



Landsvirkjun

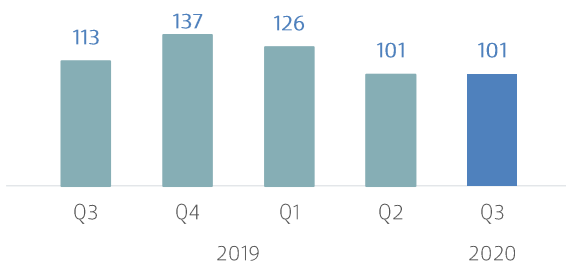
01.01.–30.09. 2020

Group Condensed Interim Financial Statements

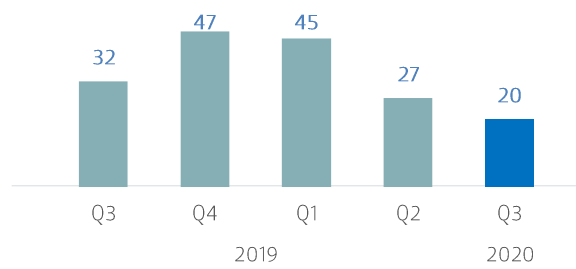


Key figures

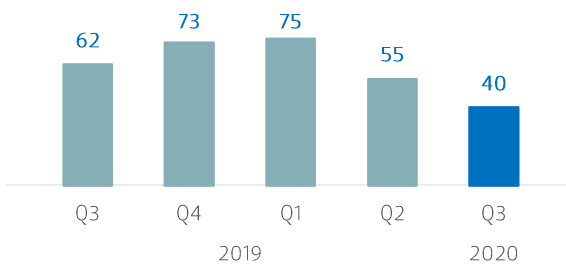
Operating revenues



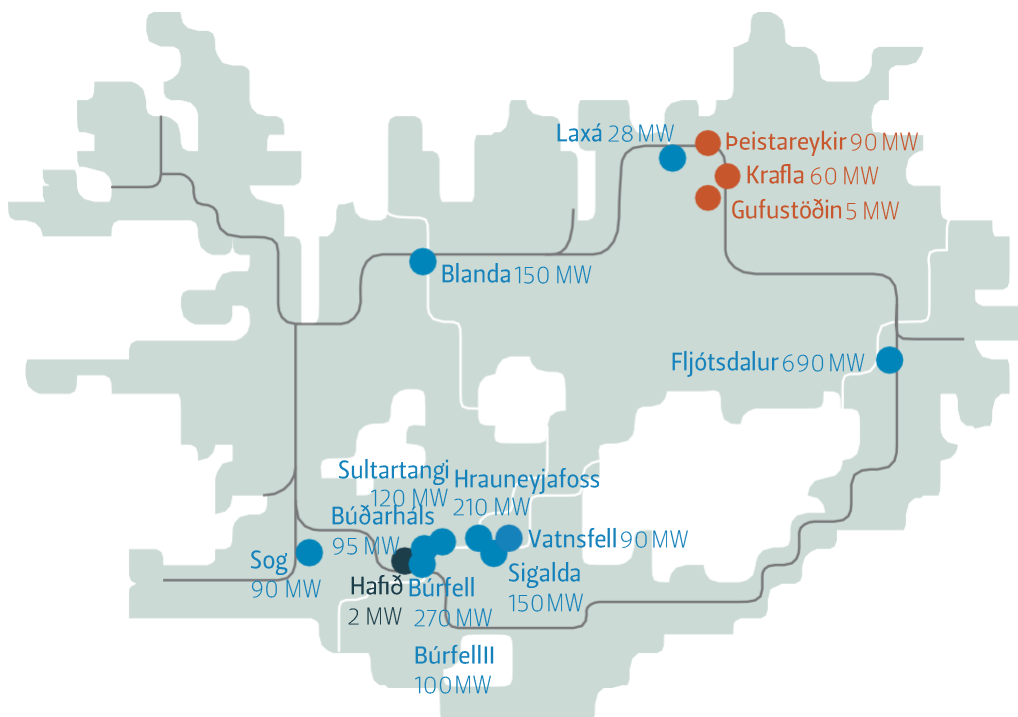
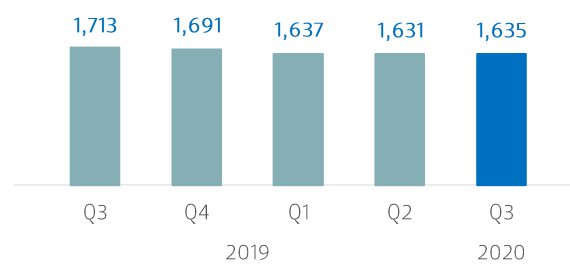
Profit before unrealised financial items



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



Contents

Key Figures, Management's Presentation of the Operation of Landsvirkjun	4
Endorsement and Statement of the Board of Directors and CEO	5
Income Statement	7
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Equity	10
Statement of Cash Flows	11
Notes	12

Key figures

Management's presentation of the operation of Landsvirkjun

Amounts are in USD thousand

	2020	2019	2018	2017	2016
	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.
Operation					
Operating revenues	323,055	365,493	403,800	351,691	303,485
Realised aluminium hedges	4,906	6,956	(4,983)	(4,361)	3,632
Total operating revenues	327,961	372,449	398,817	347,330	307,117
Operating and maintenance expenses	(92,403)	(89,737)	(107,125)	(97,762)	(81,502)
EBITDA	235,558	282,712	291,692	249,568	225,615
Depreciation and impairment loss	(95,764)	(100,800)	(93,114)	(87,070)	(87,721)
EBIT	139,794	181,912	198,578	162,498	137,894
Financial items	(47,392)	(52,852)	(65,134)	(47,664)	(49,137)
Profit before unrealised financial items	92,402	129,060	133,444	114,834	88,757
Unrealised financial items:					
Fair value changes in embedded derivatives ...	(6,384)	(7,780)	(32,762)	66,194	29,828
Fair value changes in other derivatives	(4,541)	(3,046)	17,573	(8,919)	(921)
Unrealised foreign exchange difference	7,711	16,494	14,623	(56,091)	(38,179)
	(3,214)	5,668	(566)	1,184	(9,272)
Profit before income tax	89,188	134,728	132,878	116,018	79,485
Income tax	(27,996)	(44,579)	(43,601)	(37,489)	(31,997)
Profit for the period	61,192	90,149	89,277	78,529	47,488
Balance sheet					
	30.9.2020	30.9.2019	30.9.2018	30.9.2017	30.9.2016
Total assets	4,336,657	4,336,760	4,445,981	4,441,672	4,261,610
Total equity	2,217,323	2,211,197	2,132,829	2,034,201	1,949,506
Total liabilities	2,119,334	2,125,563	2,313,152	2,407,471	2,312,104
Net debt*	1,634,720	1,712,848	1,940,009	2,038,246	1,973,757
Cash flow					
	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.
Funds from operation (FFO)	189,108	232,214	234,505	202,521	179,816
Cash flow from operating activities	169,828	222,407	222,693	200,432	172,545
Investing activities	(74,958)	(57,202)	(126,863)	(188,691)	(109,293)
Financing activities	(102,884)	(201,102)	(131,696)	(47,660)	(101,229)
Liquidity					
	30.9.2020	30.9.2019	30.9.2018	30.9.2017	30.9.2016
Cash and cash equivalents	101,063	78,952	88,867	111,176	107,183
Undrawn loans	350,000	297,017	364,492	380,219	420,942
Total liquidity	451,063	375,969	453,359	491,395	528,125
Key ratios					
Return on equity **	3.9%	5.7%	5.8%	5.0%	3.1%
Equity ratio	51.1%	51.0%	48.0%	45.8%	45.7%
Interest cover (EBITDA/net interest exp.)**	5.48x	5.39x	4.88x	5.43x	5.12x
FFO / net debt**	16.5%	18.3%	16.2%	12.7%	12.2%
FFO / interest expense**	4.33x	4.27x	3.82x	4.10x	3.89x
Net debt / EBITDA**	4.93x	4.50x	5.00x	6.26x	6.53x
Credit rating without state guarantee at the end of September					
Standard & Poor's	BBB	BBB	BBB	BBB	BBB-
Moody's	Baa1	Baa2	Baa2	Baa3	Baa3

* 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 September 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. 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 September 2020 amounted to USD 61.2 million while during the same period in 2019 the Group's profit amounted to USD 90.1 million. The change between periods amounted to USD 28.9 million. The Group's operating revenues amounted to USD 328.0 million during the period compared to USD 372.4 million during the same period in the previous year. The main changes in financial items are due to interest expense, which amounted to USD 45.7 million during the period January to September 2020 compared to the amount of USD 54.4 million during the same period in 2019 and foreign exchange difference was positive to the amount of USD 5.0 million during the period compared to USD 16.0 million during the same period in 2019. Cash flow from operations amounted to USD 169.8 million during the period compared to USD 222.4 million during the same period in the previous year. At the end of September 2020, the Group's cash and cash equivalents amounted to USD 101.1 million and undrawn loans amounted to USD 350.0 million, a total of USD 451.1 million. The Group's equity at the end of September amounted to USD 2,217.3 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 is faced with challenges in the difficult economic conditions caused by the COVID-19 pandemic. Landsvirkjun's industrial customers have benefited from special temporary trade terms. This reflects Landsvirkjun's dedication to provide support during these unusual times. The company takes an active part in the continued effort by Icelandic business and government to support the economy by undertaking various new construction-, renovation- and maintenance projects. Furthermore, the company is participating in research and development projects in the southern and northern part of Iceland in collaboration with local communities as well as speeding up projects that focus on digital development.

Market prices for Landsvirkjun's largest customers' products (e.g. aluminium and silicon metal) have been low over the past few months, in part due to, over-production and rising stock levels. Electricity sales are therefore less during the period. In addition, energy prices in foreign markets have decreased due to decreasing fossil fuel prices and lower demand caused by COVID-19. These developments have put pressure on Landsvirkjun's operating revenues which are USD 44.5 million lower for the first nine months of 2020 than for the same period of 2019.

During the current economic conditions, the company is benefiting from having systematically strengthened its financial position over the past years. Debt reduction over the past decade and the improved equity position place Landsvirkjun in a strong position to take on the difficult economic conditions which Iceland faces during these times of uncertainty.

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 September 2020 and the Group's operating results and changes in cash flow during the period from 1 January to 30 September 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 September 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 September 2020 and confirm them by means of their signatures.

Reykjavik, November 20, 2020.

The Board of Directors:

Jónas Þór Guðmundsson

Álfheiður Ingadóttir

Guðfinna Jóhanna Guðmundsdóttir

Gunnar Tryggvason

Jón Björn Hákonarson

The CEO:

Hörður Arnarson

Income Statement

	Notes	2020 1.1.-30.9.	2019 1.1.-30.9.	2020 Q3	2019 Q3
Operating revenues					
Power sales	6	261,685	300,992	79,674	90,030
Realised aluminium hedges		4,906	6,956	1,087	2,761
Transmission	6	56,004	59,224	18,166	18,490
Other income		5,366	5,277	1,934	1,450
		<u>327,961</u>	<u>372,449</u>	<u>100,861</u>	<u>112,731</u>
Operating expenses					
Energy production costs		107,373	105,217	38,016	35,389
Transmission costs		46,287	43,806	15,431	13,793
Cost of general research		6,120	11,993	2,139	4,297
Other operating expenses		28,387	29,521	8,988	8,644
		<u>188,167</u>	<u>190,537</u>	<u>64,574</u>	<u>62,123</u>
Operating profit		<u>139,794</u>	<u>181,912</u>	<u>36,287</u>	<u>50,608</u>
Financial income and (expenses)					
Interest income		1,157	2,157	154	468
Interest expenses .....	(	45,734)	(54,444)	(14,605)	(18,217)
Foreign exchange difference		4,989	16,026	(4,720)	7,629
Fair value changes in embedded derivatives .....	(	6,384)	(7,780)	13,242	(8,545)
Fair value changes in other derivatives .....	(	4,541)	(3,046)	(4,512)	385
	7	<u>(50,513)</u>	<u>(47,087)</u>	<u>(10,441)</u>	<u>(18,280)</u>
Associated companies .....	(	93)	(97)	10	(9)
Profit before income tax		<u>89,188</u>	<u>134,728</u>	<u>25,856</u>	<u>32,319</u>
Income tax .....	(	27,996)	(44,579)	(8,226)	(10,940)
Net profit for the period		<u>61,192</u>	<u>90,149</u>	<u>17,630</u>	<u>21,379</u>
Attributable to:					
Owners of the parent company		53,210	80,554	15,406	18,826
Subsidiaries minority interest		7,982	9,595	2,224	2,553
		<u>61,192</u>	<u>90,149</u>	<u>17,630</u>	<u>21,379</u>

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

Statement of Comprehensive Income

	2020	2019	2020	2019
	1.1.-30.9.	1.1.-30.9.	Q3	Q3
Net profit for the period	61,192	90,149	17,630	21,379
Items that will not be reclassified subsequently to profit or loss:				
Pension obligation after income tax, change	(1,365)	(1,524)	(456)	(492)
Demolition obligation after income tax, change	(3,888)	(1,138)	(910)	(926)
Items that may be reclassified subsequently to profit or loss:				
Translation diff. due to subs. and associated comp.	(1,930)	(1,265)	(57)	101
Total operating items moved to equity	(7,183)	(3,927)	(1,423)	(1,317)
Total Comprehensive Income for the period	<u>54,009</u>	<u>86,222</u>	<u>16,207</u>	<u>20,062</u>
Attributable to:				
Owners of the parent company	47,680	77,172	14,305	17,821
Subsidiaries minority interest	6,329	9,050	1,902	2,241
	<u>54,009</u>	<u>86,222</u>	<u>16,207</u>	<u>20,062</u>

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

Balance Sheet

Assets	Notes	30.9.2020	31.12.2019
Non-current assets			
Property, plant and equipment		3,865,789	3,945,821
Projects under construction		101,108	47,443
Development cost		135,672	133,610
Other intangible assets		48,326	48,234
Derivative financial instruments	8	4,414	6,429
Associated companies		1,277	626
Other non-current assets		640	984
Total non-current assets		<u>4,157,226</u>	<u>4,183,147</u>
Current assets			
Inventories		5,230	5,248
Accounts receivables and other receivables		70,919	74,715
Derivative financial instruments	8	2,219	8,036
Cash and cash equivalents		101,063	110,487
Total current assets		<u>179,431</u>	<u>198,486</u>
Total assets		<u><u>4,336,657</u></u>	<u><u>4,381,633</u></u>
Equity and liabilities			
Equity			
Owners' contributions		586,512	586,512
Revaluation account		148,793	155,668
Restricted reserves		56,009	47,191
Translation difference		(43,218)	(41,570)
Other equity		1,328,225	1,349,582
Equity of the owners of the parent company		<u>2,076,321</u>	<u>2,097,383</u>
Minority interest		141,002	138,016
Total equity		<u>2,217,323</u>	<u>2,235,399</u>
Long-term liabilities			
Interest bearing liabilities	9	1,475,256	1,543,288
Accrued pension liabilities		33,107	36,863
Deferred income tax liability		173,770	160,295
Lease obligation		4,942	5,675
Obligation due to demolition		17,445	12,212
Prepaid income		2,592	2,701
Derivative financial instruments	8	5,580	4,140
		<u>1,712,692</u>	<u>1,765,174</u>
Current liabilities			
Accounts payable and other payables		129,600	77,720
Interest bearing liabilities	9	260,527	258,661
Income tax payable		12,535	28,837
Derivative financial instruments	8	3,980	15,842
		<u>406,642</u>	<u>381,060</u>
Total liabilities		<u>2,119,334</u>	<u>2,146,234</u>
Total equity and liabilities		<u><u>4,336,657</u></u>	<u><u>4,381,633</u></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 September 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
Reclassification 1.1. due to demolition, note 3.....		(1,092)			1,092	0	0	0
Reclassified equity at January 1, 2019.....	586,512	162,961	32,838	(40,756)	1,290,895	2,032,450	130,606	2,163,056
Translation difference.....				(1,121)		(1,121)	(144)	(1,265)
Pension obligation, change.....					(1,524)	(1,524)	0	(1,524)
Demolition obligation, change.....		(737)				(737)	(401)	(1,138)
Net profit for the period.....					80,554	80,554	9,595	90,149
Total comprehensive income.....		(737)		(1,121)	79,030	77,172	9,050	86,222
Dividend to owners.....					(35,672)	(35,672)	(2,410)	(38,082)
Share of profit of subsidiaries and associated companies.....			12,814		(12,814)	0	0	0
Revaluation transferred to other equity.....		(4,405)			4,405	0	0	0
Equity at September 30, 2019.....	586,512	157,819	45,652	(41,877)	1,325,845	2,073,951	137,246	2,211,197
January 1 to September 30, 2020								
Equity at January 1, 2020	586,512	155,668	47,191	(41,570)	1,349,582	2,097,383	138,016	2,235,399
Translation difference.....				(1,648)		(1,648)	(282)	(1,930)
Pension obligation, change.....					(1,365)	(1,365)	0	(1,365)
Demolition obligation, change.....		(2,517)				(2,517)	(1,371)	(3,888)
Net profit for the period.....					53,210	53,210	7,982	61,192
Total comprehensive income.....		(2,517)		(1,648)	51,845	47,680	6,329	54,009
Dividend to owners.....					(68,743)	(68,743)	(3,343)	(72,086)
Share of profit of subsidiaries and associated companies.....			8,818		(8,818)	0	0	0
Revaluation transferred to other equity.....		(4,358)			4,358	0	0	0
Equity at September 30, 2020.....	586,512	148,793	56,009	(43,218)	1,328,225	2,076,321	141,002	2,217,323

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

Statement of Cash Flows

	2020	2019	2020	2019
	1.1.-30.9.	1.1.-30.9.	Q3	Q3
Operating activities				
Operating profit	139,794	181,912	36,287	50,608
Depreciation and impairment loss	95,764	100,800	31,916	33,400
Pension obligation, change	(1,293)	(1,338)	(433)	(422)
Other changes	(667)	(45)	(668)	(29)
Working capital from operations before financial items	233,598	281,329	67,102	83,557
Operating assets, change	6,711	13,247	(6,282)	6,795
Operating liabilities, change	(4,823)	(5,631)	4,189	(5,299)
Cash flow from operating activities before fin. items	235,486	288,945	65,009	85,053
Interest income received	798	1,602	129	261
Interest expenses and foreign exchange diff. paid	(55,017)	(57,246)	(21,305)	(18,942)
Taxes paid	(11,439)	(10,894)	(3,659)	(3,857)
Cash flow from operating activities	<u>169,828</u>	<u>222,407</u>	<u>40,174</u>	<u>62,515</u>
Investing activities				
Power stations in operation	(12,866)	(23,446)	(4,341)	(6,916)
Transmission	(56,798)	(26,500)	(28,454)	(15,816)
Power plant preparation cost	(1,127)	(1,515)	(284)	(707)
Purchased shares	(499)	0	(499)	0
Other investments	(3,842)	(6,039)	(1,338)	(1,561)
Assets sold	174	298	159	53
Investing activities	<u>(74,958)</u>	<u>(57,202)</u>	<u>(34,757)</u>	<u>(24,947)</u>
Financing activities				
Dividend paid to owners	(24,641)	(14,485)	0	0
New loans	179,524	0	0	0
Currency swaps	(41,175)	(169)	0	(825)
Amortisation of long-term debt	(216,592)	(186,448)	(10,298)	(34,489)
Financing activities	<u>(102,884)</u>	<u>(201,102)</u>	<u>(10,298)</u>	<u>(35,314)</u>
Change in cash and cash equivalents	(8,014)	(35,897)	(4,881)	2,254
Effect of exchange difference on cash and cash equiv. ..	(1,410)	(1,429)	421	151
Cash and cash equivalents at the beginning of the year	<u>110,487</u>	<u>116,278</u>	<u>105,523</u>	<u>76,547</u>
Cash and cash equivalents at the end of the period	<u>101,063</u>	<u>78,952</u>	<u>101,063</u>	<u>78,952</u>
Financing and investing activities not affecting cash flow:				
Sold shares	0	10,488	0	0
Dividend paid to owners	0	(10,488)	0	0

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, Reykjavík, 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 Group has made changes to its accounting treatment with regards to changes in the obligation due to demolition cost in the transmission grid. IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities provides guidance on accounting treatment of the change in the estimation of the obligation due to demolition. The Group has recognised obligation due to demolition of assets measured using the revaluation model and should, according to the interpretations, account for changes in the liability which arise from components other than timing of the discount effect on the revaluation account within equity. Changes in the timing of the discount effect are accounted for in financial items. Because of these changes there is a restatement between the revaluation account in equity and the other equity of the parent company amounting to USD 1.1 million at the beginning of 2019, but total equity does not change. There is also a reclassification between the income statement and other comprehensive income of USD 1.1 million in the comparative figures for the same period of 2019. The effects of the changes can be seen in the statement of equity, income statement and statement of comprehensive income. The comparative numbers for the appropriate items have been changed.

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.-30.9.2020	Electricity production	Electricity transmission	Other segments	Adjustments	Total
Income from third party	270,626	56,424	911		327,961
Income within the Group	8,065	38,834	2,793	(49,692)	0
Segment income	278,691	95,258	3,704	(49,692)	327,961
Segment operating expenses	(100,091)	(39,427)	(2,577)	49,692	(92,403)
EBITDA	178,600	55,831	1,127		235,558
Depreciation and impairment loss	(73,410)	(22,046)	(612)	304	(95,764)
Segment earnings, EBIT	105,190	33,785	515	304	139,794
Segment assets 30.9.2020	3,731,860	875,891	18,787	(291,158)	4,335,380
Shares in associated companies	233	5,634	1,044	(5,634)	1,277
Total assets 30.9.2020	3,732,093	881,525	19,831	(296,792)	4,336,657
Segment liabilities 30.9.2020	1,640,169	481,747	5,096	(7,678)	2,119,334
Total liabilities 30.9.2020	1,640,169	481,747	5,096	(7,678)	2,119,334

Operating segments 1.1.-30.9.2019

Income from third party	311,570	59,789	1,090		372,449
Income within the Group	11,933	45,686	3,194	(60,813)	0
Segment income	323,503	105,475	4,284	(60,813)	372,449
Segment operating expenses	(106,404)	(41,187)	(2,959)	60,813	(89,737)
EBITDA	217,099	64,288	1,325		282,712
Depreciation and impairment loss	(78,241)	(22,132)	(736)	309	(100,800)
Segment earnings, EBIT	138,858	42,156	589	309	181,912
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.-30.9.	1.1.-30.9.
Electricity sales are specified as follows:		
Retail sales companies	43,033	54,617
Power intensive users	218,652	246,375
Power sales total	261,685	300,992
Revenues from transmission are specified as follows:		
Transmission	48,864	51,452
Transmission losses, grid service and other transmission revenues	7,140	7,772
Transmission total	56,004	59,224

Notes, contd.:

7. Financial income and (expenses)	2020	2019
Financial income and (expenses) are specified as follows:	1.1.-30.9.	1.1.-30.9.
Interest income	1,157	2,157
Interest expense	(45,674)	(52,408)
Guarantee fee	(1,561)	(2,176)
Indexation	(875)	(816)
Capitalised finance cost	2,749	1,328
The effect of the timing of the discount effect of demolition obligation	(373)	(372)
Total interest expense	(45,734)	(54,444)
Realised foreign exchange difference	(2,721)	(468)
Unrealised foreign exchange difference	7,710	16,494
Total foreign exchange difference	4,989	16,026
Fair value changes in embedded derivatives	(6,384)	(7,780)
Fair value changes in other derivatives	(4,541)	(3,046)
Financial income and (expenses)	(50,513)	(47,087)

8. Derivative financial instruments in the balance sheet

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

	30.09.2020	31.12.2019
Assets:		
Embedded derivatives in electricity agreements	0	5,575
Commodity hedges	3,370	3,656
Currency swaps	3,263	5,234
	6,633	14,465
Derivative financial instruments are divided as follows:		
Long-term component of derivative agreements	4,414	6,429
Short-term component of derivative agreements	2,219	8,036
	6,633	14,465
Liabilities:		
Embedded derivatives in electricity agreements	3,674	2,864
Commodity hedges	2,962	1,290
Currency swaps	2,924	15,828
	9,560	19,982
Derivative financial instruments are divided as follows:		
Long-term component of derivative agreements	5,580	4,140
Short-term component of derivative agreements	3,980	15,842
	9,560	19,982

Notes, contd.:

9. Liabilities

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

	Maturity date	30.09.2020		31.12.2019	
		Average interest	Remaining balance	Average interest	Remaining balance
Liabilities in ISK	2020-2034	5.0%	35,344	3.7%	268,797
Liabilities in CHF	2020-2022	0.0%	9,526	0.0%	15,141
Liabilities in EUR	2024-2026	0.0%	269,189	0.0%	257,879
Liabilities in USD	2020-2035	3.5%	1,421,724	3.8%	1,260,132
			<u>1,735,783</u>		<u>1,801,949</u>
Current maturities of long-term debt			(260,527)		(258,661)
Total long-term debt			<u>1,475,256</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 3.3%, taking into account the state guarantee fee (2019:3.6%).

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

	30.09.2020
1.10.2020-30.9.2021	260,527
1.10.2021-31.12.2021	9,777
2022	113,412
2023	245,427
2024	147,228
2025	189,692
Later	769,720
	<u>1,735,783</u>

10. Comparison of fair value and book value

	30.09.2020		31.12.2019	
	Book value	Fair value	Book value	Fair value
Interest bearing long term liabilities	1,735,783	1,980,301	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:

	30.09.2020	31.12.2019
Interest bearing liabilities in ISK	-1.5 - 0.0%	0.8 - 1.2%
Interest bearing liabilities other than in ISK	-0.7 - 1.0%	-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
30.09.2020			
Embedded derivatives .....	(	3,674)	(3,674)
Other derivatives	747	0	747
Revaluation of property, plant and equipment		221,503	221,503
Shares in other companies		513	513
	<u>747</u>	<u>218,342</u>	<u>219,089</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 on Landsvirkjun's operations

As stated in the Endorsement and Statement of Board of Directors and CEO, Landsvirkjun is faced with challenges in the difficult economic conditions caused by the COVID-19 pandemic. Landsvirkjun's industrial customers have benefited from special temporary trade terms. This reflects Landsvirkjun's dedication to provide support during these unusual times. The company takes an active part in the continued effort by Icelandic business and government to support the economy by undertaking various new construction-, renovation- and maintenance projects. Furthermore, the company is participating in research and development projects in the southern and northern part of Iceland in collaboration with local communities as well as speeding up projects that focus on digital development.

Market prices for Landsvirkjun's largest customers' products (e.g. aluminium and silicon metal) have been low over the past few months, in part due to, over-production and rising stock levels. Electricity sales are therefore less during the period. In addition, energy prices in foreign markets have decreased due to decreasing fossil fuel prices and lower demand caused by COVID-19. These developments have put pressure on Landsvirkjun's operating revenues which are USD 44.5 million lower for the first nine months of 2020 than for the same period of 2019.

During the current economic conditions, the company is benefitting from having systematically strengthened its financial position over the past years. Debt reduction over the past decade and the improved equity position place Landsvirkjun in a strong position to take on the difficult economic conditions which Iceland faces during these times of uncertainty.

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.