

LANDSNET

Condensed
Interim Financial Statement
January 1st - June 30th 2019

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.

Profit of the period amounted to USD 19,753 thousand and the Company's equity at end of June amounted to USD 382,774 thousand.

Share capital at the end of June 2019 is divided between four shareholders:

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

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 2019, its assets, liabilities and financial position as at 30 June 2019 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 2019 and confirmed them by means of their signatures.

Reykjavík, 14 August 2019.

The Board of Directors:

Sigrún Björk Jakobsdóttir
Ómar Benediktsson
Svava Bjarnadóttir
Ólafur Rúnar Ólafsson

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 2019 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, 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.

Reykjavík, 14 August 2019.

Deloitte ehf.

Páll Grétar Steingrímsson
Certified Public Accountant

Income Statement

Income for six months ended 30 June 2019

	Notes	1.1-30.6.2019	1.1-30.6.2018
Operating revenue			
Transmission	6	72,500	75,824
Other income		867	918
		<u>73,367</u>	<u>76,742</u>
Operating expenses			
Energy procurement costs	7	12,676	14,538
Transmission costs	8	21,934	23,330
System operation	8	4,274	4,627
Other operating expenses	8	4,595	5,018
		<u>43,479</u>	<u>47,513</u>
Operating profit		29,888	29,229
Financial income		3,144	1,595
Financial expenses		(8,459)	(10,699)
Net financial expenses	9	(5,315)	(9,104)
Share in net earnings of associated company		98	67
Profit before income tax		24,671	20,192
Income tax	10	(4,918)	(3,959)
Profit for the period		<u>19,753</u>	<u>16,233</u>
Earnings per share:			
Basic and diluted earnings per each USD 1 share		0.43	0.36

Notes no. 1 to 18 are an integral part of these financial statements.

Statement of Comprehensive Income for six months ended 30 June 2019

	Notes	1.1-30.6.2019	1.1-30.6.2018
Profit		19,753	16,233
Items under total profit recognised among equity:			
Translation difference due to subsidiaries and associated companies		(448)	(140)
Total items under total profit recognised among equity		(448)	(140)
Total profit of the year		19,305	16,093

Notes no. 1 to 18 are an integral part of these financial statements.

Balance Sheet as at 30 June 2019

	Notes	30.6.2019	31.12.2018
Assets			
Fixed assets in operation	5.11	714,539	724,047
Projects under construction	11	31,713	22,573
Intangible assets	12	27,638	26,205
Investment in subsidiary and associate		6,468	6,819
Long-term note	16	835	909
Fixed assets		781,193	780,553
Inventories		6,529	5,150
Receivable from parent company	16	4,957	5,394
Trade and other receivables		14,358	16,456
Cash and cash equivalents		43,512	38,779
Current assets		69,356	65,779
Total assets		850,549	846,332
Equity			
Share capital		45,549	45,549
Statutory reserve		8,948	7,961
Restricted equity		684	586
Revaluation account		188,222	192,714
Foreign currency translation		171	619
Retained earnings		139,200	122,874
Equity		382,774	370,303
Liabilities			
Long term liabilities from parent company	13	0	68,234
Other interest bearing long-term liabilities	5.13	288,088	294,747
Deferred income tax liability	14	55,924	55,126
Deferred income		2,642	2,847
Provision due to site restoration		9,522	9,011
Long-term liabilities		356,176	429,965
Current maturities	13	86,183	23,240
Income tax payable		7,045	5,182
Trade and other payables		18,371	17,642
Short-term liabilities		111,599	46,064
Total liabilities		467,775	476,029
Total equity and liabilities		850,549	846,332

Notes no. 1 to 18 are an integral part of these financial statements.

Statement of Equity 30 June 2019

	Share capital	Statutory reserve	Restricted equity	Translation difference	Revaluation account	Retained earnings	Total
Changes in equity for six months ended 30 June 2018							
Equity at 1 January 2018.....	45,549	6,104	369	1,389	200,766	82,787	336,964
Foreign currency translation.....			(	140)		(	140)
Profit for the period.....						16,233	16,233
Total comprehensive income.....		0	0	(	140)	16,233	16,093
Transfer to statutory reserve.....		812				(	812)
Share in net earnings of associated company.....			67			(	67)
Dividend paid to shareholders.....						(	3,025)
Depreciation on revaluation recognised under retained earnings.....					(	4,510)	4,510
Equity at 30 June 2018.....	45,549	6,916	436	1,249	196,256	99,626	350,032
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

Notes no. 1 to 18 are an integral part of these financial statements.

Statement of Cash Flows for the six months ended 30 June 2019

	Notes	1.1-30.6.2019	1.1.-30.6.2018		
Cash flow from operating activities					
Operating profit		29,888	29,229		
Adjustments for:					
Profit from sales of fixed assets .....	(	1)	(	5)
Depreciation and amortisation	8	14,755	(	14,548
Working capital from operation before financial items		44,642	(	43,772
Operating assets, decrease		1,539	(	1,638
Operating liabilities, increase .....	(	144)	(	1,802
Net cash from operating activities before financial items		46,037	(	47,212
Interest income received		220	(	343
Interest expenses paid and foreign exchange difference .....	(	6,510)	(	7,799)
Taxes paid .....	(	2,257)	(	2,860)
Net cash from operating activities		<u>37,490</u>	(	<u>36,896</u>
Cash flow from investing activities					
Investment in transmission infrastructures	11	(10,684)	(14,908)
Other investments	11,12	(2,855)	(5,786)
Proceeds from sale of property, plant and equipment		182	(	15
Long-term note, change		28	(	32
Net cash used in investing activities		<u>(13,329)</u>	(	<u>20,647)</u>
Cash flow from financing activities					
Change in loans from parent company		(5,301)	(47,301)
Payments of long-term liabilities		(6,402)	(6,634)
New long-term liabilities		0	(	40,000
Dividend paid to shareholders		(6,834)	(3,025)
Net cash used in financing activities		<u>(18,537)</u>	(	<u>16,960)</u>
Net increase (decrease) in cash and cash equivalents		5,624	(	711)
Effect of exchange rate changes on cash and cash equivalents		(891)	(713)
Cash and cash equivalents at 1 January		<u>38,779</u>	(	<u>49,175</u>
Cash and cash equivalents at the end of the period		<u><u>43,512</u></u>	(	<u><u>47,751</u></u>

Notes no. 1 to 18 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, 2018. The Company's financial statements for the year 2018 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.

4. Accounting policies

The condensed interim financial statements are prepared using the same accounting policies as for the year 2018, except for IFRS 16 Leases became effective at the beginning of 2019. Reference is made to note 5 for information on the impact of the standard. Due to the method of adoption chosen comparative information for the previous year are unchanged.

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.

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 2019, changes to the standards and new interpretations.

5. IFRS 16 Leases

About IFRS 16

IFRS 16 Leases became effective on 1 January 2019 and replaced IAS 17 Leases and related interpretations.

IFRS 16 introduces one lease accounting model for the recognition of lease contracts in the statement of financial position of lessees. Therefore, the company has, as a lessee, recognised leased assets for its right to use the underlying assets and lease liabilities due to its lease payment obligations. The accounting policies applicable to the company as a lessor are similar to previous rules, i.e. a lessor recognises each lease contract as either a finance lease or an operating lease. The application of IFRS 16 has not had any effect on the company's financial statements as a lessor.

Definition of a lease contract

The company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Impacts on transition

The company has applied IFRS 16 as from 1 January 2019. The company adopted the standard using the modified retrospective approach, whereas leased assets were recognised in the same amount as lease liabilities, with no effect on equity as at 1 January 2019 and no changes made to comparative amounts for the year 2018. The impact of the standard was that leased assets and lease liabilities in the amount of USD 1.7 million were recognised in the statement of financial position as at 1 January 2019

Notes, continued:

5. IFRS 16 Leases cont.:

The company's leased assets and liabilities, as a lessee, are due to leases of buildings and premises. When calculating the amounts of leased assets and lease liabilities, lesase term of contracts was estimated well as incremental borrowing rates, since rate implicit in lease contracts could not be reliably determined.

Estimating incremental borrowing rate required management to exercise judgement. In that estimation various factors were taken into account but in particular the type of leased asset and its location and condition and lease term. Interest rate were determined as 5%.

Management also had to apply judgement in determining lease term, in particular in the case of contracts with no stated lease term and contracts which include extension and / or termination options. Lease term determined can be longer or shorter than the lease term explicitly stated in the contract. Lease terms for leases of buildings has been determined as 5-30 years and lease term for leases of premises as 50 years.

The company's lease contracts for buildings and premises were classified as operating leases until 1 Januar 2019 and therefore not recognised in the statement of financial position at year-end 2018. Upon adoption of IFRS 16 those obligations were discounted and the amount of USD 1.7 million recognised as lease liabilities in the company's statement of financial position as at 1 January 2019.

Impacts during the accounting period

Leased assets

Leased assets are initially recognised at cost in the statement of financial position on their commencement date and subsequently recognised at revalued amounts, as are similar assets owned by the company. Adjustments are made for the impact of depreciation, impairment and effect of revaluation of lease liabilities, as applicable. Leased assets are disclosed among Fixed assets in operation in the statement of financial position.

Changes in lease assets from the beginning to the end of the period are as follows:

	Buildings	Premises	Total
Carrying amount on 1 January 2019	704	1,016	1,720
Impact of revaluation of lease liabilities	11	0	11
Depreciation of the period	(38)	(10)	(48)
Carrying amount on 30 June 2019	<u>677</u>	<u>1,006</u>	<u>1,683</u>

Leased liabilities

Lease liabilities are initially recognised in the statement of financial position at commencement date of lease contracts and subsequently recognised at the present value of unpaid lease payments. Lease payments are discounted at the company's incremental borrowing rate.

Subsequent to initial recognition the carrying amount of lease liabilities increase due to interest expense but decrease due to lease payments made. Furthermore, the carrying amount is recalculated when future lease payments change due to changes in interest or rate, estimation of expected payments to be made under a residual value guarantee and changes in assessment of whether it is reasonably certain that a purchase or extension option will be exercised or a termination option not exercised. Lease payments are split into interest expense payment and payment of principal. In general, the interest element of lease payment will decrease during the lease term. Lease liabilities are disclosed with Other interest bearing long-term liabilities in the statement of financial position.

Changes in lease liabilities from the beginning to the end of the period are as follows:

Lease liabilities on 1 January 2019	1,720
Interest expense on lease obligations	40
Repayment of lease liabilities during the period	(74)
Revaluation due to indexation of lease payments	11
Exchange rate difference	(112)
Carrying amount on 30 June 2019	<u>1,585</u>

Notes, continued:

5. IFRS 16 Leases cont.:

Impact on profit or loss

Due to the recognition of lease contracts in accordance with IFRS 16 the company has recognised depreciation in the amount of USD 48 thousand, interest expense in the amount of USD 40 thousand and exchange rate difference in the amount of USD 112 thousand.

Due to application of IFRS 16, in the first quarter of 2019 EBITDA for the period is USD 60 thousand higher than it would have been under previous accounting policies.

6. Transmission revenue

	2019	2018
	1.1.-30.6.	1.1.-30.6.
Transmission revenue consist of:		
Energy transmission to power-intensive consumers	37,483	35,726
Energy transmission to distribution system operators	21,613	26,840
Transmission losses and ancillary services	12,598	12,350
Service income	285	319
Input fees	521	589
Transmission revenue total	72,500	75,824

7. Energy procurement costs

Energy procurement costs consist of:

Electricity purchases due to transmission losses	8,118	10,153
Purchase of ancillary services	4,558	4,385
Energy procurement costs total	12,676	14,538

8. Depreciation and amortisation

Depreciation and amortisation are specified as follows:

Depreciation of fixed assets in operation, see Note 11	14,327	14,259
Depreciation of leased assets in operation, see Note 11	48	0
Amortisation and impairment losses of intangible assets, see Note 12	380	289
Depreciation and amortisation recognised in the income statement	14,755	14,548

Depreciation and amortisation are allocated as follows to operating items:

Transmission costs	14,218	13,937
System operation	208	216
Other operating expenses	329	395
Depreciation and amortisation recognised in the income statement	14,755	14,548

9. Financial income and expenses

Financial income and expenses are specified as follows:

Interest income	386	337
Net gain in fair value of marketable securities	219	292
Exchange rate difference	2,539	966
Total financial income	3,144	1,595
Interest expenses	(8,163)	(10,590)
Indexation	(638)	(636)
Change in present value of the provision due to site restoration	(511)	(409)
Capitalised interest expense due to projects under construction	853	936
Total financial expenses	(8,459)	(10,699)
Net financial expenses	(5,315)	(9,104)

Notes, continued:

9. Financial income and expenses, cont.:

Capitalised financial expenses were 4.6% (30.06.18: 5.3%) of capital tied in transmission structures under construction during the year. This is the Company's average finance cost.

10. Income tax

	2019	2018
	1.1.-30.6.	1.1.-30.6.
Income tax recognised in the income statement is specified as follows:		
Deferred income tax for the period	(798)	(3,271)
Income tax payable	(4,120)	(688)
Income tax recognised in the income statement	(4,918)	(3,959)
Effective tax rate	(19.9%)	(19.6%)

11. Fixed assets in operation

Fixed assets in operation specified as follows:

	Substations	Transmission lines	Other	Total
Cost				
Balance 1.1.2018	417,097	581,322	34,656	1,033,075
Additions	4,054	2,059	4,044	10,157
Transferred from projects under construction	10,914	730	0	11,644
Sold	0	0	(189)	(189)
Balance 31.12.2018	432,065	584,111	38,511	1,054,687
Additions	3,299	385	1,364	5,048
Sold	0	0	(583)	(583)
Balance 30.6.2019	435,364	584,496	39,292	1,059,152
Depreciation				
Balance 1.1.2018	109,302	179,327	13,313	301,942
Depreciation	12,268	15,220	1,361	28,849
Sold	0	0	(151)	(151)
Balance 31.12.2018	121,570	194,547	14,523	330,640
Depreciation	6,189	7,473	713	14,375
Sold	0	0	(402)	(402)
Balance 30.6.2019	127,759	202,020	14,834	344,613
Carrying amount				
1.1.2018	307,795	401,995	21,343	731,133
31.12.2018	310,495	389,564	23,988	724,047
30.6.2019	307,605	382,476	24,458	714,539
Carrying amount without revaluation				
1.1.2018	215,543	243,287	21,343	480,173
31.12.2018	222,241	236,924	23,988	483,153
30.6.2019	221,305	233,497	24,458	479,260

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:

11. Fixed assets in operation, cont.:

Projects under construction:

	2019	2018
Cost		
Balance 1.1.	22,573	17,485
Additions	9,137	19,503
Transferred from (to) intangible assets	3 (	2,771)
Transferred to fixed assets in operation	0 (	11,644)
Balance 30.6. / 31.12.	31,713	22,573

12. Intangible assets:

Intangible assets specified as follows:

	Capitalised development cost	Software	Total
Cost			
Balance 1.1.2018	23,632	5,022	28,654
Additions	4,048	0	4,048
Transferred to projects under construction	2,771	0	2,771
Balance 31.12.2018	30,451	5,022	35,473
Additions	1,816	0	1,816
Transferred to projects under construction	(3)	0 (	3)
Balance 30.6.2019	32,264	5,022	37,286
Amortisation and impairment losses			
Balance 1.1.2018	5,194	3,280	8,474
Amortisation and impairment losses	523	271	794
Balance 31.12.2018	5,717	3,551	9,268
Amortisation and impairment losses	288	92	380
Balance 30.6.2019	6,005	3,643	9,648
Carrying amount			
1.1.2018	18,438	1,742	20,180
31.12.2018	24,734	1,471	26,205
30.6.2019	26,259	1,379	27,638

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.

	30.6.2019	31.12.2018
Long-term liabilities		
Loan from parent company in USD, fixed interest	73,535	78,836
Loan agreement and notes in USD, fixed interest	241,377	243,797
Loan agreement in CHF, LIBOR + margin	18,039	20,849
Listed indexed bond loan in NASDAQ OMX in ISK, fixed interest	39,735	42,740
	372,686	386,222
Current maturities on long-term liabilities	(86,183)	(23,240)
Interest-bearing long-term liabilities total	286,503	362,982

Interest rates on the loans range between 0% - 5%. Weighted average interest rates of the Company are 4.20% (31.12.2018: 4.15%).

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

Notes, continued:

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

Short-term liabilities

Short-term loans from parent company consists of accrued interest of USD long-term liabilities with parent company. At the end of June 2019, accrued interest amounted to USD 0.8 million (31.12.2018: USD 0.9 million).

Maturities by year of interest-bearing loans and borrowings:

1.7.2019 - 30.6.2020 / 1.1.2019 - 31.12.2019	86,183	23,240
1.7.2020 - 30.6.2021 / 1.1.2020 - 31.12.2020	12,744	80,970
1.7.2021 - 30.6.2022 / 1.1.2021 - 31.12.2021	22,851	17,840
1.7.2022 - 30.6.2023 / 1.1.2022 - 31.12.2022	6,952	14,983
1.7.2023 - 30.6.2024 / 1.1.2023 - 31.12.2023	42,077	23,121
Later	201,879	226,067
	<u>372,686</u>	<u>386,221</u>

13. Deferred tax liability

The breakdown of deferred tax liability is as follows:

	2019	2018
	1.1.-30.6.	1.1.-31.12.
Deferred tax liability at 1 January	55,126	51,090
Calculated income tax for the year	4,918	9,218
Income tax payable	(4,120)	(5,182)
Deferred tax liability at end of period	<u>55,924</u>	<u>55,126</u>

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

Fixed assets in operation	54,667	54,756
Intangible assets	2,809	2,437
Other assets	737	445
Provision due to site restoration	(1,904)	(1,802)
Other obligations	(943)	(776)
Unrealized exchange rate difference	558	66
Deferred tax liability at end of period	<u>55,924</u>	<u>55,126</u>

14. Financial instruments

Liquidity risk

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

30 June 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. ...	74,343	76,331	76,331	0	0	0
Long-term liabilities	301,308	395,496	25,648	25,446	35,150	309,252
Trade and other payables	10,609	10,609	10,609	0	0	0
	<u>386,260</u>	<u>482,436</u>	<u>112,588</u>	<u>25,446</u>	<u>35,150</u>	<u>309,252</u>

Notes, continued:

14. Financial instruments, cont.:

	Carrying amount	Contractual cash flow	Within 12 months	1-2 years	2-5 years	After 5 years
31 December 2018						
Non-derivative financial liabilities:						
Long-term liabilities from parent comp. ...	79,702	83,169	13,597	69,572	0	0
Long-term liabilities	309,586	412,072	25,889	25,696	92,263	268,225
Trade and other payables	9,351	9,351	9,351	0	0	0
	<u>398,639</u>	<u>504,592</u>	<u>48,837</u>	<u>95,268</u>	<u>92,263</u>	<u>268,225</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:

	30.6.2019		31.12.2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term liabilities from parent company	(73,535)	(74,734)	(78,836)	(80,035)
Other long-term liabilities	(299,151)	(338,413)	(307,385)	(333,829)
	<u>(372,686)</u>	<u>(413,147)</u>	<u>(386,221)</u>	<u>(413,864)</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.-30.6.2019	1.1.-30.6.2018
Sale of goods and services:		
Landsnet's parent company and its subsidiaries	32,250	32,460
Landsnet's other shareholders	17,933	29,572
Sale of goods and services to related parties total	<u>50,183</u>	<u>62,032</u>
Cost of goods and services:		
Landsnet's parent company and its subsidiaries	8,707	10,273
Landsnet's other shareholders	3,457	3,637
Cost of goods and services to related parties total	<u>12,164</u>	<u>13,910</u>

In addition to the costs outlined above, the Company paid USD 1.5 million (30.6.2018: USD 2.7 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:

	30.6.2019		31.12.2018	
	Receivables	Payables	Receivables	Payables
Landsnet's parent company and its subsidiaries	4,957	0	5,394	0
Landsnet's other shareholders	3,922	0	6,040	0
Total	8,879	0	11,434	0
			30.6.2019	31.12.2018
Interest-bearing long-term note to associate			891	968
Interest-bearing liabilities to parent company, see note 13			(73,535)	(78,836)
Accrued interest payable to parent company, included in other payables			(808)	(866)
Total			(73,452)	(78,734)

16. Other issues

At the annual general meeting at March 20, 2019 the payment of dividends to shareholders in the amount of ISK 800 million (USD 6.8 million) was approved. The dividends were paid to shareholders in April 2019.

17. Financial ratios

The company's key financial ratios:

Financial performance:	1.1.-30.6.2019	1.1.-30.6.2018
EBIT	29,888	29,229
EBITDA	44,643	43,777
	30.6.2019	31.12.2018
Financial position:		
Current ratio – current assets/current liabilities	0.62	1.43
Equity ratio – equity/total assets	45.0%	43.8%
Return on average equity	10.5%	10.5%