



Landsvirkjun

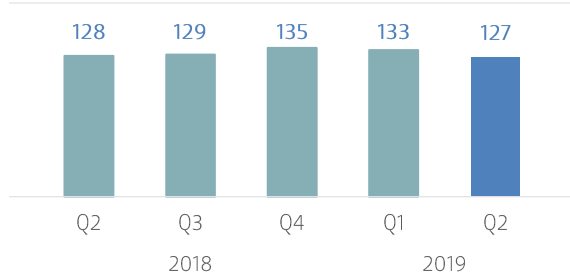
01.01.-30.06. 2019

# Group Condensed Interim Financial Statements

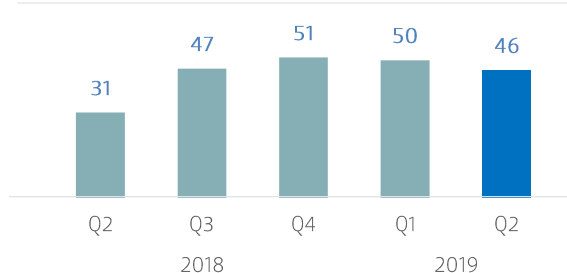


## Key figures – not reviewed

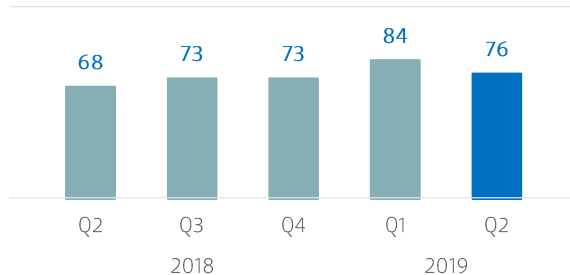
### Operating revenues



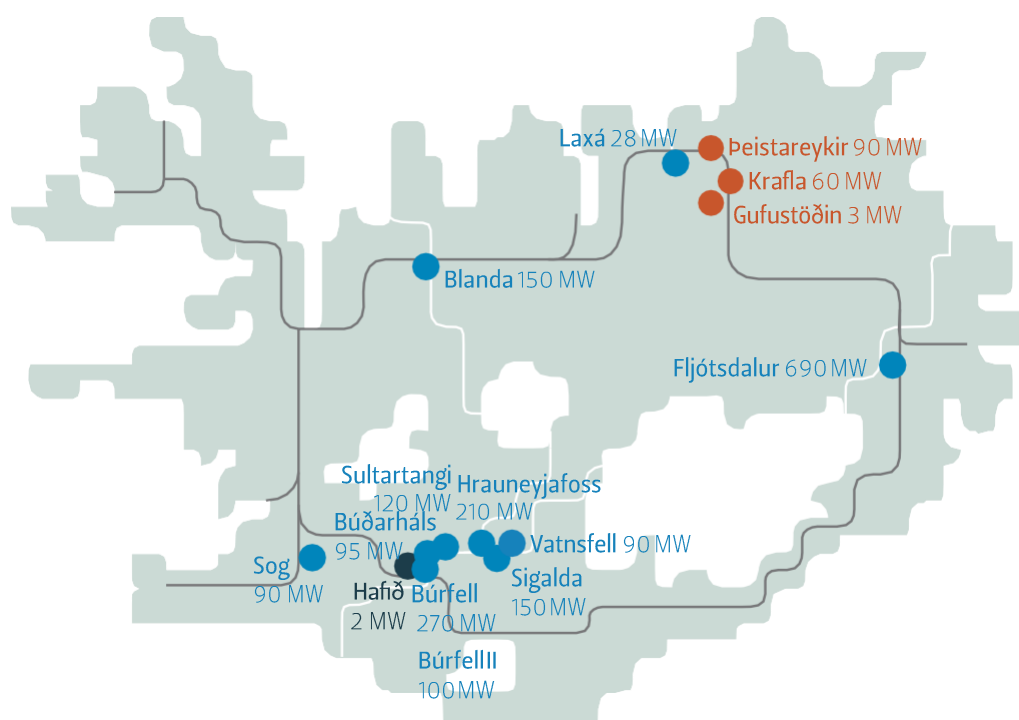
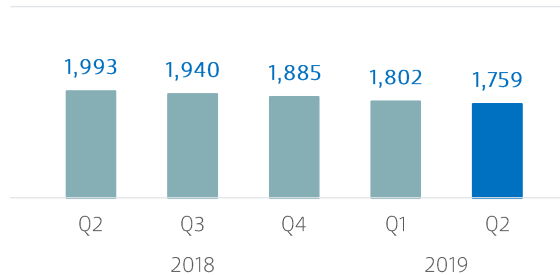
### Profit before unrealised financial items



### 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 - not reviewed

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

Amounts are in USD thousand

	2019 1.1.-30.6.	2018 1.1.-30.6.	2017 1.1.-30.6.	2016 1.1.-30.6.	2015 1.1.-30.6.
<b>Operation</b>					
Operating revenues .....	255,523	273,946	234,172	204,452	210,979
Realised aluminium hedges .....	4,195	( 4,402)	( 1,812)	2,475	4,764
<b>Total operating revenues .....</b>	<b>259,718</b>	<b>269,544</b>	<b>232,360</b>	<b>206,927</b>	<b>215,743</b>
Operating and maintainance expenses .....	( 61,525)	( 71,789)	( 64,676)	( 51,720)	( 46,483)
<b>EBITDA .....</b>	<b>198,193</b>	<b>197,755</b>	<b>167,684</b>	<b>155,207</b>	<b>169,260</b>
Depreciation and impairment loss .....	( 67,400)	( 61,839)	( 58,321)	( 58,471)	( 57,399)
<b>EBIT .....</b>	<b>130,793</b>	<b>135,916</b>	<b>109,363</b>	<b>96,736</b>	<b>111,861</b>
Financial items .....	( 34,402)	( 49,192)	( 34,231)	( 32,256)	( 31,822)
<b>Profit before unrealised financial items .....</b>	<b>96,391</b>	<b>86,724</b>	<b>75,132</b>	<b>64,480</b>	<b>80,039</b>
<b>Unrealised financial items:</b>					
Fair value changes in embedded derivatives ...	765	( 29,133)	35,816	14,391	( 13,591)
Fair value changes in other derivatives .....	( 3,431)	14,046	( 2,951)	( 2,908)	( 3,475)
Unrealised foreign exchange difference .....	8,419	10,037	( 48,495)	( 20,914)	34,130
	5,753	( 5,050)	( 15,630)	( 9,431)	17,064
<b>Profit before income tax .....</b>	<b>102,144</b>	<b>81,674</b>	<b>59,502</b>	<b>55,049</b>	<b>97,103</b>
Income tax .....	( 33,586)	( 27,167)	( 19,789)	( 20,216)	( 33,203)
<b>Profit for the period .....</b>	<b>68,558</b>	<b>54,507</b>	<b>39,713</b>	<b>34,833</b>	<b>63,900</b>
<b>Balance sheet</b>					
	<b>30.6.2019</b>	<b>30.6.2018</b>	<b>30.6.2017</b>	<b>30.6.2016</b>	<b>30.6.2015</b>
Total assets .....	4,355,140	4,486,572	4,379,436	4,233,437	4,150,537
Total equity .....	2,191,134	2,099,502	1,995,963	1,937,653	1,750,658
Total liabilities .....	2,164,006	2,387,070	2,383,473	2,295,784	2,399,879
Net debt* .....	1,758,546	1,992,640	2,017,227	1,946,033	2,018,559
<b>Cash flow</b>					
	<b>1.1.-30.6.</b>	<b>1.1.-30.6.</b>	<b>1.1.-30.6.</b>	<b>1.1.-30.6.</b>	<b>1.1.-30.6.</b>
Funds from operation (FFO) .....	166,178	154,955	134,136	123,905	131,480
Cash flow from operating activities .....	159,892	149,239	142,366	123,841	146,428
Investing activities .....	( 32,255)	( 96,656)	( 117,767)	( 51,132)	( 21,774)
Financing activities .....	( 165,788)	( 66,682)	( 62,681)	( 103,290)	( 148,425)
<b>Liquidity</b>					
	<b>30.6.2019</b>	<b>30.6.2018</b>	<b>30.6.2017</b>	<b>30.6.2016</b>	<b>30.6.2015</b>
Cash and cash equivalents .....	76,547	111,802	108,807	113,200	182,072
Undrawn loans .....	346,417	379,224	401,840	504,298	279,787
Total liquidity .....	422,964	491,026	510,647	617,498	461,859
<b>Key ratios</b>					
Return on equity ** .....	6.4%	6.2%	3.7%	3.1%	6.4%
Equity ratio .....	50.3%	46.8%	45.6%	45.8%	42.2%
Interest cover (EBITDA/net interest exp.)** ....	5.70x	4.77x	5.32x	4.87x	4.39x
FFO / net debt** .....	18.6%	15.2%	12.2%	12.0%	13.4%
FFO / interest expense** .....	4.58x	3.71x	3.95x	3.53x	3.29x
Net debt / EBITDA** .....	4.51x	5.30x	6.42x	6.33x	5.82x
<b>Credit rating without state guarantee at the end of June</b>					
Standard & Poor's .....	BBB	BBB	BBB	BBB-	BB
Moody's .....	Baa2	Baa2	Baa3	Ba1	Ba2

\* 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 June 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 June 2019 amounted to USD 68.6 million while during the same period in 2018 the Group's profit amounted to USD 54.5 million. The change between periods amounted to USD 14.1 million. The Group's operating revenues amounted to USD 259.7 million during the period compared to USD 269.5 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 2.7 million during the period January to June 2019 compared to a negative difference in the amount of USD 15.1 million during the same period in 2018. Interest expenses amounted to USD 36.0 million during the period compared to USD 49.4 million during the same period in the previous year. Cash flow from operations amounted to USD 159.9 million during the period compared to USD 149.2 million during the same period in the previous year. At the end of June 2019, the Group's cash and cash equivalents amounted to USD 76.5 million and undrawn loans amounted to USD 346.4 million, a total of USD 423.0 million. The Group's equity at the end of June amounted to USD 2,191.1 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 June 2019 and the Group's operating results and changes in cash flow during the period from 1 January to 30 June 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 June 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 June 2019 and confirm them by means of their signatures.

Reykjavik, August 16, 2019.

The Board of Directors:

Jónas Þór Guðmundsson

Álfheiður Ingadóttir

Guðfinna Jóhanna Guðmundsdóttir

Gunnar Tryggvason

Jón Björn Hákonarson

The CEO:

Hörður Arnarson

# Independent Auditors' Review Report

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## To the Board of Directors and owners of Landsvirkjun

We have reviewed the accompanying condensed consolidated interim financial statements of Landsvirkjun, which comprise the endorsement by the Board of Directors, the consolidated statement of financial position as at 30 June, 2019 and the consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

## The Board of directors and CEO's responsibility for the Interim Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standard, IAS 34, as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

## Auditors' Responsibility

Our responsibility is to express a conclusion on this interim financial information based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements, ISRE 2410. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not give a true and fair view of the financial position of the Group as at 30 June 2019, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standard, IAS 34, as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Reykjavik, August 16, 2019.

**Deloitte ehf.**

Þorsteinn Pétur Guðjónsson  
auditor

Pétur Hansson  
auditor

## Income Statement

	Notes	2019 1.1.-30.6.	2018 1.1.-30.6.	2019 Q2*	2018 Q2*
<b>Operating revenues</b>					
Power sales .....	6	210,962	226,511	103,833	108,781
Realised aluminium hedges .....		4,195 (	4,402)	2,426 (	2,754)
Transmission .....	6	40,734	43,948	19,554	21,622
Other income .....		3,827	3,487	748	733
		<u>259,718</u>	<u>269,544</u>	<u>126,561</u>	<u>128,382</u>
<b>Operating expenses</b>					
Energy production costs .....		69,828	72,074	34,866	36,726
Transmission costs .....		30,524	32,626	15,789	15,809
Cost of general research .....		7,696	4,786	3,788	2,576
Other operating expenses .....		20,877	24,142	10,080	12,001
		<u>128,925</u>	<u>133,628</u>	<u>64,523</u>	<u>67,112</u>
<b>Operating profit</b> .....		<u>130,793</u>	<u>135,916</u>	<u>62,038</u>	<u>61,270</u>
<b>Financial income and (expenses)</b>					
Interest income .....		1,689	1,662	846	803
Interest expenses .....		( 35,981)	( 49,402)	( 17,783)	( 30,629)
Foreign exchange difference .....		8,397	9,451	( 67)	28,192
Fair value changes in embedded derivatives .....		765	( 29,133)	( 6,077)	10,423
Fair value changes in other derivatives .....		( 3,431)	14,046	1,571	( 2,833)
	7	<u>( 28,561)</u>	<u>( 53,376)</u>	<u>( 21,510)</u>	<u>5,956</u>
Associated companies .....		( 88)	( 866)	( 53)	55
<b>Profit before income tax</b> .....		<u>102,144</u>	<u>81,674</u>	<u>40,475</u>	<u>67,281</u>
Income tax .....		( 33,586)	( 27,167)	( 13,078)	( 21,839)
<b>Net profit for the period</b> .....		<u><u>68,558</u></u>	<u><u>54,507</u></u>	<u><u>27,397</u></u>	<u><u>45,442</u></u>
<b>Attributable to:</b>					
Owners of the parent company .....		61,591	48,782	24,328	41,132
Subsidiaries minority interest .....		6,967	5,725	3,069	4,310
		<u><u>68,558</u></u>	<u><u>54,507</u></u>	<u><u>27,397</u></u>	<u><u>45,442</u></u>

\* Quarterly financial statements have not been reviewed by the auditors of the group.

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

## Statement of Comprehensive Income

	2019 1.1.-30.6.	2018 1.1.-30.6.	2019 Q2*	2018 Q2*
<b>Net profit for the period</b> .....	68,558	54,507	27,397	45,442
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Pension obligation after income tax, change .....	( 1,032)	( 1,169)	( 515)	( 581)
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Translation diff. due to subs. and associated comp. ....	( 1,366)	( 648)	( 242)	( 2,291)
Total operating items moved to equity	( 2,398)	( 1,817)	( 757)	( 2,872)
<b>Total Comprehensive Income for the period</b> .....	66,160	52,690	26,640	42,570
<b>Attributable to:</b>				
Owners of the parent company .....	59,351	47,014	23,606	38,479
Subsidiaries minority interest .....	6,809	5,676	3,034	4,091
	66,160	52,690	26,640	42,570

\* Quarterly financial statements have not been reviewed by the auditors of the group.

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



# Balance Sheet

Assets	Notes	30.6.2019	31.12.2018
<b>Non-current assets</b>			
Property, plant and equipment .....		3,971,052	4,013,546
Projects under construction .....		31,713	22,573
Development cost .....		139,835	140,698
Other intangible assets .....		48,198	48,067
Derivative financial instruments .....	8	8,089	13,342
Associated companies .....		375	11,070
Tax asset .....		0	14
Other non-current assets .....		783	762
<b>Total non-current assets</b>		<b>4,200,045</b>	<b>4,250,072</b>
<b>Current assets</b>			
Inventories .....		6,856	5,530
Accounts receivables and other receivables .....		61,578	68,943
Derivative financial instruments .....	8	10,114	10,258
Cash and cash equivalents .....		76,547	116,278
<b>Total current assets</b>		<b>155,095</b>	<b>201,009</b>
<b>Total assets</b>		<b>4,355,140</b>	<b>4,451,081</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Owners' contributions .....		586,512	586,512
Revaluation account .....		161,117	164,053
Restricted reserves .....		41,378	32,838
Translation difference .....		( 41,964)	( 40,756)
Other equity .....		1,309,086	1,289,803
<b>Equity of the owners of the parent company</b>		<b>2,056,129</b>	<b>2,032,450</b>
Minority interest .....		135,005	130,606
<b>Total equity</b>		<b>2,191,134</b>	<b>2,163,056</b>
<b>Long-term liabilities</b>			
Interest bearing liabilities .....	9	1,562,667	1,808,579
Accrued pension liabilities .....		36,255	38,015
Deferred income tax liability .....		148,715	130,733
Lease obligation .....		6,001	0
Obligation due to demolition .....		9,522	9,011
Prepaid income .....		2,641	2,847
Derivative financial instruments .....	8	2,410	11,538
		<b>1,768,211</b>	<b>2,000,723</b>
<b>Current liabilities</b>			
Accounts payable and other payables .....		86,468	73,102
Interest bearing liabilities .....	9	272,426	192,302
Income tax payable .....		14,876	18,586
Derivative financial instruments .....	8	22,025	3,312
		<b>395,795</b>	<b>287,302</b>
<b>Total liabilities</b>		<b>2,164,006</b>	<b>2,288,025</b>
<b>Total equity and liabilities</b>		<b>4,355,140</b>	<b>4,451,081</b>

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 June 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.....				(599)		(599)	(49)	(648)
Pension obligation, change.....					(1,169)	(1,169)	0	(1,169)
Profit for the period.....					48,782	48,782	5,725	54,507
Total comprehensive profit.....				(599)	47,613	47,014	5,676	52,690
Dividend to owners.....					(15,235)	(15,235)	(1,067)	(16,302)
Share of profit of subsidiaries and associated companies.....			8,685		(8,685)	0	0	0
Revaluation transferred to other equity.....		(2,954)			2,954	0	0	0
Equity at June 30, 2018.....	586,512	166,375	19,075	(39,135)	1,243,219	1,976,046	123,456	2,099,502
<b>January 1 to June 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.....				(1,208)		(1,208)	(158)	(1,366)
Pension obligation, change.....					(1,032)	(1,032)	0	(1,032)
Profit for the period.....					61,591	61,591	6,967	68,558
Total comprehensive profit.....				(1,208)	60,559	59,351	6,809	66,160
Dividend to owners.....					(35,672)	(35,672)	(2,410)	(38,082)
Share of profit of subsidiaries and associated companies.....			8,540		(8,540)	0	0	0
Revaluation transferred to other equity.....		(2,936)			2,936	0	0	0
Equity at June 30, 2019.....	586,512	161,117	41,378	(41,964)	1,309,086	2,056,129	135,005	2,191,134

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

## Statement of Cash Flows

	2019 1.1.-30.6.	2018 1.1.-30.6.	2019 Q2*	2018 Q2*
<b>Operating activities</b>				
Operating profit .....	130,793	135,916	62,038	61,270
Depreciation and impairment loss .....	67,400	61,839	33,704	31,216
Pension obligation, change .....	( 916)	( 991)	( 461)	( 498)
Obligation due to demolition, change .....	511	409	342	251
Other changes .....	( 16)	( 52)	( 28)	( 3)
Working capital from operations before financial items	197,772	197,121	95,595	92,236
Operating assets, change .....	6,452	3,520	3,883	4,925
Operating liabilities, change .....	( 332)	1,614	( 7,981)	( 7,503)
Cash flow from operating activities before fin. items	203,892	202,255	91,497	89,658
Interest income received .....	1,341	1,416	683	734
Interest expenses and foreign exchange diff. paid .....	( 38,304)	( 46,244)	( 12,377)	( 18,309)
Taxes paid .....	( 7,037)	( 8,188)	( 3,900)	( 3,986)
Cash flow from operating activities	159,892	149,239	75,903	68,097
<b>Investing activities</b>				
Power stations in operation .....	( 16,530)	( 21,709)	( 7,532)	( 17,361)
Transmission .....	( 10,684)	( 14,908)	( 5,302)	( 8,956)
Power plant preparation cost .....	( 808)	( 4,078)	161	( 1,758)
Power stations under construction .....	0	( 48,220)	0	( 20,795)
Purchased shares .....	0	( 622)	0	( 620)
Other investments .....	( 4,478)	( 7,135)	( 1,876)	( 4,598)
Assets sold .....	245	76	126	14
Other receivables, change .....	0	( 60)	0	0
Investing activities	( 32,255)	( 96,656)	( 14,423)	( 54,074)
<b>Financing activities</b>				
Dividend paid to owners .....	( 14,485)	( 8,684)	( 14,485)	( 8,684)
New loans .....	0	240,000	0	0
Currency swaps .....	656	0	0	0
Amortisation of long-term debt .....	( 151,959)	( 297,998)	( 97,281)	( 218,677)
Financing activities	( 165,788)	( 66,682)	( 111,766)	( 227,361)
Change in cash and cash equivalents .....	( 38,151)	( 14,099)	( 50,286)	( 213,338)
Effect of exchange difference on cash and cash equiv. ..	( 1,580)	( 643)	398	( 2,704)
Cash and cash equivalents at the beginning of the year	116,278	126,544	126,435	327,844
Cash and cash equivalents at the end of the period .....	76,547	111,802	76,547	111,802
<b>Financing and investing activities not affecting cash flow:</b>				
Sold shares .....	10,488	0	10,488	0
Dividend paid to owners .....	( 10,488)	0	( 10,488)	0

\* Quarterly financial statements have not been reviewed by the auditors of the group.

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, Reykjavík, 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

Operating segments 1.1.-30.6.2019	Electricity production	Electricity transmission	Other segments	Adjustments	Total
Income from third party .....	217,859	41,117	742		259,718
Income within the Group .....	7,806	32,250	2,171	( 42,227)	0
Segment income .....	225,665	73,367	2,913	( 42,227)	259,718
Segment operating expenses .....	( 72,441)	( 29,235)	( 2,076)	42,227	( 61,525)
EBITDA .....	153,224	44,132	837		198,193
Depreciation and impairment loss .....	( 52,320)	( 14,754)	( 532)	206	( 67,400)
Segment earnings, EBIT .....	100,904	29,378	305	206	130,793
Segment assets 30.6.2019 .....	3,840,088	844,085	20,408	( 349,816)	4,354,765
Shares in associated companies .....	259	6,464	116	( 6,464)	375
Total assets 30.6.2019 .....	3,840,347	850,549	20,524	( 356,280)	4,355,140
Segment liabilities 30.6.2019 .....	1,768,385	467,774	4,066	( 76,159)	2,164,066
Total liabilities 30.6.2019 .....	1,768,385	467,774	4,066	( 76,159)	2,164,066

### Operating segments 1.1.-30.6.2018

Income from third party .....	224,588	44,282	674		269,544
Income within the Group .....	9,208	32,460	2,606	( 44,274)	0
Segment income .....	233,796	76,742	3,280	( 44,274)	269,544
Segment operating expenses .....	( 80,221)	( 33,374)	( 2,468)	44,274	( 71,789)
EBITDA .....	153,575	43,368	812		197,755
Depreciation and impairment loss .....	( 46,821)	( 14,548)	( 674)	204	( 61,839)
Segment earnings, EBIT .....	106,754	28,820	138	204	135,916
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

	2019 1.1.-30.6.	2018 1.1.-30.6.
Electricity sales are specified as follows:		
Wholesale .....	40,698	49,815
Industrial users .....	170,264	176,696
Electricity sales total .....	210,962	226,511
Revenues from electricity transmission are specified as follows:		
Transmission .....	35,208	38,512
Transmission losses, grid service and other transmission revenues .....	5,526	5,436
Electricity transmission total .....	40,734	43,948



## 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.-30.6.	1.1.-30.6.
Interest income .....	1,689	1,662
Interest expense .....	( 34,735)	( 49,908)
Guarantee fee .....	( 1,462)	( 3,164)
Indexation .....	( 637)	( 712)
Capitalised finance cost .....	853	4,382
Total interest expense .....	( 35,981)	( 49,402)
Realised foreign exchange difference .....	( 22)	( 586)
Unrealised foreign exchange difference .....	8,419	10,037
Total foreign exchange difference .....	8,397	9,451
Fair value changes in embedded derivatives .....	765	( 29,133)
Fair value changes in other derivatives .....	( 3,431)	14,046
Financial income and (expenses)	( 28,561)	( 53,376)

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

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

	<b>30.6.2019</b>	<b>31.12.2018</b>
<b>Assets:</b>		
Embedded derivatives in electricity agreements .....	7,426	6,674
Aluminium hedges .....	7,184	10,177
Currency swaps .....	3,593	6,749
	18,203	23,600
Derivative financial instruments are divided as follows:		
Long-term component of derivative agreements .....	8,089	13,342
Short-term component of derivative agreements .....	10,114	10,258
	18,203	23,600
<b>Liabilities:</b>		
Embedded derivatives in electricity sales agreements .....	2,627	2,640
Aluminium hedges .....	570	1,786
Currency swaps .....	21,238	10,424
	24,435	14,850
Derivative financial instruments are divided as follows:		
Long-term component of derivative agreements .....	2,410	11,538
Short-term component of derivative agreements .....	22,025	3,312
	24,435	14,850

## Notes, contd.:

### 9. Liabilities

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

		30.6.2019		31.12.2018	
	Maturity date	Average interest	Remaining balance	Average interest	Remaining balance
Liabilities in ISK .....	2019-2034	3.7%	259,282	3.7%	273,367
Liabilities in CHF .....	2019-2022	0.0%	18,039	0.0%	20,849
Liabilities in EUR .....	2019-2026	0.0%	290,217	0.0%	309,111
Liabilities in USD .....	2019-2035	3.9%	1,267,555	3.8%	1,397,554
			1,835,093		2,000,881
Current maturities of long-term debt .....			( 272,426)		( 192,302)
Total long-term debt .....			1,562,667		1,808,579

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:

	30.6.2019
1.7.2019-30.6.2020 .....	272,426
1.7.2020-31.12.2020 .....	17,997
2021 .....	215,413
2022 .....	163,213
2023 .....	165,626
2024 .....	144,853
Later .....	855,565
	1,835,093

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

	30.6.2019		31.12.2018	
	Book value	Fair value	Book value	Fair value
Interest bearing long term liabilities .....	1,835,093	2,013,673	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:

	30.6.2019	31.12.2018
Interest bearing liabilities in ISK .....	0.8 - 1.0%	1.1 - 1.4%
Interest bearing liabilities other than in ISK .....	-0.7 - 2.4%	-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>30.6.2019</b>			
Embedded derivatives .....		4,800	4,800
Other derivatives .....	4,493 (	15,525) (	11,032)
Revaluation of property, plant and equipment .....		235,658	235,658
Shares in other companies .....		539	539
	<u>4,493</u>	<u>225,472</u>	<u>229,965</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.