

LANDSNET

Condensed
Interim Financial Statement
January 1st - June 30th 2020

Landsnet hf.
Gylfaflöt 9
112 Reykjavík

Reg.no. 580804-2410

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Report of the Board of Directors and the CEO

The role of Landsnet is to administer the transmission of electricity and system operation in accordance with the provisions of Chapter III of the Electricity Act No. 65/2003.

The Interim Financial Statements are prepared in accordance with IAS 34 Interim Financial Reporting.

Profit of the period amounted to USD 13,349 thousand and the Company's equity at end of June amounted to USD 394,384 thousand.

Share capital at the end of June 2020 is divided between four shareholders:

	Share
Landsvirkjun	64.73%
Rarik ohf.	22.51%
Orkuveita Reykjavíkur	6.78%
Orkubú Vestfjarða ohf.	5.98%

Covid-19 and the outlook

Landsnet operates the electricity transmission system in Iceland, which is one of the country's most important infrastructures. Landsnet expects to spend over 90 million USD on construction projects this year which will make 2020 one of the largest construction years in company history. We are closely monitoring the execution of contracts, supplier production and the delivery of goods and services in construction projects. The Covid-19 pandemic had an insignificant effect on the progress of construction projects in the first half of the year with minimal delays to the delivery of goods and services. The company's forecast assumes that the company's investments for the year will mostly be according to plan. However, current risks within the supply chain could affect the progress of projects.

The company temporarily reduced the tariff for power-intensive users from the 1st of July 2019 – 1st of August 2020. Estimated revenue in the first half of 2020 was 5 USD lower, compared to the same period last year, because of the tariff reduction. Revenue from transmission decreased by 7%, which can mainly be attributed to a decline in sales to distributors and ancillary services. The company noticed the decline before the pandemic began to affect Iceland.

Covid-19 has clearly had an impact on the company's customers, but the management team is closely monitoring the situation and is in close contact with customers. The Company's agreements with power-intensive users includes insurance provisions regarding payments regardless of transfer. Different scenarios have been examined regarding revenue streams that will be reviewed by management as progress and further information is received.

Costs increased in the first quarter, due to the impact of poor weather conditions. However, there was also a reduction in the cost of operational projects, which slowed down due to Covid-19. Operating expenses are 4% below the budget.

The effect of Covid-19 on the company's overall financial performance has been negligible and is not expected to affect the company's 'going concern'. Earnings before interests and taxes (EBIT) for the first part of the year was USD 2.8 million below the budget, while the profit for the period, was USD 1.2 million above the budget. The overall impact of Covid-19 on the company's future operations is currently unclear but is being closely monitored by management and the board.

Statement of the Board of Directors and the CEO

According to the best of the Board of Director's and the CEO's knowledge, the Interim Financial Statements are in accordance with the International Financial Reporting Standards as adopted by the EU and it is the Board's and CEO's opinion that the Interim Financial Statements give a true and fair view of the financial performance of the Company for the six month period ended 30 June 2020, its assets, liabilities and financial position as at 30 June 2020 and its cash flow for the period then ended.

Further, in our opinion the financial statements and the endorsement by the Board of Directors and the CEO give a fair view of the development and performance of the Company's operations and its position and describes the principal risks and uncertainties faced by the Company.

The Board of Directors and the CEO have today discussed the Interim Financial Statements of Landsnet hf. for the period 1 January to 30 June 2020 and confirmed them by means of their signatures.

Reykjavík, 13 August 2020.

The Board of Directors:

Sigrún Björk Jakobsdóttir
Ólafur Rúnar Ólafsson
Magnús Þór Ásmundsson
Katrín Olga Jóhannesdóttir
Svava Bjarnadóttir

CEO:

Guðmundur Ingi Ásmundsson

Independent Auditors' Review Report

To the Board of Directors and Shareholders of Landsnet hf.

We have on behalf of The Icelandic National Audit Office, reviewed the accompanying condensed interim financial statements of Landsnet hf., which comprise the endorsement by the Board of Directors and the CEO, the statement of financial position as at 30 June 2020 and the 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 accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with IAS 34 as adopted by the EU.

Auditor's responsibility

Our responsibility is to express an opinion on these condensed interim financial statements.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements, ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. 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 substantially 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 condensed interim financial statements does not give a true and fair view of the financial position of Landsnet hf. as at June 30, 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.

Reykjavík, 13 August 2020.

Deloitte ehf.

Páll Grétar Steingrímsson
Certified Public Accountant

Income Statement

for the six months ended 30 June 2020

	Notes	1.1-30.6.2020	1.1-30.6.2019
Operating revenue			
Transmission	5	63.058	72.500
Other income		749	867
		<u>63.807</u>	<u>73.367</u>
Operating expenses			
Energy procurement costs	6	10.915	12.676
Transmission costs	7	23.280	21.934
System operation	7	3.873	4.274
Other operating expenses	7	3.762	4.595
		<u>41.830</u>	<u>43.479</u>
Operating profit		21.977	29.888
Financial income		6.039	3.144
Financial expenses		(11.425)	(8.459)
Net financial expenses	8	(5.386)	(5.315)
Share in net earnings of associated company		80	98
Profit before income tax		16.671	24.671
Income tax	9	(3.322)	(4.918)
Profit for the period		<u>13.349</u>	<u>19.753</u>
Earnings per share:			
Basic and diluted earnings per each USD 1 share		0,29	0,43

Notes no. 1 to 17 are an integral part of these financial statements.

Statement of Comprehensive Income for the six months ended 30 June 2020

	Notes	1.1-30.6.2020	1.1-30.6.2019
Profit		13.349	19.753
Items under total profit recognised among equity:			
Translation difference due to subsidiaries and associated companies		(797)	(448)
Total items under total profit recognised among equity		(797)	(448)
Total profit of the year		12.552	19.305

Notes no. 1 to 17 are an integral part of these financial statements.

Balance Sheet as at 30 June 2020

	Notes	30.6.2020	31.12.2019
Assets			
Fixed assets in operation	7,10	707.908	720.039
Projects under construction	10	76.395	47.443
Intangible assets	11	24.592	23.950
Investment in subsidiary and associate		5.549	6.514
Long-term note	15	1.427	1.650
Fixed assets		815.871	799.596
Inventories		4.825	4.941
Receivable from parent company	15	4.008	4.501
Trade and other receivables		14.552	12.296
Cash and cash equivalents		41.367	30.973
Current assets		64.752	52.711
Total assets		880.623	852.307
Equity			
Share capital		45.549	45.549
Statutory reserve		10.033	9.366
Restricted equity		1.000	920
Revaluation account		179.292	183.739
Foreign currency translation .....	(	442)	355
Retained earnings		158.952	151.382
Equity		394.384	391.311
Liabilities			
Interest bearing long-term liabilities	12	371.909	283.034
Deferred income tax liability	13	55.634	55.563
Deferred income		2.628	2.702
Provision due to site restoration		16.182	12.212
Long-term liabilities		446.353	353.511
Current maturities	12	12.703	81.044
Income tax payable		6.934	6.510
Trade and other payables		20.249	19.931
Short-term liabilities		39.886	107.485
Total liabilities		486.239	460.996
Total equity and liabilities		880.623	852.307

Notes no. 1 to 17 are an integral part of these financial statements.

Statement of Equity for the six months ended 30 June 2020

	Share capital	Statutory reserve	Restricted equity	Translation difference	Revaluation account	Retained earnings	Total
Changes in equity for six months ended 30 June 2019							
Equity at 1 January 2019.....	45.549	7.961	586	619	192.714	122.874	370.303
Foreign currency translation.....			(	448)		(	448)
Profit for the period.....						19.753	19.753
Total comprehensive income.....		0	0	(	448)	19.753	19.305
Transfer to statutory reserve.....		987				(	987)
Share in net earnings of associated company.....			98			(	98)
Dividend paid to shareholders.....						(	6.834)
Depreciation on revaluation recognised under retained earnings.....					(	4.492)	4.492
Equity at 30 June 2019.....	45.549	8.948	684	171	188.222	139.200	382.774
Changes in equity for six months ended 30 June 2020							
Equity at 1 January 2020.....	45.549	9.366	920	355	183.739	151.382	391.311
Foreign currency translation.....			(	797)		(	797)
Profit for the period.....						13.349	13.349
Total comprehensive income.....		0	0	(	797)	13.349	12.552
Transfer to statutory reserve.....		667				(	667)
Share in net earnings of associated company.....			80			(	80)
Dividend paid to shareholders.....						(	9.479)
Depreciation on revaluation recognised under retained earnings.....					(	4.447)	4.447
Equity at 30 June 2020.....	45.549	10.033	1.000	(	442)	179.292	158.952

Notes no. 1 to 17 are an integral part of these financial statements.

Statement of Cash Flows

for the six months ended 30 June 2020

	Notes	1.1-30.6.2020	1.1.-30.6.2019
Cash flow from operating activities			
Operating profit		21.977	29.888
Adjustments for:			
Profit from sales of fixed assets		0	(1)
Depreciation and amortisation	7	14.705	14.755
Working capital from operation before financial items		36.682	44.642
Operating assets, (increase) decrease .....	(	1.280)	1.539
Operating liabilities, decrease .....	(	2.872)	(144)
Net cash from operating activities before financial items		32.530	46.037
Interest income received		64	220
Interest expenses paid and foreign exchange difference .....	(	4.235)	(6.510)
Taxes paid .....	(	2.828)	(2.257)
Net cash from operating activities		<u>25.531</u>	<u>37.490</u>
Cash flow from investing activities			
Investment in transmission infrastructures	10	(28.344)	(10.684)
Other investments	10,11	(1.223)	(2.855)
Proceeds from sale of fixed assets		258	182
Long-term note, change		25	28
Net cash used in investing activities		<u>(29.284)</u>	<u>(13.329)</u>
Cash flow from financing activities			
Change in loans from parent company .....	(	68.234)	(5.301)
Payments of long-term liabilities .....	(	6.434)	(6.402)
New long-term liabilities		99.524	0
Dividend paid to shareholders .....	(	9.479)	(6.834)
Net cash used in financing activities		<u>15.377</u>	<u>(18.537)</u>
Net increase in cash and cash equivalents		11.624	5.624
Effect of exchange rate changes on cash and cash equivalents .....	(	1.230)	(891)
Cash and cash equivalents at 1 January		<u>30.973</u>	<u>38.779</u>
Cash and cash equivalents at the end of the period		<u><u>41.367</u></u>	<u><u>43.512</u></u>

Notes no. 1 to 17 are an integral part of these financial statements.

Notes to the Financial Statements

1. Reporting entity

Landsnet hf. is domiciled at Gylfaflöt 9 in Reykjavik, Iceland. The Company is a subsidiary of Landsvirkjun, and the interim financial statement of Landsnet hf. is included in the consolidated financial statements of Landsvirkjun. Landsnet was established in 2004 on the basis of the Electricity Act passed by the Icelandic parliament, the Althingi, in the spring of 2003. The role of Landsnet is to administer the transmission of electricity and system operation in accordance with the provisions of Chapter III of the Electricity Act No. 65/2003, which stipulates that the Company must not engage in any activities other than necessary to perform its duties under the Act.

2. Statement of compliance

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2019. The Company's financial statements for the year 2019 can be found at its website www.landsnet.is and the website of NASDAQ OMX Iceland; www.nasdaqomxnordic.com

3. Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant judgements made by management in applying the Companies accounting policies and key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2019. The estimates and assumptions that are, or might be, affected by Covid-19 and have a significant risk of causing a material adjustment to the carrying amounts of assets within the current financial year are the following:

Estimated impairment

In accordance with the International Accounting Standard, the Company's lines and substations are recognised according to the revaluation method. The revaluation of those assets will be performed on a regular basis and when the management believes that their fair value has changed significantly. At the end of each reporting period the management also assesses whether there is any indication that an asset may be impaired. Covid-19 classifies as such an impairment indicator and therefore those assets were assessed if there was any indication of impairment. The conclusion was there were not triggers indication that impairment on these assets was necessary at end of June 2020 but management will follow any changes in the latter part of the year 2020. However, there is still some uncertainty as to how the situation will progress.

Expected credit losses

Under IFRS 9, loss allowances are measured based on Expected Credit Losses ("ECL") that result from all possible default events over the expected life of a financial instrument. As a result of Covid-19 the Company has reassessed the ECL used in calculating its loss allowances. It is clear that Covid-19 is influencing the company's customers, but the management team monitors the situation very closely and is in close contact with them. Different scenarios have been examined regarding revenue streams, but the Company's agreements with power-intensive users includes insurance provisions regarding payments regardless of transfer. Management believes that there is no indication that the assessment of the probability of an expected loss needs to be changed, but this is reviewed by management as progress and further information are received. However, there is still some uncertainty as to how the assessment will progress.

4. Accounting policies

The condensed interim financial statements are prepared using the same accounting policies as for the year 2019.

The interim financial statements are presented in USD, which is the Company's functional currency. Amounts are presented in USD thousand unless otherwise stated. The interim financial statements have been prepared on the historical cost basis, except for the Company's transmission system is recognised at a revalued amount.

Notes, continued:

4. Accounting policies, cont.:

New International Financial Reporting Standards

The Company has adopted all International Financial Reporting Standards, as adopted by the EU, for the accounting period beginning 1 January 2020, changes to the standards and new interpretations.

5. Transmission revenue

	2020	2019
	1.1.-30.6.	1.1.-30.6.
Transmission revenue consist of:		
Energy transmission to power-intensive consumers	32.390	37.483
Energy transmission to distribution system operators	19.222	21.613
Transmission losses and ancillary services	10.666	12.598
Service income	309	285
Input fees	471	521
Transmission revenue total	<u>63.058</u>	<u>72.500</u>

6. Energy procurement costs

Energy procurement costs consist of:

Electricity purchases due to transmission losses	6.686	8.118
Purchase of ancillary services	4.229	4.558
Energy procurement costs total	<u>10.915</u>	<u>12.676</u>

7. Depreciation and amortisation

Depreciation and amortisation are specified as follows:

Depreciation of fixed assets in operation, see Note 10	14.506	14.327
Depreciation of leased assets in operation, see Note 10	64	48
Amortisation and impairment losses of intangible assets, see Note 11	135	380
Depreciation and amortisation recognised in the income statement	<u>14.705</u>	<u>14.755</u>

Depreciation and amortisation are allocated as follows to operating items:

Transmission costs	14.230	14.218
System operation	181	208
Other operating expenses	294	329
Depreciation and amortisation recognised in the income statement	<u>14.705</u>	<u>14.755</u>

8. Financial income and expenses

Financial income and expenses are specified as follows:

Interest income	352	386
Net gain in fair value of marketable securities	86	219
Exchange rate difference	5.601	2.539
Total financial income	<u>6.039</u>	<u>3.144</u>

Interest expenses	(8.511)	(8.163)
Indexation	(481)	(638)
Change in present value of the provision due to site restoration	(3.969)	(511)
Capitalised interest expense due to projects under construction	1.536	853
Total financial expenses	<u>(11.425)</u>	<u>(8.459)</u>

Net financial expenses	<u>(5.386)</u>	<u>(5.315)</u>
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Capitalised financial expenses were 4.8% (30.06.19: 4.6%) of capital tied in transmission structures under construction during the year. This is the Company's average finance cost.

Notes, continued:

9. Income tax	2020	2019
Income tax recognised in the income statement is specified as follows:	1.1.-30.6.	1.1.-30.6.
Deferred income tax for the period	(71)	(798)
Income tax payable	(3.251)	(4.120)
Income tax recognised in the income statement	<u>(3.322)</u>	<u>(4.918)</u>
Effective tax rate	(19,9%)	(19,9%)

10. Fixed assets in operation

Fixed assets in operation specified as follows:

	Substations	Transmission lines	Other	Total
Cost				
Balance 1.1.2019	432.065	584.111	38.511	1.054.687
Additions	4.488	829	2.536	7.853
Transferred from projects under construction	6.183	11.055	0	17.238
Sold	(7)	0	(641)	(648)
Balance 31.12.2019	<u>442.729</u>	<u>595.995</u>	<u>40.406</u>	<u>1.079.130</u>
Additions	1.701	7	397	2.105
Transferred from projects under construction	345	0	0	345
Sold	0	0	(72)	(72)
Balance 30.6.2020	<u>444.775</u>	<u>596.002</u>	<u>40.731</u>	<u>1.081.508</u>
Depreciation				
Balance 1.1.2019	121.570	194.547	14.523	330.640
Depreciation	12.450	15.012	1.447	28.909
Sold	(7)	0	(451)	(458)
Balance 31.12.2019	<u>134.013</u>	<u>209.559</u>	<u>15.519</u>	<u>359.091</u>
Depreciation	6.238	7.596	736	14.570
Sold	0	0	(61)	(61)
Balance 30.6.2020	<u>140.251</u>	<u>217.155</u>	<u>16.194</u>	<u>373.600</u>
Carrying amount				
1.1.2019	<u>310.495</u>	<u>389.564</u>	<u>23.988</u>	<u>724.047</u>
31.12.2019	<u>308.716</u>	<u>386.436</u>	<u>24.887</u>	<u>720.039</u>
30.6.2020	<u>304.524</u>	<u>378.847</u>	<u>24.537</u>	<u>707.908</u>
Carrying amount without revaluation				
1.1.2019	<u>222.241</u>	<u>236.924</u>	<u>23.988</u>	<u>483.153</u>
31.12.2019	<u>224.357</u>	<u>241.147</u>	<u>24.887</u>	<u>490.391</u>
30.6.2020	<u>222.053</u>	<u>237.229</u>	<u>24.537</u>	<u>483.819</u>

Basis of revaluation of fixed assets in operation

In accordance with the International Accounting Standard ISA 16, the Company's lines and substations are recognised according to the revaluation method. A revaluation was conducted on those assets in the year 2015.

Notes, continued:

10. Fixed assets in operation, cont.:

Projects under construction:

	2020	2019
Cost		
Balance 1.1.	47.443	22.573
Additions	29.297	38.768
Transferred from intangible assets	0	3.340
Transferred to fixed assets in operation	(345)	(17.238)
Balance 30.6. / 31.12.	76.395	47.443

11. Intangible assets:

Intangible assets specified as follows:

	Capitalised development cost	Software	Total
Cost			
Balance 1.1.2019	30.451	5.022	35.473
Additions	1.817	0	1.817
Transferred to projects under construction	(3.340)	0	(3.340)
Balance 31.12.2019	28.928	5.022	33.950
Additions	749	28	777
Balance 30.6.2020	29.677	5.050	34.727
Amortisation and impairment losses			
Balance 1.1.2019	5.717	3.551	9.268
Amortisation and impairment losses	577	155	732
Balance 31.12.2019	6.294	3.706	10.000
Amortisation and impairment losses	80	55	135
Balance 30.6.2020	6.374	3.761	10.135
Carrying amount			
1.1.2019	24.734	1.471	26.205
31.12.2019	22.634	1.316	23.950
30.6.2020	23.303	1.289	24.592

12. Interest-bearing loans and borrowings

This Note provides information on the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	30.6.2020	31.12.2019
Long-term liabilities		
Loan from parent company in USD, fixed interest	0	68.234
Loan agreement and notes in USD, fixed interest	336.079	238.958
Loan agreement in CHF, LIBOR + margin	12.329	15.141
Listed indexed bond loan in NASDAQ OMX in ISK, fixed interest	34.954	40.336
	383.362	362.669
Current maturities on long-term liabilities	(12.703)	(81.044)
Interest-bearing long-term liabilities total	370.659	281.625

Interest rates on the loans range between 0% - 5%. Weighted average interest rates of the Company are 4.21% (31.12.2019: 4.20%).

Lease liabilities are also disclosed with Other interest bearing long-term liabilities in the statement of financial position and amount to USD 1.3 million (31.12.2019 USD 1.6 million).

Notes, continued:

12. Interest-bearing loans and borrowings, cont.:

Landsnet sold unsecured bonds in the amount of USD \$ 100 million on the Private Placement market in the USA. Landsnet paid the last instalment of the loan owed to Landsvirkjun, its mother company, in the amount of USD 68.2 million in March, plus interest.

Maturities by year of interest-bearing loans and borrowings:

1.7.2020 - 30.6.2021 / 1.1.2020 - 31.12.2020	12.703	81.044
1.7.2021 - 30.6.2022 / 1.1.2021 - 31.12.2021	22.801	17.912
1.7.2022 - 30.6.2023 / 1.1.2022 - 31.12.2022	6.743	15.003
1.7.2023 - 30.6.2024 / 1.1.2023 - 31.12.2023	41.859	23.089
1.7.2024 - 30.6.2025 / 1.1.2024 - 31.12.2024	6.988	26.239
Later	292.268	199.382
	<u>383.362</u>	<u>362.669</u>

13. Deferred tax liability

The breakdown of deferred tax liability is as follows:

	2020	2019
	1.1.-30.6.	1.1.-31.12.
Deferred tax liability at 1 January	55.563	55.126
Calculated income tax for the year	3.322	6.947
Income tax payable	(3.251)	(6.510)
Deferred tax liability at end of period	<u>55.634</u>	<u>55.563</u>

The breakdown of deferred tax liability was as follows at end of period:

Fixed assets in operation	54.971	55.004
Intangible assets	3.154	2.800
Other assets	724	643
Provision due to site restoration	(3.236)	(2.442)
Other obligations	(839)	(889)
Unrealized exchange rate difference	860	447
Deferred tax liability at end of period	<u>55.634</u>	<u>55.563</u>

14. Financial instruments

Liquidity risk

The following are the contractual maturities of financial liabilities, including future interest payments:

30 June 2020

	Carrying amount	Contractual cash flow	Within 12 months	1-2 years	2-5 years	After 5 years
Non-derivative financial liabilities:						
Long-term liabilities from parent comp. ...	0	0	0	0	0	0
Long-term liabilities	386.920	506.983	29.068	38.772	98.876	340.267
Trade and other payables	15.851	15.851	15.851	0	0	0
	<u>402.771</u>	<u>522.834</u>	<u>44.919</u>	<u>38.772</u>	<u>98.876</u>	<u>340.267</u>

Notes, continued:

14. Financial instruments, cont.:

31 December 2019

	Carrying amount	Contractual cash flow	Within 12 months	1-2 years	2-5 years	After 5 years
Non-derivative financial liabilities:						
Long-term liabilities from parent comp. ...	68.984	69.572	69.572	0	0	0
Long-term liabilities	296.631	384.739	25.714	30.520	98.035	230.470
Trade and other payables	14.094	14.094	14.094	0	0	0
	<u>379.709</u>	<u>468.405</u>	<u>109.380</u>	<u>30.520</u>	<u>98.035</u>	<u>230.470</u>

Fair value

Fair value versus carrying amounts

The fair values and carrying amounts of financial assets and liabilities as reported in the balance sheet are specified as follows:

	30.6.2020		31.12.2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term liabilities from parent company	0	0	(68.234)	(69.137)
Other long-term liabilities	(383.362)	(461.295)	(294.435)	(331.904)
	<u>(383.362)</u>	<u>(461.295)</u>	<u>(362.669)</u>	<u>(401.040)</u>

Interest rate in valuation of fair value

Where applicable, expected contractual cash flow is discounted using the interest rate on government bonds plus a 1% margin on the reporting date.

15. Related parties

Definition of related parties

The Company has a related-party relationship with its shareholders, subsidiary, associates, directors, executive officers and companies in their possession. Transactions with related parties are on the same basis as transactions with non-related parties.

Transactions with related parties

	1.1.-30.6.2020	1.1.-30.6.2019
Sale of goods and services:		
Landsnet's parent company and its subsidiaries	25.655	32.250
Landsnet's other shareholders	21.582	17.933
Sale of goods and services to related parties total	<u>47.237</u>	<u>50.183</u>
Cost of goods and services:		
Landsnet's parent company and its subsidiaries	7.240	8.707
Landsnet's other shareholders	4.441	3.457
Cost of goods and services to related parties total	<u>11.681</u>	<u>12.164</u>

In addition to the costs outlined above, the Company paid USD 1.4 million (30.6.2019: USD 1.5 million) in interest to its parent company.

Notes, continued:

15. Related parties, cont.:

Balance:

Trade receivables and trade payables with related parties are as follows:

	30.6.2020		31.12.2019	
	Receivables	Payables	Receivables	Payables
Landsnet's parent company and its subsidiaries	4.008	0	4.501	0
Landsnet's other shareholders	3.231	0	3.931	0
Total	7.239	0	8.432	0
			30.6.2020	31.12.2019
Interest-bearing long-term note to associate			1.479	1.708
Interest-bearing liabilities to parent company, see note 12			0 (	68.234)
Accrued interest payable to parent company, included in other payables			0 (	750)
Total			1.479	(67.276)

16. Other issues

At the annual general meeting March 20, 2020 the payment of dividends to shareholders in the amount of ISK 1,275 million (USD 9.5 million) was approved. The dividends were paid to shareholders in March 2020.

17. Financial ratios

The company's key financial ratios:

Financial performance:	1.1.-30.6.2020	1.1.-30.6.2019
EBIT	21.977	29.888
EBITDA	36.682	44.643
Financial position:	30.6.2020	31.12.2019
Current ratio – current assets/current liabilities	1,62	0,49
Equity ratio – equity/total assets	44,8%	45,9%
Return on average equity	6,8%	7,4%