



Landsvirkjun

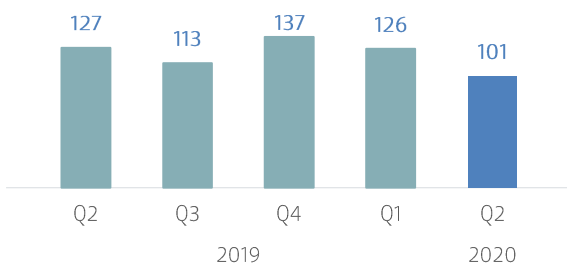
01.01.–30.06. 2020

Group Condensed Interim Financial Statements

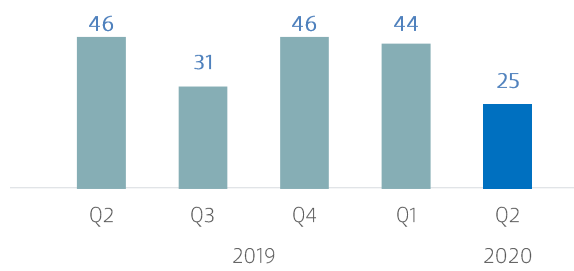


Key figures

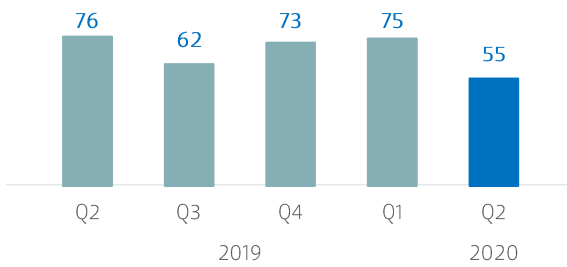
Operating revenues



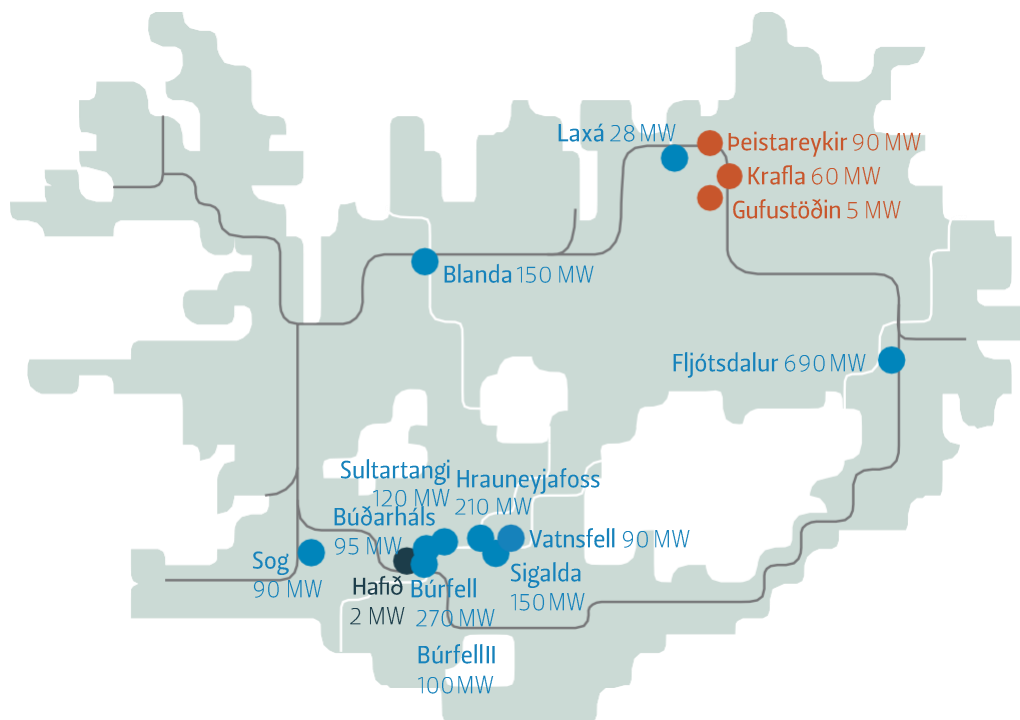
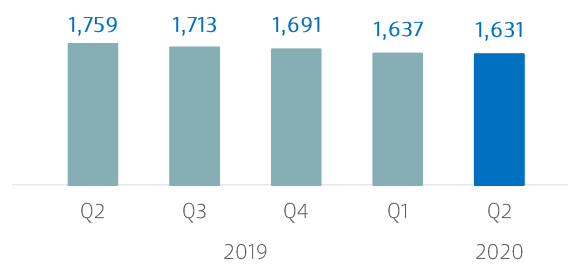
Profit before unrealised financial items



Cash flow from operating activities



Net debt



15

Hydropower stations



3

Geothermal stations



2

Windmills



3,360 km
High voltage
lines



2,146 MW
Capacity

S&P Global
Ratings
BBB

MOODY'S
Baa1



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Key figures - not reviewed

Management's presentation of the operation of Landsvirkjun

Amounts are in USD thousand

	2020	2019	2018	2017	2016
	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.
Operation					
Operating revenues	223,281	255,523	273,946	234,172	204,452
Realised aluminium hedges	3,819	4,195	(4,402)	(1,812)	2,475
Total operating revenues	227,100	259,718	269,544	232,360	206,927
Operating and maintenance expenses	(63,714)	(61,525)	(71,789)	(64,676)	(51,720)
EBITDA	163,386	198,193	197,755	167,684	155,207
Depreciation and impairment loss	(63,848)	(67,400)	(61,839)	(58,321)	(58,471)
EBIT	99,538	130,793	135,916	109,363	96,736
Financial items	(30,097)	(34,402)	(49,192)	(34,231)	(32,256)
Profit before unrealised financial items	69,441	96,391	86,724	75,132	64,480
Unrealised financial items:					
Fair value changes in embedded derivatives ...	(19,626)	765	(29,133)	35,816	14,391
Fair value changes in other derivatives	(29)	(3,431)	14,046	(2,951)	(2,908)
Unrealised foreign exchange difference	9,824	8,419	10,037	(48,495)	(20,914)
	(9,831)	5,753	(5,050)	(15,630)	(9,431)
Profit before income tax	59,610	102,144	81,674	59,502	55,049
Income tax	(19,026)	(33,586)	(27,167)	(19,789)	(20,216)
Profit for the period	40,584	68,558	54,507	39,713	34,833
Balance sheet					
	30.6.2020	30.6.2019	30.6.2018	30.6.2017	30.6.2016
Total assets	4,332,388	4,355,140	4,486,572	4,379,436	4,233,437
Total equity	2,201,115	2,191,134	2,099,502	1,995,963	1,937,653
Total liabilities	2,131,273	2,164,006	2,387,070	2,383,473	2,295,784
Net debt*	1,631,302	1,758,546	1,992,640	2,017,227	1,946,033
Cash flow					
	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.
Funds from operation (FFO)	138,561	166,178	154,955	134,136	123,905
Cash flow from operating activities	129,654	159,892	149,239	142,366	123,841
Investing activities	(40,201)	(32,255)	(96,656)	(117,767)	(51,132)
Financing activities	(92,586)	(165,788)	(66,682)	(62,681)	(103,290)
Liquidity					
	30.6.2020	30.6.2019	30.6.2018	30.6.2017	30.6.2016
Cash and cash equivalents	105,523	76,547	111,802	108,807	113,200
Undrawn loans	180,000	346,417	379,224	401,840	504,298
Total liquidity	285,523	422,964	491,026	510,647	617,498
Key ratios					
Return on equity **	3.9%	6.4%	6.2%	3.7%	3.1%
Equity ratio	50.8%	50.3%	46.8%	45.6%	45.8%
Interest cover (EBITDA/net interest exp.)**	5.38x	5.70x	4.77x	5.32x	4.87x
FFO / net debt**	17.5%	18.6%	15.2%	12.2%	12.0%
FFO / interest expense**	4.36x	4.58x	3.71x	3.95x	3.53x
Net debt / EBITDA**	4.79x	4.51x	5.30x	6.42x	6.33x
Credit rating without state guarantee at the end of June					
Standard & Poor's	BBB	BBB	BBB	BBB	BBB-
Moody's	Baa1	Baa2	Baa2	Baa3	Ba1

* Net debt is interest bearing liabilities less cash and cash equivalents

** Key ratios based on the past 12 months

Endorsement and Statement of the Board of Directors and CEO

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 2020 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 2020 amounted to USD 40.6 million while during the same period in 2019 the Group's profit amounted to USD 68.6 million. The change between periods amounted to USD 28.0 million. The Group's operating revenues amounted to USD 227.1 million during the period compared to USD 259.7 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 19.7 million during the period January to June 2020 compared to a negative difference in the amount of USD 2.7 million during the same period in 2019. Interest expenses amounted to USD 30.9 million during the period compared to USD 36.0 million during the same period in the previous year. Cash flow from operations amounted to USD 129.7 million during the period compared to USD 159.9 million during the same period in the previous year. At the end of June 2020, the Group's cash and cash equivalents amounted to USD 105.5 million and undrawn loans amounted to USD 180.0 million, a total of USD 285.5 million. The Group's equity at the end of June amounted to USD 2,201.1 million according to the balance sheet compared to USD 2,235.4 million at year end 2019.

Effects of the COVID-19 pandemic on Landsvirkjun's operations

Landsvirkjun has worked systematically to mitigate the significant effects which the COVID-19 pandemic has had on its operating environment. Focus has been on ensuring secure electricity generation and delivery as well as guaranteeing the health and safety of employees. Furthermore Landsvirkjun has also taken measures to support industrial customers by offering them special terms for 6 months, from 1 May until 31 October 2020. This involves a reduction in energy prices of up to 25%.

Market prices for Landsvirkjun's largest customers' products (e.g. aluminium and silicon metal) have been decreasing over the past few months due to, among other things, over-production and rising stock levels. In addition to this, there has been a decrease in energy prices in foreign energy markets due to decreasing fossil fuel prices and a lower demand caused by COVID-19. These developments have put pressure on Landsvirkjun's operating revenues which are USD 33 million lower for the first six months of 2020 than for the same period of 2019. Operating revenues for the second quarter decreased by USD 26 million from the same period of the previous year and USD 25 million from the first quarter of 2020. Profit for the first six months of the year is USD 28 million lower than during the same period of the previous year where, among other items, lower interest expenses partly offset the effect of lower revenues.

Landsvirkjun has placed emphasis on strengthening its financial position over the past few years. By systematically paying down debt, and thereby increasing the equity ratio, the company has ensured that it is in a strong position to face the challenging conditions which now afflict Icelandic society and its economy.

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 2020 and the Group's operating results and changes in cash flow during the period from 1 January to 30 June 2020.

Endorsement and Statement of the Board of Directors and CEO,

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 2020 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 2020 and confirm them by means of their signatures.

Reykjavik, August 21, 2020.

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

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, 2020 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 2020, 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 21, 2020.

Deloitte ehf.

Þorsteinn Pétur Guðjónsson
auditor

Pétur Hansson
auditor

Income Statement

	Notes	2020 1.1.-30.6.	2019 1.1.-30.6.	2020 Q2*	2019 Q2*
Operating revenues					
Power sales	6	182,011	210,962	79,971	103,833
Realised aluminium hedges		3,819	4,195	2,543	2,426
Transmission	6	37,838	40,734	17,887	19,554
Other income		3,432	3,827	537	748
		<u>227,100</u>	<u>259,718</u>	<u>100,938</u>	<u>126,561</u>
Operating expenses					
Energy production costs		69,357	69,828	34,070	34,866
Transmission costs		34,825	30,524	16,385	15,789
Cost of general research		3,981	7,696	1,944	3,788
Other operating expenses		19,399	20,877	9,031	10,080
		<u>127,562</u>	<u>128,925</u>	<u>61,430</u>	<u>64,523</u>
Operating profit		<u>99,538</u>	<u>130,793</u>	<u>39,508</u>	<u>62,038</u>
Financial income and (expenses)					
Interest income		1,003	1,689	240	846
Interest expenses .....	(	30,882)	(35,981)	(14,713)	(17,783)
Foreign exchange difference		9,709	8,397	(9,618)	(67)
Fair value changes in embedded derivatives .....	(	19,626)	765	4,166	(6,077)
Fair value changes in other derivatives .....	(	29)	(3,431)	(5,931)	1,571
	7	<u>(39,825)</u>	<u>(28,561)</u>	<u>(25,856)</u>	<u>(21,510)</u>
Associated companies .....	(	103)	(88)	(106)	(53)
Profit before income tax		<u>59,610</u>	<u>102,144</u>	<u>13,546</u>	<u>40,475</u>
Income tax .....	(	19,026)	(33,586)	(4,475)	(13,078)
Net profit for the period		<u>40,584</u>	<u>68,558</u>	<u>9,071</u>	<u>27,397</u>
Attributable to:					
Owners of the parent company		35,876	61,591	7,568	24,328
Subsidiaries minority interest		4,708	6,967	1,503	3,069
		<u>40,584</u>	<u>68,558</u>	<u>9,071</u>	<u>27,397</u>

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

Notes 1 to 13 are an integral part of these interim financial statements.

Statement of Comprehensive Income

	2020 1.1.-30.6.	2019 1.1.-30.6.	2020 Q2*	2019 Q2*
Net profit for the period	40,584	68,558	9,071	27,397
Items that will not be reclassified subsequently to profit or loss:				
Pension obligation after income tax, change	(909)	(1,032)	(583)	(515)
Items that may be reclassified subsequently to profit or loss:				
Translation diff. due to subs. and associated comp.	(1,873)	(1,366)	533	(242)
Total operating items moved to equity	(2,782)	(2,398)	(50)	(757)
Total Comprehensive Income for the period	<u>37,802</u>	<u>66,160</u>	<u>9,021</u>	<u>26,640</u>
Attributable to:				
Owners of the parent company	33,375	59,351	7,475	23,606
Subsidiaries minority interest	4,427	6,809	1,546	3,034
	<u>37,802</u>	<u>66,160</u>	<u>9,021</u>	<u>26,640</u>

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

Notes 1 to 13 are an integral part of these interim financial statements.

Balance Sheet

Assets	Notes	30.6.2020	31.12.2019
Non-current assets			
Property, plant and equipment		3,891,663	3,945,821
Projects under construction		76,395	47,443
Development cost		135,026	133,610
Other intangible assets		48,373	48,234
Derivative financial instruments	8	1,682	6,429
Associated companies		780	626
Other non-current assets		640	984
Total non-current assets		<u>4,154,559</u>	<u>4,183,147</u>
Current assets			
Inventories		5,203	5,248
Accounts receivables and other receivables		62,187	74,715
Derivative financial instruments	8	4,916	8,036
Cash and cash equivalents		105,523	110,487
Total current assets		<u>177,829</u>	<u>198,486</u>
Total assets		<u>4,332,388</u>	<u>4,381,633</u>
Equity and liabilities			
Equity			
Owners' contributions		586,512	586,512
Revaluation account		155,279	158,184
Restricted reserves		49,924	47,191
Translation difference		(43,162)	(41,570)
Other equity		1,313,462	1,347,066
Equity of the owners of the parent company		<u>2,062,015</u>	<u>2,097,383</u>
Minority interest		139,100	138,016
Total equity		<u>2,201,115</u>	<u>2,235,399</u>
Long-term liabilities			
Interest bearing liabilities	9	1,548,676	1,543,288
Accrued pension liabilities		32,802	36,863
Deferred income tax liability		169,301	160,295
Lease obligation		4,948	5,675
Obligation due to demolition		16,181	12,212
Prepaid income		2,628	2,701
Derivative financial instruments	8	18,551	4,140
		<u>1,793,087</u>	<u>1,765,174</u>
Current liabilities			
Accounts payable and other payables		134,764	77,720
Interest bearing liabilities	9	188,149	258,661
Income tax payable		9,280	28,837
Derivative financial instruments	8	5,993	15,842
		<u>338,186</u>	<u>381,060</u>
Total liabilities		<u>2,131,273</u>	<u>2,146,234</u>
Total equity and liabilities		<u>4,332,388</u>	<u>4,381,633</u>

Notes 1 to 13 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
January 1 to June 30, 2019								
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
January 1 to June 30, 2020								
Equity at January 1, 2020	586,512	158,184	47,191	(41,570)	1,347,066	2,097,383	138,016	2,235,399
Translation difference.....				(1,592)		(1,592)	(281)	(1,873)
Pension obligation, change.....					(909)	(909)	0	(909)
Profit for the period.....					35,876	35,876	4,708	40,584
Total comprehensive profit.....				(1,592)	34,967	33,375	4,427	37,802
Dividend to owners.....					(68,743)	(68,743)	(3,343)	(72,086)
Share of profit of subsidiaries and associated companies.....			2,733		(2,733)	0	0	0
Revaluation transferred to other equity.....		(2,905)			2,905	0	0	0
Equity at June 30, 2020.....	586,512	155,279	49,924	(43,162)	1,313,462	2,062,015	139,100	2,201,115

Notes 1 to 13 are an integral part of these interim financial statements.

Statement of Cash Flows

	2020 1.1.-30.6.	2019 1.1.-30.6.	2020 Q2*	2019 Q2*
Operating activities				
Operating profit	99,538	130,793	39,508	62,038
Depreciation and impairment loss	63,848	67,400	31,893	33,704
Pension obligation, change	(860)	(916)	(417)	(461)
Obligation due to demolition, change	3,969	511	1,903	342
Other changes	1	(16)	1	(28)
Working capital from operations before financial items	166,496	197,772	72,888	95,595
Operating assets, change	12,993	6,452	9,013	3,883
Operating liabilities, change	(9,012)	(332)	(12,656)	(7,981)
Cash flow from operating activities before fin. items	170,477	203,892	69,245	91,497
Interest income received	669	1,341	181	683
Interest expenses and foreign exchange diff. paid	(33,712)	(38,304)	(11,089)	(12,377)
Taxes paid	(7,780)	(7,037)	(4,095)	(3,900)
Cash flow from operating activities	129,654	159,892	54,242	75,903
Investing activities				
Power stations in operation	(8,525)	(16,530)	(3,950)	(7,532)
Transmission	(28,344)	(10,684)	(15,553)	(5,302)
Power plant preparation cost	(843)	(808)	(218)	161
Other investments	(2,504)	(4,478)	(1,212)	(1,876)
Assets sold	15	245	4	126
Investing activities	(40,201)	(32,255)	(20,929)	(14,423)
Financing activities				
Dividend paid to owners	(24,641)	(14,485)	(21,298)	(14,485)
New loans	179,524	0	0	0
Currency swaps	(41,175)	656	0	0
Amortisation of long-term debt	(206,294)	(151,959)	(4,817)	(97,281)
Financing activities	(92,586)	(165,788)	(26,115)	(111,766)
Change in cash and cash equivalents	(3,133)	(38,151)	7,198	(50,286)
Effect of exchange difference on cash and cash equiv. ..	(1,831)	(1,580)	1,533	398
Cash and cash equivalents at the beginning of the year	110,487	116,278	96,792	126,435
Cash and cash equivalents at the end of the period	105,523	76,547	105,523	76,547
Financing and investing activities not affecting cash flow:				
Sold shares	0	10,488	0	10,488
Dividend paid to owners	0	(10,488)	0	(10,488)

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

Notes 1 to 13 are an integral part of these interim financial statements.

Notes

Reporting entity

1. Landsvirkjun

Landsvirkjun is a partnership which operates in Iceland and has its headquarters in Háaleitisbraut 68, Reykjavik, Iceland. Landsvirkjun operates according to 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, 2019.

3. Significant accounting policies

The interim financial statements are prepared using the same accounting policies as for the year 2019 except that the Group has adopted new International Accounting Standards, as adopted by the EU, for the accounting period beginning January 1, 2020, changes to the standards and new interpretations. 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 2019 can be found on its website www.landsvirkjun.com and the website of NASDAQ OMX Iceland; 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.-30.6.2020	Electricity production	Electricity transmission	Other segments	Adjustments	Total
Income from third party	188,352	38,152	596		227,100
Income within the Group	6,077	25,655	1,891	(33,623)	0
Segment income	194,429	63,807	2,487	(33,623)	227,100
Segment operating expenses	(64,385)	(31,095)	(1,857)	33,623	(63,714)
EBITDA	130,044	32,712	630		163,386
Depreciation and impairment loss	(48,938)	(14,704)	(406)	200	(63,848)
Segment earnings, EBIT	81,106	18,008	224	200	99,538
Segment assets 30.6.2020	3,724,325	875,078	19,038	(286,833)	4,331,608
Shares in associated companies	233	5,545	547	(5,545)	780
Total assets 30.6.2020	3,724,558	880,623	19,585	(292,378)	4,332,388
Segment liabilities 30.6.2020	1,646,915	486,237	5,056	(6,935)	2,131,273
Total liabilities 30.6.2020	1,646,915	486,237	5,056	(6,935)	2,131,273

Operating segments 1.1.-30.6.2019

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 31.12.2019	3,864,603	845,797	22,101	(351,494)	4,381,007
Shares in associated companies	270	6,510	356	(6,510)	626
Total assets 31.12.2019	3,864,873	852,307	22,457	(358,004)	4,381,633
Segment liabilities 31.12.2019	1,751,794	460,995	5,863	(72,418)	2,146,234
Total liabilities 31.12.2019	1,751,794	460,995	5,863	(72,418)	2,146,234

6. Operating revenues

	2020	2019
	1.1.-30.6.	1.1.-30.6.
Electricity sales are specified as follows:		
Retail sales companies	32,508	40,698
Power intensive users	149,503	170,264
Power sales total	182,011	210,962
Revenues from transmission are specified as follows:		
Transmission	32,736	35,208
Transmission losses, grid service and other transmission revenues	5,102	5,526
Transmission total	37,838	40,734

Notes, contd.:

7. Financial income and (expenses)	2020	2019
Financial income and (expenses) are specified as follows:	1.1.-30.6.	1.1.-30.6.
Interest income	1,003	1,689
Interest expense	(30,834)	(34,735)
Guarantee fee	(1,078)	(1,462)
Indexation	(506)	(637)
Capitalised finance cost	1,536	853
Total interest expense	(30,882)	(35,981)
Realised foreign exchange difference	(115)	(22)
Unrealised foreign exchange difference	9,824	8,419
Total foreign exchange difference	9,709	8,397
Fair value changes in embedded derivatives	(19,626)	765
Fair value changes in other derivatives	(29)	(3,431)
Financial income and (expenses)	(39,825)	(28,561)

8. Derivative financial instruments in the balance sheet

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

	30.06.2020	31.12.2019
Assets:		
Embedded derivatives in electricity agreements	0	5,575
Aluminium hedges	6,585	3,656
Currency swaps	13	5,234
	6,598	14,465
Derivative financial instruments are divided as follows:		
Long-term component of derivative agreements	1,682	6,429
Short-term component of derivative agreements	4,916	8,036
	6,598	14,465
Liabilities:		
Embedded derivatives in electricity agreements	16,915	2,864
Aluminium hedges	1,514	1,290
Currency swaps	6,115	15,828
	24,544	19,982
Derivative financial instruments are divided as follows:		
Long-term component of derivative agreements	18,551	4,140
Short-term component of derivative agreements	5,993	15,842
	24,544	19,982

Notes, contd.:

9. Liabilities

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

		30.06.2020		31.12.2019	
	Maturity date	Average interest	Remaining balance	Average interest	Remaining balance
Liabilities in ISK	2020-2034	5.0%	34,954	3.7%	268,797
Liabilities in CHF	2020-2022	0.0%	12,329	0.0%	15,141
Liabilities in EUR	2024-2026	0.0%	257,826	0.0%	257,879
Liabilities in USD	2020-2035	3.6%	1,431,716	3.8%	1,260,132
			<u>1,736,825</u>		<u>1,801,949</u>
Current maturities of long-term debt			(188,149)		(258,661)
Total long-term debt			<u>1,548,676</u>		<u>1,543,288</u>

Interest rates on the loans range between 0.0-5.0%. Nominal interest rates for the period were on average 3.4%, taking into account the state guarantee fee (2019:3.6%).

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

	30.06.2020
1.7.2020-30.6.2021	188,149
1.7.2021-31.12.2021	95,193
2022	113,298
2023	245,406
2024	143,251
2025	189,668
Later	761,860
	<u>1,736,825</u>

10. Comparison of fair value and book value

	30.06.2020		31.12.2019	
	Book value	Fair value	Book value	Fair value
Interest bearing long term liabilities	1,736,825	1,997,173	1,801,949	1,970,328

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:

	30.06.2020	31.12.2019
Interest bearing liabilities in ISK	-0.6 - 0.2%	0.8 - 1.2%
Interest bearing liabilities other than in ISK	-0.6 - 0.8%	-0.7 - 2.0%

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
30.06.2020			
Embedded derivatives		(16,915)	(16,915)
Other derivatives	(1,031)	0	(1,031)
Revaluation of property, plant and equipment		224,363	224,363
Shares in other companies		513	513
	<u>(1,031)</u>	<u>207,961</u>	<u>206,930</u>
31.12.2019			
Embedded derivatives		2,711	2,711
Other derivatives	(692)	(7,536)	(8,228)
Revaluation of property, plant and equipment		230,000	230,000
Shares in other companies		587	587
	<u>(692)</u>	<u>225,762</u>	<u>225,070</u>

12. Effects of the COVID-19 pandemic effects on Landsvirkjun's operations

As stated in the Endorsement and Statement of Board of Directors and CEO Landsvirkjun has worked systematically to mitigate the significant effects which the COVID-19 pandemic has had on its operating environment. Focus has been on ensuring secure electricity generation and delivery as well as guaranteeing the health and safety of employees. Furthermore Landsvirkjun has also taken measures to support industrial customers by offering them special terms for 6 months, from 1 May until 31 October 2020. This involves a reduction in energy prices of up to 25%.

Market prices for Landsvirkjun's largest customers' products (e.g. aluminium and silicon metal) have been decreasing over the past few months due to, among other things, over-production and rising stock levels. In addition to this, there has been a decrease in energy prices in foreign energy markets because of decreasing fossil fuel prices and a lower in demand caused by COVID-19. These developments have put pressure on Landsvirkjun's operating revenues which are USD 33 million lower for the first six months of 2020 than for the same period of 2019. Operating revenues for the second quarter decreased by USD 26 million from the same period of the previous year and USD 25 million from the first quarter of 2020. Profit for the first six months of the year is USD 28 million lower than during the same period of the previous year where, among other items, lower interest expenses partly offset the effect of lower revenues.

Landsvirkjun has placed emphasis on strengthening its financial position over the past few years. By systematically paying down debt, and thereby increasing the equity ratio, the company has ensured that it is in a strong position to face the challenging conditions which now afflict Icelandic society and its economy.

13. Other matters

The Icelandic Minister of Tourism, Industry and Innovation appointed a workgroup in 2019 to lead discussions on Landsvirkjun's future ownership in Landsnet hf. Landsnet operates the Icelandic electricity transmission system. Landsvirkjun owns 64.7% of Landsnet.