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## Key figures

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

Amounts are in USD thousand

	2019 1.1.-31.3.	2018 1.1.-31.3.	2017 1.1.-31.3.	2016 1.1.-31.3.	2015 1.1.-31.3.
<b>Operation</b>					
Operating revenues .....	131,388	142,810	119,465	104,294	109,375
Realised aluminium hedges .....	1,769	( 1,648)	( 653)	1,209	2,290
<b>Total operating revenues .....</b>	<b>133,157</b>	<b>141,162</b>	<b>118,812</b>	<b>105,503</b>	<b>111,665</b>
Operating and maintenance expenses .....	( 30,706)	( 35,893)	( 30,544)	( 23,296)	( 22,410)
<b>EBITDA .....</b>	<b>102,451</b>	<b>105,269</b>	<b>88,268</b>	<b>82,207</b>	<b>89,255</b>
Depreciation and impairment loss .....	( 33,696)	( 30,623)	( 29,180)	( 29,273)	( 27,573)
<b>EBIT .....</b>	<b>68,755</b>	<b>74,646</b>	<b>59,088</b>	<b>52,934</b>	<b>61,682</b>
Financial items .....	( 18,292)	( 18,720)	( 15,307)	( 15,108)	( 9,655)
<b>Profit before unrealised financial items .....</b>	<b>50,463</b>	<b>55,926</b>	<b>43,781</b>	<b>37,826</b>	<b>52,027</b>
<b>Unrealised financial items:</b>					
Fair value changes in embedded derivatives ...	6,842	( 39,556)	42,555	( 3,809)	( 4,679)
Fair value changes in other derivatives .....	( 5,002)	16,879	( 8,110)	( 155)	( 7,306)
Unrealised foreign exchange difference .....	9,366	( 18,856)	( 3,568)	( 26,896)	44,791
	11,206	( 41,533)	30,877	( 30,860)	32,806
<b>Profit before income tax .....</b>	<b>61,669</b>	<b>14,393</b>	<b>74,658</b>	<b>6,966</b>	<b>84,833</b>
Income tax .....	( 20,508)	( 5,328)	( 25,277)	( 3,522)	( 29,253)
<b>Profit for the period .....</b>	<b>41,161</b>	<b>9,065</b>	<b>49,381</b>	<b>3,444</b>	<b>55,580</b>
<b>Balance sheet</b>					
	<b>31.3.2019</b>	<b>31.3.2018</b>	<b>31.3.2017</b>	<b>31.3.2016</b>	<b>31.3.2015</b>
Total assets .....	4,440,665	4,712,186	4,472,638	4,261,913	4,202,682
Total equity .....	2,200,167	2,072,166	2,017,992	1,920,232	1,746,998
Total liabilities .....	2,240,498	2,640,020	2,454,646	2,341,681	2,455,684
Net debt* .....	1,801,882	2,038,072	1,965,833	1,974,816	2,028,575
<b>Cash flow</b>					
	<b>1.1.-31.3.</b>	<b>1.1.-31.3.</b>	<b>1.1.-31.3.</b>	<b>1.1.-31.3.</b>	<b>1.1.-31.3.</b>
Funds from operation (FFO) .....	85,668	85,030	70,900	66,477	69,423
Cash flow from operating activities .....	83,989	81,142	66,285	68,711	82,850
Investing activities .....	( 17,832)	( 42,582)	( 67,732)	( 22,248)	( 14,403)
Financing activities .....	( 54,022)	160,679	95,757	( 64,717)	( 52,293)
<b>Liquidity</b>					
	<b>31.3.2019</b>	<b>31.3.2018</b>	<b>31.3.2017</b>	<b>31.3.2016</b>	<b>31.3.2015</b>
Cash and cash equivalents .....	126,435	327,844	241,417	125,810	219,264
Undrawn loans .....	347,903	388,866	472,184	365,366	276,525
Total liquidity .....	474,338	716,710	713,601	491,176	495,789
<b>Key ratios</b>					
Return on equity ** .....	7.4%	3.4%	5.9%	1.8%	7.9%
Equity ratio .....	49.5%	44.0%	45.1%	45.1%	41.6%
Interest cover (EBITDA/net interest exp)** .....	4.75x	5.55x	5.26x	4.68x	4.05x
FFO / net debt** .....	17.6%	14.6%	12.2%	12.0%	12.9%
FFO / interest expense** .....	3.76x	4.36x	3.89x	3.38x	3.00x
Net debt / EBITDA** .....	4.66x	5.62x	6.39x	6.28x	5.99x
<b>Credit rating without state guarantee at the end of March</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 March 31 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. The interim financial statements have not been audited or reviewed by the Company's auditors.

According to the income statement, the Group's profit in the period from January to March 2019 amounted to USD 41.2 million while during the same period in 2018 the Group's profit amounted to USD 9.1 million. The change between periods is USD 32.1 million, mainly due to the positive fair value change of derivatives, which amounted to USD 1.8 million during the period January to March 2019 compared to a negative difference of USD 22.7 million during the same period in the previous year and positive currency exchange difference, which amounted to USD 8.5 million compared to a negative difference in the amount of USD 18.7 million during the same period in 2018. The Group's operating revenues amounted to USD 133.2 million during the period compared to USD 141.2 million during the same period in the previous year. Cash flow from operations amounted to USD 84.0 million during the period compared to USD 81.1 million during the same period in the previous year. At the end of March 2019, the Group's cash and cash equivalents amounted to USD 126.4 million and undrawn loans amounted to USD 347.9 million, a total of USD 474.3 million. The Group's equity at the end of March amounted to USD 2,200.2 million according to the balance sheet compared to USD 2,163.1 million at year end 2018. At the annual general meeting at April 4, 2019 the payment of dividends to owners in the amount of ISK 4.2 billion or USD 35.7 million was approved.

### 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 31 March 2019 and the Group's operating results and changes in cash flow during the period from 1 January to 31 March 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 March 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 1 January to 31 March 2019 and confirm them by means of their signatures.

Reykjavik, May 24, 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 1.1.-31.3.	2018 1.1.-31.3.
<b>Operating revenues</b>			
Power sales .....	6	107,129	117,730
Realised aluminium hedges .....		1,769 (	1,648)
Transmission .....	6	21,180	22,326
Other income .....		3,079	2,754
		<u>133,157</u>	<u>141,162</u>
<b>Operating expenses</b>			
Energy production costs .....		34,962	35,348
Transmission costs .....		14,735	16,817
Cost of general research .....		3,908	2,210
Other operating expenses .....		10,797	12,141
		<u>64,402</u>	<u>66,516</u>
<b>Operating profit</b> .....		<u>68,755</u>	<u>74,646</u>
<b>Financial income and (expenses)</b>			
Interest income .....		843	859
Interest expenses .....		( 18,198)	( 18,773)
Foreign exchange difference .....		8,464 (	18,741)
Fair value changes in embedded derivatives .....		6,842 (	39,556)
Fair value changes in other derivatives .....		( 5,002)	16,879
	7	<u>( 7,051)</u>	<u>( 59,332)</u>
Associated companies .....		( 35)	( 921)
<b>Profit before income tax</b> .....		61,669	14,393
Income tax .....		( 20,508)	( 5,328)
<b>Net profit for the period</b> .....		<u>41,161</u>	<u>9,065</u>
<b>Attributable to:</b>			
Owners of the parent company .....		37,263	7,650
Subsidiaries minority interest .....		3,898	1,415
		<u>41,161</u>	<u>9,065</u>

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

## Statement of Comprehensive Income

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	<b>2019</b>	<b>2018</b>
	1.1.-31.3.	1.1.-31.3.
<b>Profit for the period</b> .....	<u>41,161</u>	<u>9,065</u>
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Pension obligation after income tax, change .....	( 517)	( 588)
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Translation difference due to subsidiaries and associated companies .....	( 1,124)	1,643
Total operating items moved to equity	<u>( 1,641)</u>	<u>1,055</u>
<b>Total Comprehensive Income for the period</b> .....	<u><u>39,520</u></u>	<u><u>10,120</u></u>
<b>Attributable to:</b>		
Owners of the parent company .....	35,745	8,535
Subsidiaries minority interest .....	<u>3,775</u>	<u>1,585</u>
	<u><u>39,520</u></u>	<u><u>10,120</u></u>

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

# Balance Sheet

<b>Assets</b>	<b>Notes</b>	<b>31.03.2019</b>	<b>31.12.2018</b>
<b>Non-current assets</b>			
Property, plant and equipment .....		3,995,116	4,013,546
Projects under construction .....		25,297	22,573
Development cost .....		140,408	140,698
Other intangible assets .....		48,088	48,067
Derivative financial instruments .....	8	12,154	13,342
Associated companies .....		428	11,070
Other non-current assets .....		623	762
Tax asset .....		0	14
<b>Total non-current assets</b>		<u>4,222,114</u>	<u>4,250,072</u>
<b>Current assets</b>			
Inventories .....		5,248	5,530
Accounts receivables and other receivables .....		66,993	68,943
Non-current assets for sale .....	12	10,471	0
Derivative financial instruments .....	8	9,404	10,258
Cash and cash equivalents .....		126,435	116,278
<b>Total current assets</b>		<u>218,551</u>	<u>201,009</u>
<b>Total assets</b>		<u>4,440,665</u>	<u>4,451,081</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Owners' contributions .....		586,512	586,512
Revaluation account .....		162,587	164,053
Restricted reserves .....		35,624	32,838
Translation difference .....		( 41,756)	( 40,756)
Other equity .....		1,325,228	1,289,803
<b>Equity of the owners of the parent company</b>		<u>2,068,195</u>	<u>2,032,450</u>
Minority interest .....		131,972	130,606
<b>Total equity</b>		<u>2,200,167</u>	<u>2,163,056</u>
<b>Long-term liabilities</b>			
Interest bearing liabilities .....	9	1,563,137	1,808,579
Accrued pension liabilities .....		36,447	38,015
Deferred income tax liability .....		142,686	130,733
Lease obligation .....		6,106	0
Obligation due to demolition .....		9,180	9,011
Prepaid income .....		2,572	2,847
Derivative financial instruments .....	8	2,685	11,538
		<u>1,762,813</u>	<u>2,000,723</u>
<b>Current liabilities</b>			
Accounts payable and other payables .....		83,994	73,102
Interest bearing liabilities .....	9	365,180	192,302
Income tax payable .....		8,159	18,586
Derivative financial instruments .....	8	20,352	3,312
		<u>477,685</u>	<u>287,302</u>
<b>Total liabilities</b>		<u>2,240,498</u>	<u>2,288,025</u>
<b>Total equity and liabilities</b>		<u>4,440,665</u>	<u>4,451,081</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 March 31, 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.....				1,473		1,473	170	1,643
Pension obligation, change.....					(588)	(588)	0	(588)
Profit for the period.....					7,650	7,650	1,415	9,065
Total comprehensive profit.....				1,473	7,062	8,535	1,585	10,120
Dividend.....							(1,066)	(1,066)
Share of profit of subsidiaries and associated companies.....			679		(679)			
Revaluation transferred to other equity.....		(1,483)			1,483			
Equity at March 31, 2018.....	586,512	167,846	11,069	(37,063)	1,224,436	1,952,800	119,366	2,072,166
<b>January 1 to March 31, 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.....				(1,001)		(1,001)	(123)	(1,124)
Pension obligation, change.....					(517)	(517)	0	(517)
Profit for the period.....					37,263	37,263	3,898	41,161
Total comprehensive profit.....				(1,001)	36,746	35,745	3,775	39,520
Dividend.....							(2,410)	(2,410)
Share of profit of subsidiaries and associated companies.....			2,786		(2,786)			
Revaluation transferred to other equity.....		(1,466)			1,466			
Equity at March 31, 2019.....	586,512	162,587	35,624	(41,756)	1,325,228	2,068,195	131,972	2,200,167

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

## Statement of Cash Flows

	<b>2019</b>	<b>2018</b>
	1.1.-31.3.	1.1.-31.3.
<b>Operating activities</b>		
Operating profit .....	68,755	74,646
Depreciation and impairment loss .....	33,696	30,623
Pension obligation, change .....	( 455)	( 493)
Obligation due to demolition, change .....	169	158
Other changes .....	12	( 49)
Working capital from operation before financial items	<u>102,177</u>	<u>104,885</u>
Operating assets, change .....	2,569	( 1,405)
Operating liabilities, change .....	7,649	9,117
Cash flow from operating activities before financial items	<u>112,395</u>	<u>112,597</u>
Interest income received .....	658	682
Interest expenses and foreign exchange difference paid .....	( 25,927)	( 27,935)
Taxes paid .....	( 3,137)	( 4,202)
Cash flow from operating activities	<u>83,989</u>	<u>81,142</u>
<b>Investing activities</b>		
Power stations in operation .....	( 8,998)	( 4,348)
Transmission .....	( 5,382)	( 5,952)
Power plant preparation cost .....	( 969)	( 2,320)
Power stations under construction .....	0	( 27,425)
Purchased shares .....	0	( 2)
Other investments .....	( 2,602)	( 2,537)
Assets sold .....	119	62
Other receivables, change .....	0	( 60)
Investing activities	<u>( 17,832)</u>	<u>( 42,582)</u>
<b>Financing activities</b>		
New loans .....	0	240,000
Currency swaps .....	656	0
Amortisation of long-term debt .....	( 54,678)	( 79,321)
Financing activities	<u>( 54,022)</u>	<u>160,679</u>
<b>Change in cash and cash equivalents</b> .....	12,135	199,239
<b>Effect of exchange difference on cash and cash equivalents</b> .....	( 1,978)	2,061
<b>Cash and cash equivalents at the beginning of the year</b> .....	<u>116,278</u>	<u>126,544</u>
<b>Cash and cash equivalents at the end of the period</b> .....	<u>126,435</u>	<u>327,844</u>

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 Company 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.-31.3.2019</b>	<b>Electricity production</b>	<b>Electricity transmission</b>	<b>Other segments</b>	<b>Adjustments</b>	<b>Total</b>
Income from third party .....	111,414	21,405	338		133,157
Income within the Group .....	4,575	16,527	1,083	( 22,185)	0
Segment income .....	115,989	37,932	1,421	( 22,185)	133,157
Segment operating expenses .....	( 36,944)	( 14,909)	( 1,038)	22,185	( 30,706)
EBITDA .....	79,045	23,023	383		102,451
Depreciation and impairment loss .....	( 26,154)	( 7,379)	( 266)	103	( 33,696)
Segment earnings, EBIT .....	52,891	15,644	117	103	68,755
Segment assets 31.3.2019 .....	3,926,153	837,145	20,596	( 343,657)	4,440,237
Shares in associated companies .....	306	6,498	122	( 6,498)	428
Total assets 31.3.2019 .....	3,926,459	843,643	20,718	( 350,155)	4,440,665
Segment liabilities 31.3.2019 .....	1,842,368	469,466	4,166	( 75,502)	2,240,498
Total liabilities 31.3.2019 .....	1,842,368	469,466	4,166	( 75,502)	2,240,498

### Operating segments 1.1.-31.3.2018

Income from third party .....	118,385	22,505	272		141,162
Income within the Group .....	5,159	16,063	1,274	( 22,496)	0
Segment income .....	123,544	38,568	1,546	( 22,496)	141,162
Segment operating expenses .....	( 39,660)	( 17,483)	( 1,246)	22,496	( 35,893)
EBITDA .....	83,884	21,085	300		105,269
Depreciation and impairment loss .....	( 23,124)	( 7,256)	( 345)	102	( 30,623)
Segment earnings, EBIT .....	60,760	13,829	( 45)	102	74,646
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.-31.3.	1.1.-31.3.
Wholesale .....	24,148	30,712
Industrial users .....	82,981	87,018
Electricity sales total .....	107,129	117,730
Revenues from electricity transmission are specified as follows:		
Transmission .....	18,110	19,243
Transmission losses, grid service and other transmission revenues .....	3,070	3,083
Electricity transmission total. ....	21,180	22,326

## Notes, contd.:

### 7. Financial income and (expenses)

	<b>2019</b>	<b>2018</b>
	1.1.-31.3.	1.1.-31.3.
Financial income and (expenses) are specified as follows:		
Interest income .....	843	859
Interest expense .....	( 17,624)	( 19,164)
Guarantee fee .....	( 748)	( 1,760)
Indexation .....	( 208)	( 342)
Capitalised finance cost .....	382	2,493
Total interest expense .....	( 18,198)	( 18,773)
Realised foreign exchange difference .....	( 902)	115
Unrealised foreign exchange difference .....	9,366	( 18,856)
Total foreign exchange difference .....	8,464	( 18,741)
Fair value changes in embedded derivatives .....	6,842	( 39,556)
Fair value changes in other derivatives .....	( 5,002)	16,879
Financial income and (expenses)	( 7,051)	( 59,332)

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

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

	<b>31.03.2019</b>	<b>31.12.2018</b>
<b>Assets:</b>		
Embedded derivatives in electricity agreements .....	12,188	6,674
Aluminium hedges .....	5,599	10,177
Currency swaps .....	3,771	6,749
	21,558	23,600
Derivative financial instruments are divided as follows:		
Long-term component of derivative agreements .....	12,154	13,342
Short-term component of derivative agreements .....	9,404	10,258
	21,558	23,600
<b>Liabilities:</b>		
Embedded derivatives in electricity sales agreements .....	1,311	2,640
Aluminium hedges .....	1,310	1,786
Currency swaps .....	0	10,424
Interest rate swaps .....	20,416	0
	23,037	14,850
Derivative financial instruments are divided as follows:		
Long-term component of derivative agreements .....	2,685	11,538
Short-term component of derivative agreements .....	20,352	3,312
	23,037	14,850

## Notes, contd.:

### 9. Liabilities

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

	Maturity date	31.03.2019		31.12.2018	
		Average interest	Remaining balance	Average interest	Remaining balance
Liabilities in ISK .....	2019-2034	3.7%	261,052	3.7%	273,367
Liabilities in CHF .....	2019-2022	0.0%	17,652	0.0%	20,849
Liabilities in EUR .....	2019-2026	0.0%	285,954	0.0%	309,111
Liabilities in USD .....	2019-2035	3.9%	1,363,659	3.8%	1,397,554
			<u>1,928,317</u>		<u>2,000,881</u>
Current maturities of long-term debt .....			( 365,180)		( 192,302)
Total long-term debt .....			<u>1,563,137</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 3.6%, taking into account the state guarantee fee (2018:3.7%).

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

	31.03.2019
1.4.2019-31.3.2020 .....	365,180
1.4.2020-31.12.2020 .....	22,741
2021 .....	215,292
2022 .....	163,158
2023 .....	165,635
2024 .....	143,526
Later .....	852,785
	<u>1,928,317</u>

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

	31.03.2019		31.12.2018	
	Book value	Fair value	Book value	Fair value
Interest bearing long term liabilities .....	1,928,317	2,076,267	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:

	31.03.2019	31.12.2018
Interest bearing liabilities in ISK .....	1.0 - 1.1%	1.1 - 1.4%
Interest bearing liabilities other than in ISK .....	-0.7 - 2.6%	-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>31/03/2019</b>			
Embedded derivatives .....		10,877	10,877
Other derivatives .....	1,880 (	14,236) (	12,356)
Revaluation of property, plant and equipment .....		238,495	238,495
Shares in other companies .....		548	548
	<u>1,880</u>	<u>235,684</u>	<u>237,564</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

At the annual general meeting at April 4, 2019 the payment of dividends to owners in the amount of ISK 4.2 billion or USD 35.7 million was approved.

The Board agreed to a proposal in March to allocate the Company's shares in Farice ehf. and Neyðarlínan ohf. to its shareholders. The holding amounts to 33.2% of issued shares in Farice and 7.9% of issued shares in Neyðarlínan. The proposal was agreed during the AGM in April. The holdings in Farice and Neyðarlínan are classified according to IFRS 15 as assets held for sale. The assets are valued in accordance with the standard as the lower of the carrying amount and the fair value less cost to sell. The carrying amount of the assets at the reporting date is USD 10.5 million.

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.