prices. As of May 2024, this was only 12% because of hedging agreements as well as caps and floors.

After a decline in aluminium prices in 2017-20, hurting the profitability of the smelters and Landsvirkjun's revenue under aluminium-linked contracts, there was a significant rise in prices, which ultimately peaked at \$3,664/tonne (t) in March 2022. The price movement reflected strong global demand and risks from supply chain disruptions, high transportation costs and power-related smelter capacity curtailments in Europe and China. Despite a sharp decline afterwards, current aluminium prices of around \$2,300/t (as of June 2024) remain higher than historical averages (see Exhibit 7).

Exhibit 6
Energy-intensive companies purchase around 80% of Landsvirkjun's output, predominantly the aluminium industry
Volumes by industry (2023)



Sources: Landsvirkjun and Moody's Ratings

Exhibit 7
Aluminium prices have fallen from record highs, but are still above the historical average level
London Metal Exchange (LME) spot aluminium price



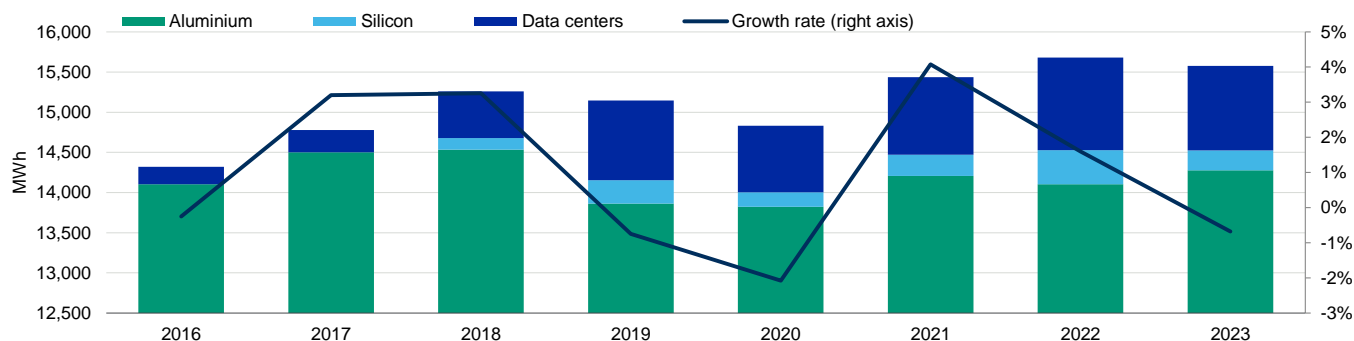
Sources: FactSet and Moody's Ratings

After the pandemic-related drop in total power demand, the aluminium industry's consumption has stabilised and was even slightly increasing in absolute terms, but decreasing in terms of its share in total demand. According to Orkustofnun, Iceland's National Energy Authority (NEA), the share of the aluminium industry to total demand is steadily declining and was at 67.1% in 2022, compared with 68.5% in 2021 and 69.4% in 2020.¹

Landsvirkjun is actively working on a greater diversification of its customer base and has entered into long-term power supply contracts with companies in the silicon and data centre industries, which will reduce its exposure to the aluminium industry. In addition, increased demand for hydrogen, which is a key element of the European Union's decarbonisation strategy, could provide a long-term opportunity for Landsvirkjun.

Exhibit 8

Heavy users' demand rebounded from the weak 2019 and 2020 levels and is stabilising now



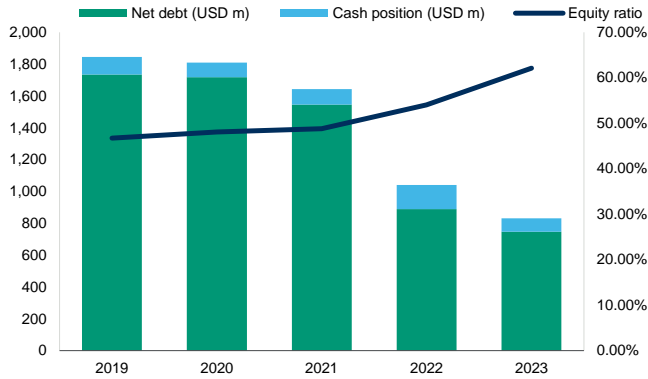
Sources: National Energy Authority and Moody's Ratings

Debt level declined significantly on the back of strong free cash flow generation...

Although Landsvirkjun's average prices to industrial customers declined to \$30.6/MWh, 2023 was the best operating year in the company's history, mainly driven by favourable hedges for both commodity and energy prices. In 2023, Landsvirkjun repaid \$223 million of long-term debt, resulting in Moody's-adjusted net debt of \$747 million at year-end. This compares with \$889 million as of year-end 2022 and \$1,546 million in 2021 — a reduction of around 50% (see Exhibit 9). This also takes into account the sale of its stake in the transmission grid operator Landsnet at the end of 2022, because of its subsequent non-consolidation. As of Q1.2024, net debt would be lower by \$267 million, if the selling price would have been paid in a lump sum. However, it was structured as a loan to the government, whose repayment profile partially replicated Landsvirkjun's maturity profile.

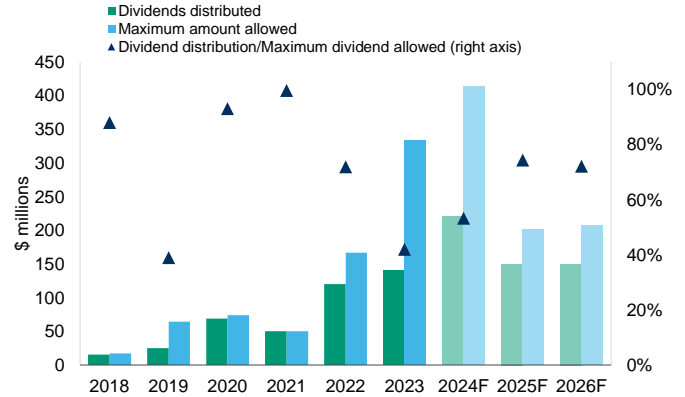
Driven by Landsvirkjun's improved financial profile, the board of directors decided to distribute a dividend of \$220 million for 2023. Although this marks a record in terms of capital outflow, this is in line with Landsvirkjun's amended dividend policy (see Exhibit 10). We expect that dividend payments will be reduced once the company's significant investment pipeline is executed.

Exhibit 9
Landsvirkjun's debt position has decreased significantly since 2021, creating some flexibility to finance future capital expenditures



Source: Moody's Ratings

Exhibit 10
Landsvirkjun's dividends have increased sharply in the absence of substantial investment projects
Annual dividends and our estimate of the maximum allowed level under policy



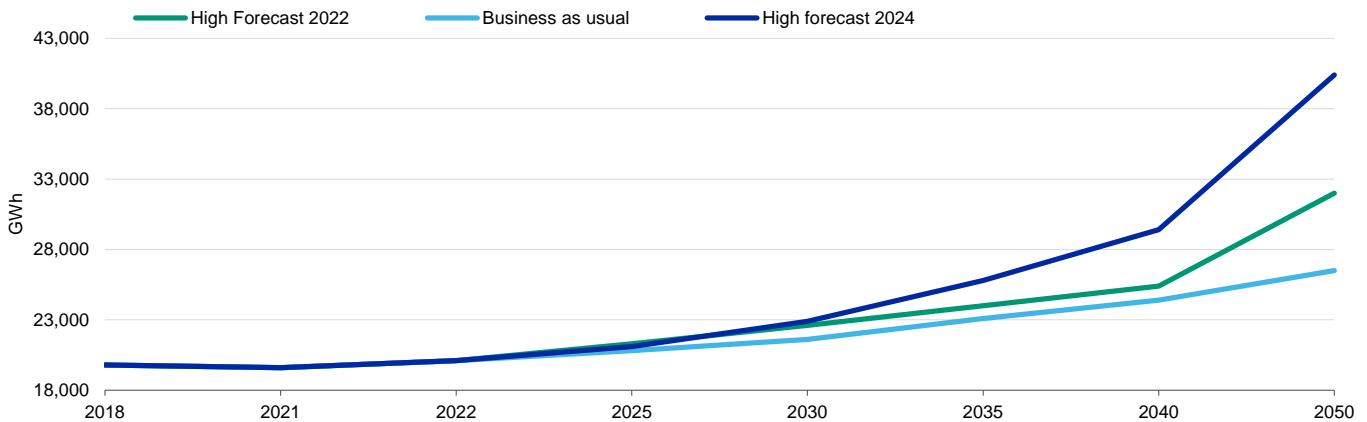
Maximum dividends are calculated based on the 2023 dividend policy.
 Sources: Landsvirkjun and Moody's Ratings

...but significant ramp-up in capital spending is expected with yet some uncertainty of the specific execution timing

Landsvirkjun operates a modern, well-maintained and developed asset base that does not require significant maintenance investments. However, Landsvirkjun's relatively small scale means that periodic expansion projects are large in the context of the company. The last major capital projects were the construction of the Theistareykir geothermal station (90 MW) and expansion of the Búrfell hydropower station (100 MW), completed in 2018. In March 2022, Iceland's Ministry of the Environment, Energy and Climate published a Green Paper that considered a range of future electricity demand scenarios that would require Landsvirkjun and other generators to increase capacity significantly.² These scenario's have been updated by the NEA in March 2024.³

The business-as-usual forecast, which would meet increased demand from households and small companies but not achieve Iceland's decarbonisation objectives or develop new industries such as hydrogen, assumes 1.5 TWh of additional generation in 2030, compared with 2022 levels, an increase of 7.5%. NEA's high forecast scenario is a combined scenario of a "green future" scenario and increased large-scale users' consumption. In this scenario, electricity demand will reach 22.9 TWh in 2030 (+14% compared with the 2022 level) and 29.4 TWh (+46%) in 2040. This is a strong upward revision compared with the 2022 forecast (see Exhibit 11).

Exhibit 11
Iceland's National Energy Authority has published scenarios of significant electricity demand growth



Sources: Iceland National Energy Authority, [Electricity forecast 2023-2050](#); Ministry of the Environment, Energy and Climate; and Moody's Ratings

Reflecting this need for additional supply, Landsvirkjun is considering four investment opportunities:

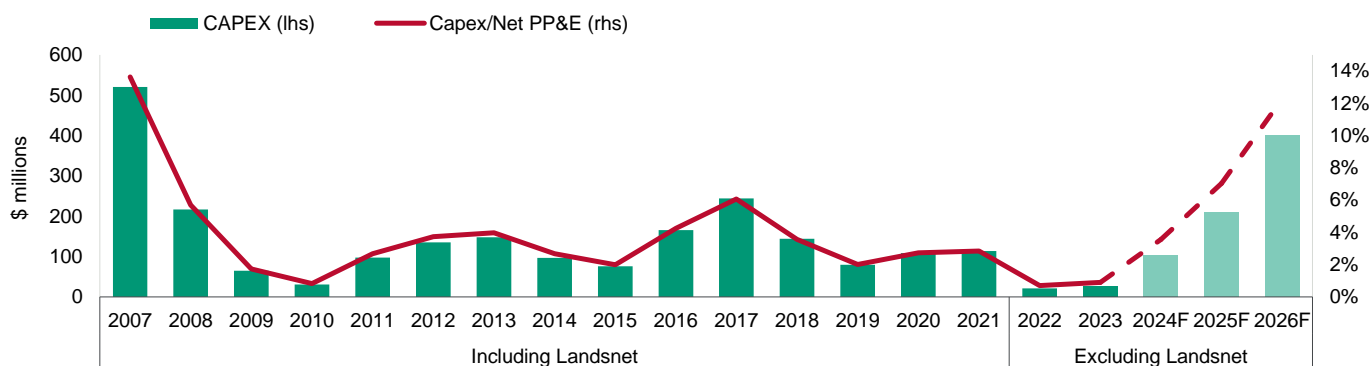
- » Expansion of the Sigalda hydropower station (up to 65 MW)
- » Construction of the Hvammsvirkjun hydropower station (95 MW), with potential output of 740 GWh/year; this could be the first of three new hydropower stations on the Thjorsa river, located 120 kilometers east of Reykjavik
- » Expansion of the Beistareykir geothermal power station (70 MW), with potential output of 590 GWh/year
- » Construction of the Búrfellslundur wind farm (120 MW)

The wind power plant at Búrfellslundur will be the company's first large-scale wind farm, using infrastructure already in place at the company's hydropower plants around the rivers Þjórsá and Tungnaá. Landsvirkjun believes that wind generation will be complementary to hydro because the efficiency of wind turbines is at its peak during the winter months, when hydro reservoirs are at their lowest. In December 2022, the company received a permit from the NEA for the Hvammsvirkjun hydropower plant, which was, however, revoked on 16 June 2023 by the Environmental and Natural Resource Board of Appeal because of the implementation of the EU Water Framework Directive in Iceland. The NEA is currently considering Landsvirkjun's reapplication with a decision expected shortly. If permission is granted, construction could start in Q3 2024.⁴

If the proposed investments are undertaken, we expect Landsvirkjun's capital investment to accelerate sharply from 2025 at the latest, when they enter the development phase. The execution of all the above-mentioned projects simultaneously is unlikely, though.

Exhibit 12

Landsvirkjun's ratio of capital spending to net property, plant & equipment (PP&E) is likely to rise from 2025



Moody's forecasts are Moody's opinion and do not represent the views of the issuer.

Sources: Landsvirkjun's financial statements and Moody's Ratings

Such a large capital programme would require some combination of cash retention, by paying dividends far below the maximum allowed under Landsvirkjun's dividend policy, and — depending on the speed of execution — additional borrowings. It would also entail execution risk, although we do not expect this to affect the company's credit profile significantly.

Support from the owner provides an uplift to Landsvirkjun's standalone credit profile

Given its 100% ownership by the Icelandic government, Landsvirkjun is considered a government-related issuer under our methodology.

The company's unguaranteed ratings incorporate our expectation that extraordinary financial support from the Icelandic government would be forthcoming, if needed. Our expectation of a high probability of support reflects Landsvirkjun's strategic importance to Iceland, given the company's position as the country's dominant power producer and the role it plays in providing electricity to the power-intensive industry, which directly contributes to around one third of Iceland's exports in 2022; and the high level of commitment that the government has shown in the past through the provision of guarantees of collection to support the company's debt. Accordingly, the Baa1 unguaranteed ratings of Landsvirkjun incorporate two notches of uplift from the company's standalone credit quality or BCA of baa3.

Our assessment of very high default dependence balances Landsvirkjun's position as the country's dominant electric utility with the company's high level of US dollar-denominated revenue coming from contracts with aluminium smelters that have international parent companies.

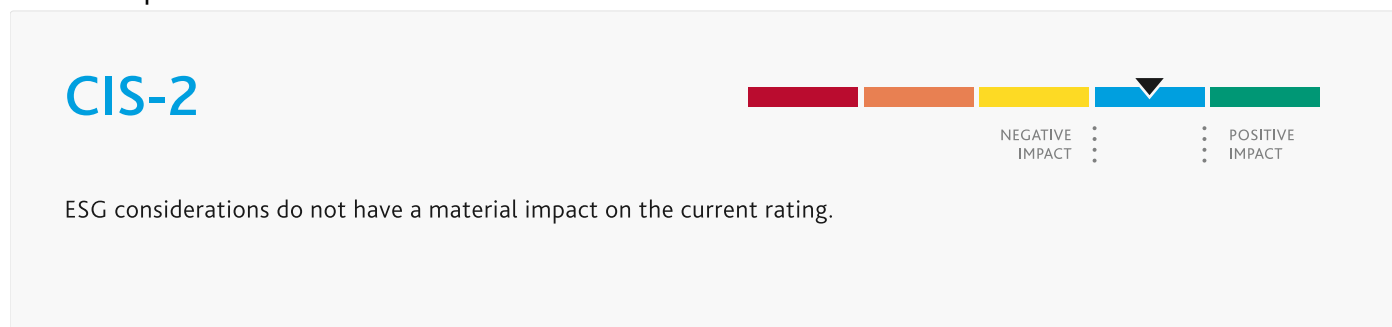
The A3 ratings of Landsvirkjun's guaranteed debt reflect the value of the guarantee of collection issued by the Icelandic government. The guarantees of collection do not offer bondholders the same contractual protection as a timely payment guarantee. Although small, there is a potential risk that the government would not step in with timely repayment should the company fail to meet its obligations because exhaustive administrative and legal procedures must be followed before the shareholders are obliged to pay. The A3 ratings are positioned one notch below the government's rating. This reflects a residual uncertainty over timely payments from a single-A-rated sovereign.

ESG considerations

Landsvirkjun's ESG credit impact score is CIS-2

Exhibit 13

ESG credit impact score



Source: Moody's Ratings

Landsvirkjun's **CIS-2** indicates that its ESG attributes are not material to its credit rating. Its score reflects low environmental, social and governance risks. The effect of ESG risks to the rating is mitigated by the expectation that its government shareholder would support the company if this were to become necessary.

Exhibit 14

ESG issuer profile scores



Source: Moody's Ratings

Environmental

Landsvirkjun's **E-2** score reflects positive exposure to carbon transition balanced by moderate physical climate risk. The company's hydroelectric power generation is highly reliable, dispatchable and low-cost, making it attractive to industrial energy users. Because Landsvirkjun's plants are fed by glacial rivers, climate change is likely to increase rather than disrupt potential output. However, Iceland is susceptible to extreme weather events. Public concerns about the natural environment have increased the costs of previous hydro developments.

Social

Landsvirkjun's **S-2** score reflects public concern over environmental, social or affordability issues, which could lead to adverse regulatory or political intervention. Landsvirkjun's risks are lower than other power companies because it does not benefit from above-market regulated prices and Icelandic electricity prices are among the lowest in the world.

Governance

Landsvirkjun is a government-owned company and its **G-2** score reflects the weak independence of the company's board, notwithstanding provisions of the Act on Landsvirkjun (1965) that require board members to be "guided exclusively by the interests of Landsvirkjun." Government ownership is also associated with positive governance features such as transparent reporting and oversight.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

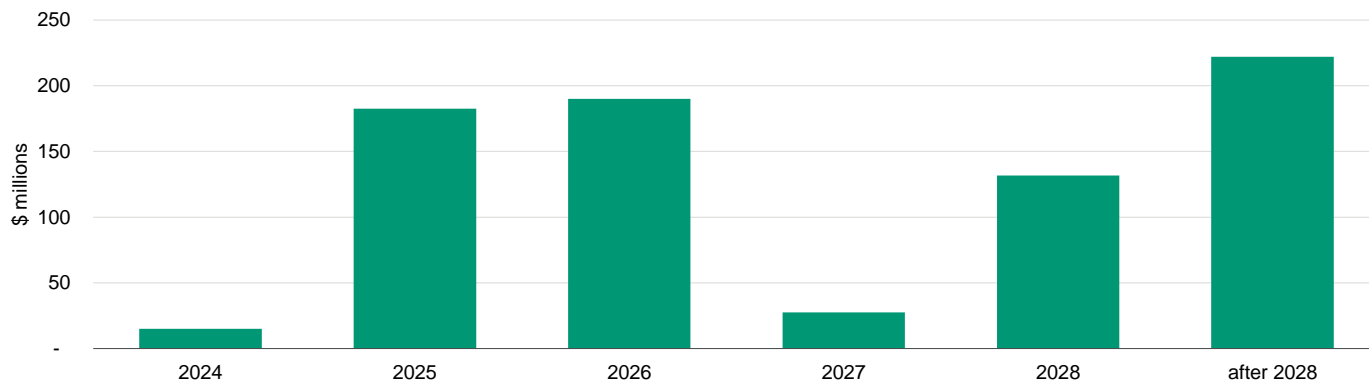
Liquidity analysis

Landsvirkjun's liquidity is excellent, assuming that the refinancing of its 2025 bond maturity can be achieved on time. As of March 2024, the company's liquidity was at \$165 million of cash and cash equivalents, further supported by a \$125 million undrawn credit facility with a three-year tenor. The bank facility does not contain financial covenants.

Landsvirkjun's remaining debt maturities for 2024 amount to about \$15 million. Despite the expected \$220 million dividend payment scheduled for 2024, we expect the company to maintain sufficient liquidity throughout the year, given the available cash and credit lines, and positive free cash flow.

Exhibit 15

Landsvirkjun's debt maturity profile as of March 2024



Sources: Landsvirkjun's financial statements and Moody's Ratings

Methodology and scorecard

In our assessment of Landsvirkjun's credit profile, we apply our Unregulated Utilities and Unregulated Power Companies rating methodology, and our Government-Related Issuers rating methodology.

Exhibit 16

Rating factors

Landsvirkjun

Unregulated Utilities and Unregulated Power Companies Industry Scorecard	Current FY Dec-23		Moody's 12-18 month forward view	
	Measure	Score	Measure	Score
Factor 1 : Scale (10%)				
a) Scale (\$ billions)	Ba	Ba	Ba	Ba
Factor 2 : Business Profile (35%)				
a) Market Diversification	Ba	Ba	Ba	Ba
b) Hedging and Integration Impact on Cash Flow Predictability	A	A	A	A
c) Market Framework & Positioning	Ba	Ba	Ba	Ba
d) Capital Requirements and Operational Performance	Baa	Baa	Baa	Baa
Factor 3 : Financial Policy (15%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Factor 4 : Leverage and Coverage (40%)				
a) (CFO Pre-W/C + Interest) / Interest (3 Year Avg)	8.7x	A	8.5x - 9.7x	A
b) (CFO Pre-W/C) / Debt (3 Year Avg)	25.7%	Baa	34.0% - 37.5%	Baa / A
c) RCF / Debt (3 Year Avg)	16.7%	Baa	7.0% - 19.0%	B / Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa2		Baa3 / Baa2
b) Actual Baseline Credit Assessment Assigned				baa3
Government-Related Issuer	Factor			
a) Baseline Credit Assessment		baa3		
b) Government Local Currency Rating		A2		
c) Default Dependence		Very High		
d) Support		High		
e) Actual Rating Assigned		Baa1		

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Moody's forecasts are Moody's opinion and do not represent the views of the issuer.

Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 17

Peer comparison
Landsvirkjun

(in \$ millions)	Landsvirkjun Baa1 Stable			VERBUND AG A2 Stable			Fortum Oyj Baa2 Stable			Statkraft AS A3 Stable		
	FY	FY	FY	FY	FY	LTM	FY	FY	LTM	FY	FY	LTM
	Dec-21	Dec-22	Dec-23	Dec-22	Dec-23	Mar-24	Dec-22	Dec-23	Mar-24	Dec-22	Dec-23	Mar-24
Revenue	534	691	536	10,904	11,300	9,973	8,193	7,257	7,008	16,597	9,732	9,073
EBITDA	334	459	454	3,349	5,025	4,957	3,454	2,392	2,264	6,861	5,100	4,533
Total Assets	4,446	3,873	3,499	20,438	21,515	21,811	26,506	21,967	21,677	34,604	31,280	30,653
Total Debt	1,644	1,040	832	4,204	2,822	2,766	9,600	7,825	7,541	4,299	5,822	6,363
Net Debt	1,546	889	747	3,767	1,757	1,169	5,683	3,204	2,276	(1,646)	1,457	1,453
FFO / Debt	20.5%	21.7%	41.0%	41.5%	63.6%	63.4%	19.1%	22.7%	20.5%	72.5%	42.3%	38.8%
RCF / Debt	17.1%	10.1%	24.1%	29.3%	2.8%	2.7%	7.7%	11.1%	8.8%	47.7%	12.0%	12.9%
(FFO + Interest Expense) / Interest Expense	8.6x	7.0x	10.5x	21.0x	15.6x	16.4x	7.8x	6.5x	6.5x	23.2x	12.6x	11.9x
Debt / Book Capitalization	38.9%	29.1%	25.0%	30.0%	16.9%	16.0%	53.3%	44.3%	43.9%	22.2%	26.0%	27.4%

All metrics are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Source: Moody's Financial Metrics™

Exhibit 18

Moody's-adjusted debt reconciliation
Landsvirkjun

(in \$ millions)	2019	2020	2021	2022	2023
As reported debt	1,807.6	1,773.9	1,604.2	1,003.5	792.5
Pensions	36.9	36.6	39.6	36.4	39.4
Moody's-adjusted debt	1,844.5	1,810.5	1,643.8	1,039.9	831.9

All metrics are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Periods are financial year-end unless indicated.

Source: Moody's Financial Metrics™

Exhibit 19

Moody's-adjusted EBITDA reconciliation
Landsvirkjun

(in \$ millions)	2019	2020	2021	2022	2023
As reported EBITDA	380.6	306.7	332.0	613.6	477.8
Unusual Items - Income Statement	0.6	12.7	1.9	(154.8)	0.0
Capital Development Costs	0.0	0.0	0.0	0.0	(23.4)
Non-Standard Adjustments	(1.1)	(1.2)	0.0	0.0	0.0
Moody's-adjusted EBITDA	380.1	318.2	333.9	458.8	454.4

Unusual items include, among others, fair value changes in embedded derivatives, fair value changes in other derivatives and foreign-exchange difference.

All metrics are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Periods are financial year-end unless indicated.

Source: Moody's Financial Metrics™

Exhibit 20

Overview of select historical Moody's-adjusted financial data Landsvirkjun

(in \$ millions)	2019	2020	2021	2022	2023
INCOME STATEMENT					
Revenue	490	431	534	691	536
EBITDA	380	318	334	459	454
EBIT	245	189	235	351	357
Interest Expense	73	63	44	38	36
Net income	103	74	142	64	199
BALANCE SHEET					
Net Property Plant and Equipment	3,991	3,973	4,000	2,984	2,918
Total Assets	4,379	4,344	4,446	3,873	3,499
Total Debt	1,844	1,810	1,644	1,040	832
Cash & Cash Equivalents	110	92	98	151	85
Net Debt	1,734	1,718	1,546	889	747
Total Liabilities	2,283	2,254	2,244	1,576	1,207
CASH FLOW					
Funds from Operations (FFO)	278	238	336	225	341
Cash Flow From Operations (CFO)	294	230	323	361	392
Dividends	27	76	55	120	140
Retained Cash Flow (RCF)	252	162	281	105	201
Capital Expenditures	(80)	(109)	(114)	(21)	(26)
Free Cash Flow (FCF)	187	45	154	220	226
INTEREST COVERAGE					
(FFO + Interest Expense) / Interest Expense	4.8x	4.8x	8.6x	7.0x	10.5x
LEVERAGE					
FFO / Net Debt	16.1%	13.9%	21.7%	25.4%	45.7%
RCF / Net Debt	14.5%	9.4%	18.2%	11.9%	26.9%
Debt / EBITDA	4.9x	5.7x	4.9x	2.3x	1.8x
Net Debt / EBITDA	4.6x	5.4x	4.6x	1.9x	1.6x

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Periods are financial year-end unless indicated.

Source: Moody's Financial Metrics™

Ratings

Exhibit 21

Category	Moody's Rating
LANDSVIRKJUN	
Outlook	Positive
Issuer Rating	Baa1
Senior Unsecured	Baa1

Source: Moody's Ratings

Endnotes

- 1 Orkustofnun, [Electricity use in Iceland 2020-2022](#), April 2023.
- 2 Ministry of the Environment, Energy and Climate, [Report on the state of affairs and challenges in energy matters](#), March 2022.
- 3 National Energy Authority, [Electricity forecasts 2023-2050](#), March 2024.
- 4 Landsvirkjun, [The Environment Agency plans to grant permission for Hvammur Power Plant](#), 22 December 2023.

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