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## Outlook On Landsvirkjun's Unsecured Debt Revised To Negative In Line With Sovereign

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LONDON (Standard & Poor's) Nov. 20, 2007--Standard & Poor's Ratings Services said today that it revised its outlook on the senior unsecured debt ratings on Iceland-based electricity generation and transmission company Landsvirkjun to negative from stable.

The rating action follows the outlook revision on the Republic of Iceland (foreign currency A+/Negative/A-1; local currency AA/Negative/A-1+). (See the related article titled, "Research Update: Republic of Iceland Outlook To Negative On Macroeconomic Imbalances; Ratings Affirmed," published today on RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis.)

The 'A+/A-1' foreign currency and 'AA/A-1+' local currency corporate credit ratings on Landsvirkjun are unchanged. The outlook is negative.

The ratings on Landsvirkjun reflect the ultimate guarantee for all its existing and new debt obligations provided by the Republic of Iceland.

The ratings on government-guaranteed debt are linked to those on the sovereign. Formally, the guarantee is ultimate. That said, Standard & Poor's expects the government to provide timely financial support if needed. Our expectation is based on Landsvirkjun's strategic importance to electricity supply, the company's central role in the promotion of power-intensive industry in Iceland, and the sovereign reputation risk if Landsvirkjun were to default.

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The negative outlook on the senior unsecured debt ratings mirrors the outlook on the sovereign. This reflects our expectation that existing and new debt will continue to benefit from the government guarantee, or will be grandfathered if the company's status should change. Absent any signs of reduced willingness or ability to honor liabilities in a timely manner, the ratings on the debt should move in line with those on the sovereign.

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