



Landsvirkjun

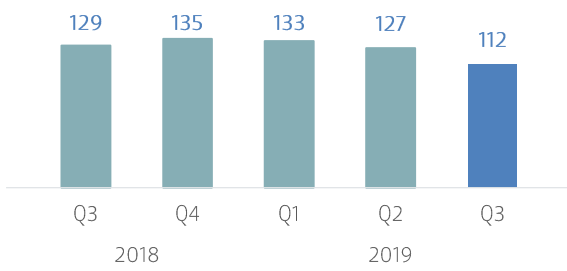
01.01.-30.09. 2019

# Group Condensed Interim Financial Statements

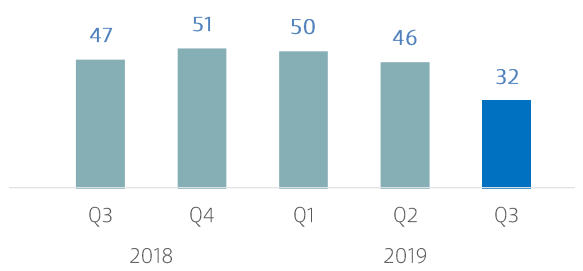


# Key figures

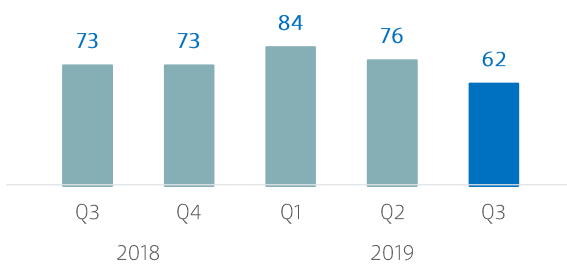
## Operating revenues



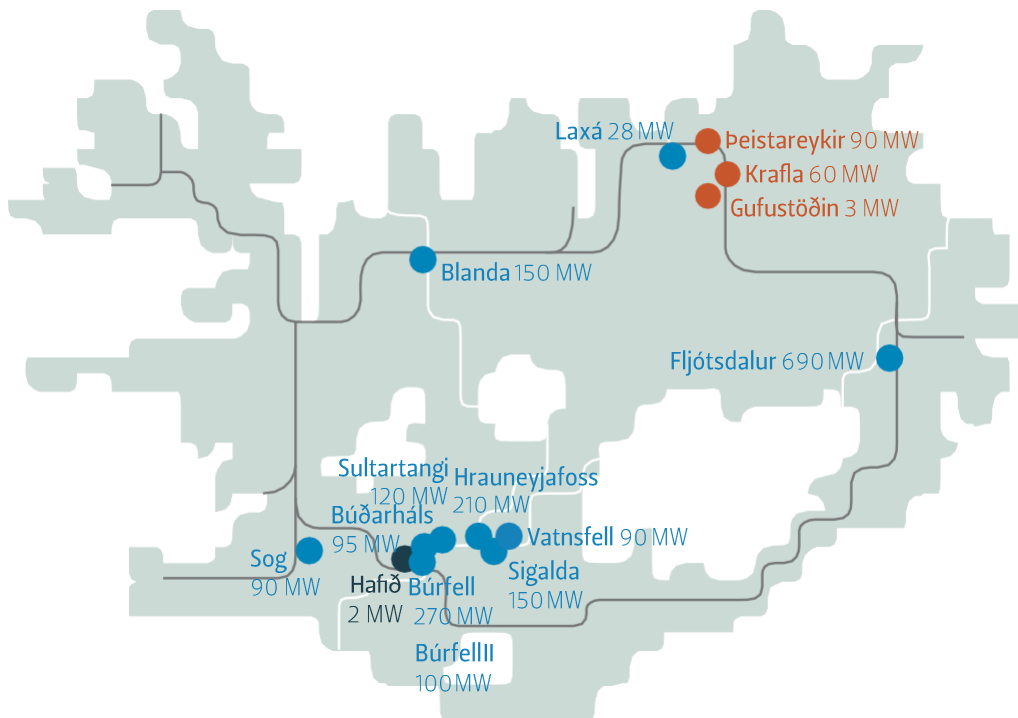
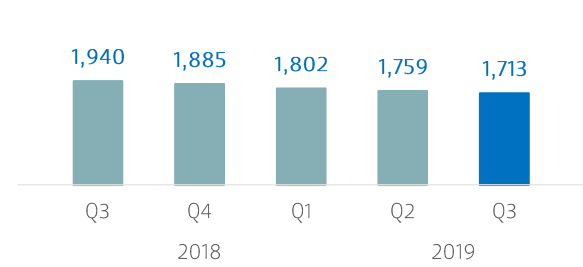
## Profit before unrealised financial items



## Cash flow from operating activities



## Net debt



15

Hydropower stations



3

Geothermal stations



2

Windmills



2.145 MW

Capacity

S&P Global  
Ratings  
BBB

MOODY'S  
Baa2



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## Key figures

### Management's presentation of the operation of Landsvirkjun

Amounts are in USD thousand

	2019 1.1.-30.9.	2018 1.1.-30.9.	2017 1.1.-30.9.	2016 1.1.-30.9.	2015 1.1.-30.9.
<b>Operation</b>					
Operating revenues .....	365,493	403,800	351,691	303,485	306,457
Realised aluminium hedges .....	6,956	( 4,983)	( 4,361)	3,632	7,529
<b>Total operating revenues .....</b>	<b>372,449</b>	<b>398,817</b>	<b>347,330</b>	<b>307,117</b>	<b>313,986</b>
Operating and maintenance expenses .....	( 91,532)	( 107,125)	( 97,762)	( 81,502)	( 69,216)
<b>EBITDA .....</b>	<b>280,917</b>	<b>291,692</b>	<b>249,568</b>	<b>225,615</b>	<b>244,770</b>
Depreciation and impairment loss .....	( 100,800)	( 93,114)	( 87,070)	( 87,721)	( 87,314)
<b>EBIT .....</b>	<b>180,117</b>	<b>198,578</b>	<b>162,498</b>	<b>137,894</b>	<b>157,456</b>
Financial items .....	( 52,480)	( 65,134)	( 47,664)	( 49,137)	( 62,346)
<b>Profit before unrealised financial items .....</b>	<b>127,637</b>	<b>133,444</b>	<b>114,834</b>	<b>88,757</b>	<b>95,110</b>
<b>Unrealised financial items:</b>					
Fair value changes in embedded derivatives ...	( 7,780)	( 32,762)	66,194	29,828	( 26,237)
Fair value changes in other derivatives .....	( 3,046)	17,573	( 8,919)	( 921)	6,464
Unrealised foreign exchange difference .....	16,494	14,623	( 56,091)	( 38,179)	39,972
	5,668	( 566)	1,184	( 9,272)	20,199
<b>Profit before income tax .....</b>	<b>133,305</b>	<b>132,878</b>	<b>116,018</b>	<b>79,485</b>	<b>115,309</b>
Income tax .....	( 44,294)	( 43,601)	( 37,489)	( 31,997)	( 39,012)
<b>Profit for the period .....</b>	<b>89,011</b>	<b>89,277</b>	<b>78,529</b>	<b>47,488</b>	<b>76,297</b>
<b>Balance sheet</b>					
	<b>30.9.2019</b>	<b>30.9.2018</b>	<b>30.9.2017</b>	<b>30.9.2016</b>	<b>30.9.2015</b>
Total assets .....	4,336,760	4,445,981	4,441,672	4,261,610	4,085,272
Total equity .....	2,211,197	2,132,829	2,034,201	1,949,506	1,768,147
Total liabilities .....	2,125,563	2,313,152	2,407,471	2,312,104	2,317,125
Net debt* .....	1,712,848	1,940,009	2,038,246	1,973,757	2,027,487
<b>Cash flow</b>					
	<b>1.1.-30.9.</b>	<b>1.1.-30.9.</b>	<b>1.1.-30.9.</b>	<b>1.1.-30.9.</b>	<b>1.1.-30.9.</b>
Funds from operation (FFO) .....	232,214	234,505	202,521	179,816	179,344
Cash flow from operating activities .....	222,407	222,693	200,432	172,545	194,302
Investing activities .....	( 57,202)	( 126,863)	( 188,691)	( 109,293)	( 47,379)
Financing activities .....	( 201,102)	( 131,696)	( 47,660)	( 101,229)	( 241,607)
<b>Liquidity</b>					
	<b>30.9.2019</b>	<b>30.9.2018</b>	<b>30.9.2017</b>	<b>30.9.2016</b>	<b>30.9.2015</b>
Cash and cash equivalents .....	78,952	88,867	111,176	107,183	112,318
Undrawn loans .....	297,017	364,492	380,219	420,942	270,671
Total liquidity .....	375,969	453,359	491,395	528,125	382,989
<b>Key ratios</b>					
Return on equity ** .....	5.7%	5.8%	5.0%	3.1%	4.2%
Equity ratio .....	51.0%	48.0%	45.8%	45.7%	43.3%
Interest cover (EBITDA/net interest exp.)** ....	5.40x	4.88x	5.43x	5.12x	4.59x
FFO / net debt** .....	18.3%	16.2%	12.7%	12.2%	12.8%
FFO / interest expense** .....	4.30x	3.82x	4.10x	3.89x	3.30x
Net debt / EBITDA** .....	4.52x	5.00x	6.26x	6.53x	5.86x
<b>Credit rating without state guarantee at the end of September</b>					
Standard & Poor's .....	BBB	BBB	BBB	BBB-	BB+
Moody's .....	Baa2	Baa2	Baa3	Baa3	Ba1

\* Net debt is interest bearing liabilities less cash and cash equivalent

\*\* Key ratios based on the past 12 months

## Endorsement and Statement of the Board of Directors and CEO

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Landsvirkjun's objective is to operate in the energy sector and to engage in other business and financial operations according to the decision of the Board of Directors at each time. The Company's condensed consolidated financial statements in the period from January 1 to September 30 2019 are prepared in accordance with IAS 34 Interim Financial Reporting and additional requirements in the Icelandic Financial Statement Act and include, in addition to the parent company, four subsidiaries, Landsnet hf., Orkufjarskipti hf., Icelandic Power Insurance Ltd. and Landsvirkjun Power ehf.

According to the income statement, the Group's profit in the period from January to September 2019 amounted to USD 89.0 million while during the same period in 2018 the Group's profit amounted to USD 89.3 million. The change between periods amounted to USD 0.3 million. The Group's operating revenues amounted to USD 372.4 million during the period compared to USD 398.8 million during the same period in the previous year. The main changes in financial items are due to the fair value loss of derivatives, which amounted to USD 10.8 million during the period January to September 2019 compared to a negative difference in the amount of USD 15.2 million during the same period in 2018. Interest expenses amounted to USD 54.1 million during the period compared to USD 66.0 million during the same period in the previous year. Cash flow from operations amounted to USD 222.4 million during the period compared to USD 222.7 million during the same period in the previous year. At the end of September 2019, the Group's cash and cash equivalents amounted to USD 79.0 million and undrawn loans amounted to USD 297.0 million, a total of USD 376.0 million. The Group's equity at the end of September amounted to USD 2,211.2 million according to the balance sheet compared to USD 2,163.1 million at year end 2018.

### Statement by the Board of Directors and the CEO

According to the best knowledge of the Board of Directors and the CEO, the financial statements are in accordance with IAS 34, Interim financial statements, as adopted by the EU and additional requirements in the Icelandic Financial Statement Act. According to the best knowledge of the Board of Directors and the CEO the financial statements give a fair view of the Group's assets, liabilities and financial position as at 30 September 2019 and the Group's operating results and changes in cash flow during the period from 1 January to 30 September 2019.

Furthermore, it is the opinion of the Board of Directors and the CEO that the interim financial statements and the Endorsement by the Board of Directors for the period from January to September 2019 give a fair view of the Group's results, financial position and development and describe the main risk factors faced by the Group.

The Board of Directors and the CEO have today discussed the condensed consolidated interim financial statements for the period from January to September 2019 and confirm them by means of their signatures.

Reykjavik, November 22, 2019.

The Board of Directors:

Jónas Þór Guðmundsson

Álfheiður Ingadóttir

Guðfinna Jóhanna Guðmundsdóttir

Gunnar Tryggvason

Jón Björn Hákonarson

The CEO:

Hörður Arnarson

## Income Statement

	Notes	2019	2018	2019	2018
		1.1.-30.9.	1.1.-30.9.	Q3	Q3
<b>Operating revenues</b>					
Power sales .....	6	300,992	333,794	90,030	107,283
Realised aluminium hedges .....		6,956 (	4,983)	2,761 (	581)
Transmission .....	6	59,224	65,357	18,490	21,409
Other income .....		5,277	4,649	1,450	1,162
		<u>372,449</u>	<u>398,817</u>	<u>112,731</u>	<u>129,273</u>
<b>Operating expenses</b>					
Energy production costs .....		105,217	108,654	35,389	36,580
Transmission costs .....		45,601	50,608	15,077	17,982
Cost of general research .....		11,993	7,150	4,297	2,364
Other operating expenses .....		29,521	33,827	8,644	9,685
		<u>192,332</u>	<u>200,239</u>	<u>63,407</u>	<u>66,611</u>
<b>Operating profit</b> .....		<u>180,117</u>	<u>198,578</u>	<u>49,324</u>	<u>62,662</u>
<b>Financial income and (expenses)</b>					
Interest income .....		2,157	2,262	468	600
Interest expenses .....	(	54,072)	( 65,989)	( 18,091)	( 16,587)
Foreign exchange difference .....		16,026	13,555	7,629	4,104
Fair value changes in embedded derivatives .....	(	7,780)	( 32,762)	( 8,545)	( 3,629)
Fair value changes in other derivatives .....	(	3,046)	17,573	385	3,527
	7	<u>( 46,715)</u>	<u>( 65,361)</u>	<u>( 18,154)</u>	<u>( 11,985)</u>
Associated companies .....	(	97)	( 339)	( 9)	527
<b>Profit before income tax</b> .....		<u>133,305</u>	<u>132,878</u>	<u>31,161</u>	<u>51,204</u>
Income tax .....	(	44,294)	( 43,601)	( 10,708)	( 16,434)
<b>Net profit for the period</b> .....		<u>89,011</u>	<u>89,277</u>	<u>20,453</u>	<u>34,770</u>
<b>Attributable to:</b>					
Owners of the parent company .....		79,817	79,929	18,226	31,147
Subsidiaries minority interest .....		9,194	9,348	2,227	3,623
		<u>89,011</u>	<u>89,277</u>	<u>20,453</u>	<u>34,770</u>

Notes 1 to 12 are an integral part of these interim financial statements.

## Statement of Comprehensive Income

	2019 1.1.-30.9.	2018 1.1.-30.9.	2019 Q3	2018 Q3
<b>Net profit for the period</b> .....	89,011	89,277	20,453	34,770
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Pension obligation after income tax, change .....	( 1,524)	( 1,727)	( 492)	( 558)
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Translation diff. due to subs. and associated comp. ....	( 1,265)	( 1,532)	101	( 884)
Total operating items moved to equity	( 2,789)	( 3,259)	( 391)	( 1,442)
<b>Total Comprehensive Income for the period</b> .....	<u>86,222</u>	<u>86,018</u>	<u>20,062</u>	<u>33,328</u>
<b>Attributable to:</b>				
Owners of the parent company .....	77,172	76,829	17,821	29,815
Subsidiaries minority interest .....	9,050	9,189	2,241	3,513
	<u>86,222</u>	<u>86,018</u>	<u>20,062</u>	<u>33,328</u>

Notes 1 to 12 are an integral part of these interim financial statements.

# Balance Sheet

<b>Assets</b>	<b>Notes</b>	<b>30.9.2019</b>	<b>31.12.2018</b>
<b>Non-current assets</b>			
Property, plant and equipment .....		3,956,113	4,013,546
Projects under construction .....		44,001	22,573
Development cost .....		134,731	140,698
Other intangible assets .....		48,191	48,067
Derivative financial instruments .....	8	1,172	13,342
Associated companies .....		360	11,070
Tax asset .....		0	14
Other non-current assets .....		791	762
<b>Total non-current assets</b>		<u>4,185,359</u>	<u>4,250,072</u>
<b>Current assets</b>			
Inventories .....		5,490	5,530
Accounts receivables and other receivables .....		56,516	68,943
Derivative financial instruments .....	8	10,443	10,258
Cash and cash equivalents .....		78,952	116,278
<b>Total current assets</b>		<u>151,401</u>	<u>201,009</u>
<b>Total assets</b>		<u><u>4,336,760</u></u>	<u><u>4,451,081</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Owners' contributions .....		586,512	586,512
Revaluation account .....		159,648	164,053
Restricted reserves .....		45,652	32,838
Translation difference .....		( 41,877)	( 40,756)
Other equity .....		1,324,016	1,289,803
<b>Equity of the owners of the parent company</b>		<u>2,073,951</u>	<u>2,032,450</u>
Minority interest .....		137,246	130,606
<b>Total equity</b>		<u>2,211,197</u>	<u>2,163,056</u>
<b>Long-term liabilities</b>			
Interest bearing liabilities .....	9	1,539,473	1,808,579
Accrued pension liabilities .....		36,844	38,015
Deferred income tax liability .....		155,326	130,733
Lease obligation .....		5,846	0
Obligation due to demolition .....		10,806	9,011
Prepaid income .....		2,665	2,847
Derivative financial instruments .....	8	5,144	11,538
		<u>1,756,104</u>	<u>2,000,723</u>
<b>Current liabilities</b>			
Accounts payable and other payables .....		77,834	73,102
Interest bearing liabilities .....	9	252,327	192,302
Income tax payable .....		18,432	18,586
Derivative financial instruments .....	8	20,866	3,312
		<u>369,459</u>	<u>287,302</u>
<b>Total liabilities</b>		<u>2,125,563</u>	<u>2,288,025</u>
<b>Total equity and liabilities</b>		<u><u>4,336,760</u></u>	<u><u>4,451,081</u></u>

Notes 1 to 12 are an integral part of these interim financial statements.



## Statement of Equity

	Owners' contribution	Revaluation account	Restricted reserves	Translation difference	Other equity	Equity attributable to the owners of the company	Minority interest	Total equity
<b>January 1 to September 30, 2018</b>								
Equity at January 1, 2018.....	586,512	169,329	10,390	(38,536)	1,216,571	1,944,265	118,847	2,063,112
Translation difference.....				(1,373)		(1,373)	(159)	(1,532)
Pension obligation, change.....					(1,727)	(1,727)	0	(1,727)
Profit for the period.....					79,929	79,929	9,348	89,277
Total comprehensive profit.....				(1,373)	78,202	76,829	9,189	86,018
Dividend to owners.....					(15,235)	(15,235)	(1,067)	(16,302)
Share of profit of subsidiaries and associated companies.....			15,518		(15,518)	0	0	0
Revaluation transferred to other equity.....		(4,427)			4,427	0	0	0
Equity at September 30, 2018.....	586,512	164,901	25,908	(39,909)	1,268,448	2,005,860	126,969	2,132,829
<b>January 1 to September 30, 2019</b>								
Equity at January 1, 2019 .....	586,512	164,053	32,838	(40,756)	1,289,803	2,032,450	130,606	2,163,056
Translation difference.....				(1,121)		(1,121)	(144)	(1,265)
Pension obligation, change.....					(1,524)	(1,524)	0	(1,524)
Profit for the period.....					79,817	79,817	9,194	89,011
Total comprehensive profit.....				(1,121)	78,293	77,172	9,050	86,222
Dividend to owners.....					(35,672)	(35,672)	(2,410)	(38,082)
Share of profit of subsidiaries and associated companies.....			12,814		(12,814)	0	0	0
Revaluation transferred to other equity.....		(4,405)			4,405	0	0	0
Equity at September 30, 2019.....	586,512	159,648	45,652	(41,877)	1,324,016	2,073,951	137,246	2,211,197

Notes 1 to 12 are an integral part of these interim financial statements.

## Statement of Cash Flows

	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>1.1.-30.9.</b>	<b>1.1.-30.9.</b>	<b>Q3</b>	<b>Q3</b>
<b>Operating activities</b>				
Operating profit .....	180,117	198,578	49,324	62,662
Depreciation and impairment loss .....	100,800	93,114	33,400	31,275
Pension obligation, change .....	( 1,338)	( 1,467)	( 422)	( 476)
Obligation due to demolition, change .....	1,795	577	1,284	168
Other changes .....	( 45)	( 52)	( 29)	0
Working capital from operations before financial items	281,329	290,750	83,557	93,629
Operating assets, change .....	13,247	491	6,795	( 3,029)
Operating liabilities, change .....	( 5,631)	3,257	( 5,299)	1,643
Cash flow from operating activities before fin. items	288,945	294,498	85,053	92,243
Interest income received .....	1,602	1,900	261	484
Interest expenses and foreign exchange diff. paid .....	( 57,246)	( 63,330)	( 18,942)	( 17,086)
Taxes paid .....	( 10,894)	( 10,375)	( 3,857)	( 2,187)
Cash flow from operating activities	<u>222,407</u>	<u>222,693</u>	<u>62,515</u>	<u>73,454</u>
<b>Investing activities</b>				
Power stations in operation .....	( 23,446)	( 30,567)	( 6,916)	( 8,858)
Transmission .....	( 26,500)	( 21,155)	( 15,816)	( 6,247)
Power plant preparation cost .....	( 1,515)	( 4,695)	( 707)	( 617)
Power stations under construction .....	0	( 61,541)	0	( 13,321)
Purchased shares .....	0	( 622)	0	0
Other investments .....	( 6,039)	( 8,299)	( 1,561)	( 1,164)
Assets sold .....	298	76	53	0
Other receivables, change .....	0	( 60)	0	0
Investing activities	<u>( 57,202)</u>	<u>( 126,863)</u>	<u>( 24,947)</u>	<u>( 30,207)</u>
<b>Financing activities</b>				
Dividend paid to owners .....	( 14,485)	( 8,684)	0	0
New loans .....	0	267,000	0	27,000
Currency swaps .....	( 169)	259	( 825)	259
Amortisation of long-term debt .....	( 186,448)	( 390,271)	( 34,489)	( 92,273)
Financing activities	<u>( 201,102)</u>	<u>( 131,696)</u>	<u>( 35,314)</u>	<u>( 65,014)</u>
<b>Change in cash and cash equivalents</b> .....	<b>( 35,897)</b>	<b>( 35,866)</b>	<b>2,254</b>	<b>( 21,767)</b>
<b>Effect of exchange difference on cash and cash equiv. ..</b>	<b>( 1,429)</b>	<b>( 1,811)</b>	<b>151</b>	<b>( 1,168)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>116,278</u>	<u>126,544</u>	<u>76,547</u>	<u>111,802</u>
<b>Cash and cash equivalents at the end of the period</b> .....	<u>78,952</u>	<u>88,867</u>	<u>78,952</u>	<u>88,867</u>
<b>Financing and investing activities not affecting cash flow:</b>				
Sold shares .....	10,488	0	0	0
Dividend paid to owners .....	( 10,488)	0	0	0

Notes 1 to 12 are an integral part of these interim financial statements.

# Notes

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## Reporting entity

### 1. Landsvirkjun

Landsvirkjun is a partnership having its place of business in Iceland and its headquarters at Háaleitisbraut 68, Reykjavik, Iceland. Landsvirkjun operates on the basis of the Act on Landsvirkjun no. 42/1983. The Company's main objective is to engage in operations in the energy sector. The interim financial statements include the consolidated financial statements of the Company and its subsidiaries.

### 2. Statement of IFRS compliance

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the EU and additional requirements in the Icelandic Financial Statement Act. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2018.

### 3. Significant accounting policies

The interim financial statements are prepared using the same accounting policies as for the year 2018 except that the Group has adopted new International Accounting Standards, as adopted by the EU, for the accounting period beginning January 1, 2019, changes to the standards and new interpretations. The Group adopted IFRS 16 Leases at the beginning of the year. The standard introduces new requirements when accounting for leases. There are substantial changes made for lessees by eliminating the classification of leases as either operating leases or finance leases. Instead, these leases are to be recognised as a lease liability and right-of-use asset on the balance sheet. The Group adopts the standard using a modified retrospective approach. Comparative amounts are not restated and the cumulative effect of the adoption, which is an increase of USD 6.5 million in leased liabilities and right-of-use asset, is recognised as an adjustment on the Balance Sheet at the date of adoption which is 1 January 2019. Rental payments were recognised in operating expenses before the adoption of IFRS 16, but the Group now expenses the interests on lease liabilities and depreciates right-of-use assets. The impact on the profit and loss statement is insignificant. The Group has not adopted new or improved standards which have been issued but have not yet taken effect. It is management's opinion that adoption of new and improved standards and interpretations which are not in effect will not have significant effects on the consolidated interim financial statements. The Group's financial statements for the year 2018 can be found on its website [www.landsvirkjun.com](http://www.landsvirkjun.com) and the website of NASDAQ OMX Iceland; [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com).

The interim financial statements are presented in USD, which is the parent Company's functional currency. Amounts are presented in USD thousand unless otherwise stated.

### 4. Use of estimates and judgements

The preparation of interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

## Notes, contd.:

### 5. Segment information

<b>Operating segments 1.1.-30.9.2019</b>	<b>Electricity production</b>	<b>Electricity transmission</b>	<b>Other segments</b>	<b>Adjustments</b>	<b>Total</b>
Income from third party .....	311,570	59,789	1,090		372,449
Income within the Group .....	11,933	45,686	3,194	( 60,813)	0
Segment income .....	323,503	105,475	4,284	( 60,813)	372,449
Segment operating expenses .....	( 106,404)	( 42,982)	( 2,959)	60,813	( 91,532)
EBITDA .....	217,099	62,493	1,325		280,917
Depreciation and impairment loss .....	( 78,241)	( 22,132)	( 736)	309	( 100,800)
Segment earnings, EBIT .....	138,858	40,361	589	309	180,117
Segment assets 30.9.2019 .....	3,823,131	840,490	20,643	( 347,864)	4,336,400
Shares in associated companies .....	260	6,617	100	( 6,617)	360
Total assets 30.9.2019 .....	3,823,391	847,107	20,743	( 354,481)	4,336,760
Segment liabilities 30.9.2019 .....	1,733,733	457,977	4,055	( 70,202)	2,125,563
Total liabilities 30.9.2019 .....	1,733,733	457,977	4,055	( 70,202)	2,125,563

### Operating segments 1.1.-30.9.2018

Income from third party .....	332,139	65,193	969		398,301
Income within the Group .....	11,062	50,335	3,897	( 64,778)	516
Segment income .....	343,201	115,528	4,866	( 64,778)	398,817
Segment operating expenses .....	( 120,020)	( 48,363)	( 3,520)	64,778	( 107,125)
EBITDA .....	223,181	67,165	1,346		291,692
Depreciation and impairment loss .....	( 70,600)	( 21,892)	( 928)	306	( 93,114)
Segment earnings, EBIT .....	152,581	45,273	418	306	198,578
Segment assets 31.12.2018 .....	3,927,241	839,517	21,130	( 347,878)	4,440,010
Shares in associated companies .....	10,909	6,815	161	( 6,815)	11,070
Total assets 31.12.2018 .....	3,938,150	846,332	21,291	( 354,693)	4,451,081
Segment liabilities 31.12.2018 .....	1,889,722	476,027	4,056	( 81,780)	2,288,025
Total liabilities 31.12.2018 .....	1,889,722	476,027	4,056	( 81,780)	2,288,025

### 6. Operating revenues

	<b>2019</b>	<b>2018</b>
Electricity sales are specified as follows:	1.1.-30.9.	1.1.-30.9.
Wholesale .....	54,617	67,807
Industrial users .....	246,375	265,987
Electricity sales total .....	300,992	333,794
Revenues from electricity transmission are specified as follows:		
Transmission .....	51,452	56,713
Transmission losses, grid service and other transmission revenues .....	7,772	8,644
Electricity transmission total .....	59,224	65,357

## Notes, contd.:

<b>7. Financial income and (expenses)</b>	<b>2019</b>	<b>2018</b>
Financial income and (expenses) are specified as follows:	1.1.-30.9.	1.1.-30.9.
Interest income .....	2,157	2,262
Interest expense .....	( 52,408)	( 66,620)
Guarantee fee .....	( 2,176)	( 4,437)
Indexation .....	( 816)	( 1,003)
Capitalised finance cost .....	1,328	6,071
Total interest expense .....	( 54,072)	( 65,989)
Realised foreign exchange difference .....	( 468)	( 1,068)
Unrealised foreign exchange difference .....	16,494	14,623
Total foreign exchange difference .....	16,026	13,555
Fair value changes in embedded derivatives .....	( 7,780)	( 32,762)
Fair value changes in other derivatives .....	( 3,046)	17,573
Financial income and (expenses)	( 46,715)	( 65,361)

## **8. Derivative financial instruments in the balance sheet**

Derivative financial instruments in the balance sheet are specified as follows:

	<b>30.09.2019</b>	<b>31.12.2018</b>
<b>Assets:</b>		
Embedded derivatives in electricity agreements .....	65	6,674
Aluminium hedges .....	7,500	10,177
Currency swaps .....	4,050	6,749
	<u>11,615</u>	<u>23,600</u>
Derivative financial instruments are divided as follows:		
Long-term component of derivative agreements .....	1,172	13,342
Short-term component of derivative agreements .....	10,443	10,258
	<u>11,615</u>	<u>23,600</u>
<b>Liabilities:</b>		
Embedded derivatives in electricity sales agreements .....	3,810	2,640
Aluminium hedges .....	94	1,786
Currency swaps .....	22,106	10,424
	<u>26,010</u>	<u>14,850</u>
Derivative financial instruments are divided as follows:		
Long-term component of derivative agreements .....	5,144	11,538
Short-term component of derivative agreements .....	20,866	3,312
	<u>26,010</u>	<u>14,850</u>

## Notes, contd.:

### 9. Liabilities

Interest bearing long-term debt is specified as follows by currencies:

	Maturity date	30.09.2019		31.12.2018	
		Average interest	Remaining balance	Average interest	Remaining balance
Liabilities in ISK .....	2019-2034	3.7%	262,331	3.7%	273,367
Liabilities in CHF .....	2019-2022	0.0%	14,720	0.0%	20,849
Liabilities in EUR .....	2019-2026	0.0%	251,119	0.0%	309,111
Liabilities in USD .....	2019-2035	3.8%	1,263,630	3.8%	1,397,554
			<u>1,791,800</u>		<u>2,000,881</u>
Current maturities of long-term debt .....			( 252,327)		( 192,302)
Total long-term debt .....			<u>1,539,473</u>		<u>1,808,579</u>

Interest rates on the loans range between 0.0-5.0%. Nominal interest rates for the period were on average 3.7%, taking into account the state guarantee fee (2018:3.7%).

According to loan agreements, the maturities of long-term debt are as follows:

	30.09.2019
1.10.2019-30.9.2020 .....	252,327
1.10.2020-31.12.2020 .....	4,779
2021 .....	215,309
2022 .....	163,173
2023 .....	165,650
2024 .....	141,176
Later .....	849,386
	<u>1,791,800</u>

### 10. Comparison of fair value and book value

	30.09.2019		31.12.2018	
	Book value	Fair value	Book value	Fair value
Interest bearing long term liabilities .....	1,791,800	1,917,146	2,000,881	2,146,307

Fair value of other financial instruments is equal to book value.

Fair value of interest bearing liabilities is calculated by discounting the expected cash flows with the underlying currencies yield curve.

Interest rates are specified as follows:

	30.09.2019	31.12.2018
Interest bearing liabilities in ISK .....	0.7 - 2.1%	1.1 - 1.4%
Interest bearing liabilities other than in ISK .....	-0.7 - 3.1%	-0.8 - 2.8%

## Notes, contd.:

### 11. Fair value classification

The table shows the level categorisation for items in the interim financial statements recognised at fair value.

	Level 2	Level 3	Total
<b>30.09.2019</b>			
Embedded derivatives .....	(	3,746)	( 3,746)
Other derivatives .....	2,800	( 13,449)	( 10,649)
Revaluation of property, plant and equipment .....		232,846	232,846
Shares in other companies .....		543	543
	<u>2,800</u>	<u>216,194</u>	<u>218,994</u>
<b>31.12.2018</b>			
Embedded derivatives .....		4,034	4,034
Other derivatives .....	8,982	( 4,266)	4,716
Revaluation of property, plant and equipment .....		241,338	241,338
Shares in other companies .....		685	685
	<u>8,982</u>	<u>241,791</u>	<u>250,773</u>

### 12. Other matters

The Icelandic Minister of Tourism, Industry and Innovation, has appointed a workgroup to lead discussions on the State's purchase of Landsnet hf. Landsnet operates the Icelandic transmission system and control of power systems. Landsvirkjun owns 64.7% of Landsnet. According to the Minister the aim is for the workgroup to complete its task before the end of the year 2019.