

## Icelandic Electric Company Landsvirkjun Outlook Revised to Stable in Line With Sovereign

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LONDON (Standard & Poor's) Nov. 20, 2002--Standard & Poor's Ratings Services said today it revised its local and foreign currency outlooks on the Iceland-based electricity transmission and generation company Landsvirkjun to stable from negative following a similar outlook revision on the Republic of Iceland (local currency AA+/Stable/A-1+; foreign currency A+/Stable/A-1+).

At the same time, Standard & Poor's affirmed its local currency 'AA+/A-1+' and foreign currency 'A+/A-1+' corporate credit ratings and its foreign currency 'A+' senior unsecured debt ratings on Landsvirkjun.

"The ratings on Landsvirkjun reflect the joint and several ultimate guarantees for the utility's obligations provided by its owners, including Iceland, which has a 50% stake," said Standard & Poor's credit analyst Andreas Zsiga. "The ratings also reflect the utility's economic importance and dominant position in the Icelandic electricity market, and its modern asset base." These factors offset the utility's weaknesses, such as customer concentration, significant foreign currency exposure, and a weak financial profile owing to significant investments in new generation capacity.

Landsvirkjun's stable outlook reflects that on the sovereign, as Standard & Poor's expects government support to remain despite the potential further financial weakening and construction risks that could result from

expansion projects. "On a stand-alone basis, Landsvirkjun's credit quality is barely investment grade, but in the absence of any privatization or abolition of its guarantees status, the ratings are expected to move with the sovereign's credit ratings," said Mr. Zsiga.

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); under Fixed Income in the left navigation bar, select Credit Ratings Actions. Alternatively, call one of the Standard & Poor's Ratings Desks: London (44) 20-7847-7400; Paris (33) 1-4420-6705; Frankfurt (49) 69-33-999-221; Stockholm (46) 8-440-5916.

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