

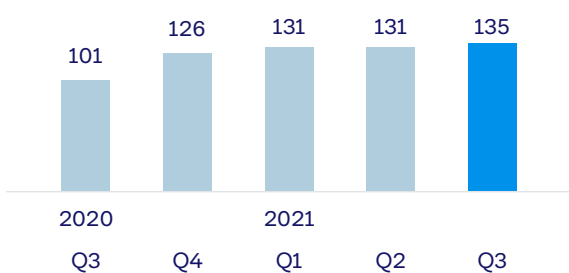
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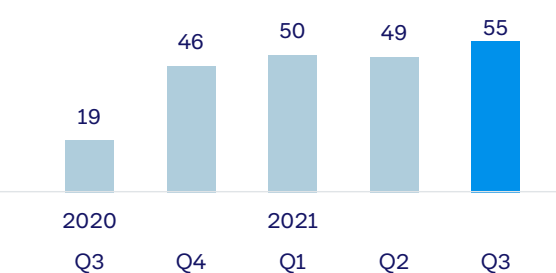


# Key figures

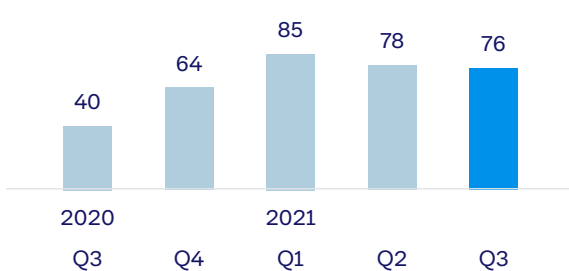
Operating revenues



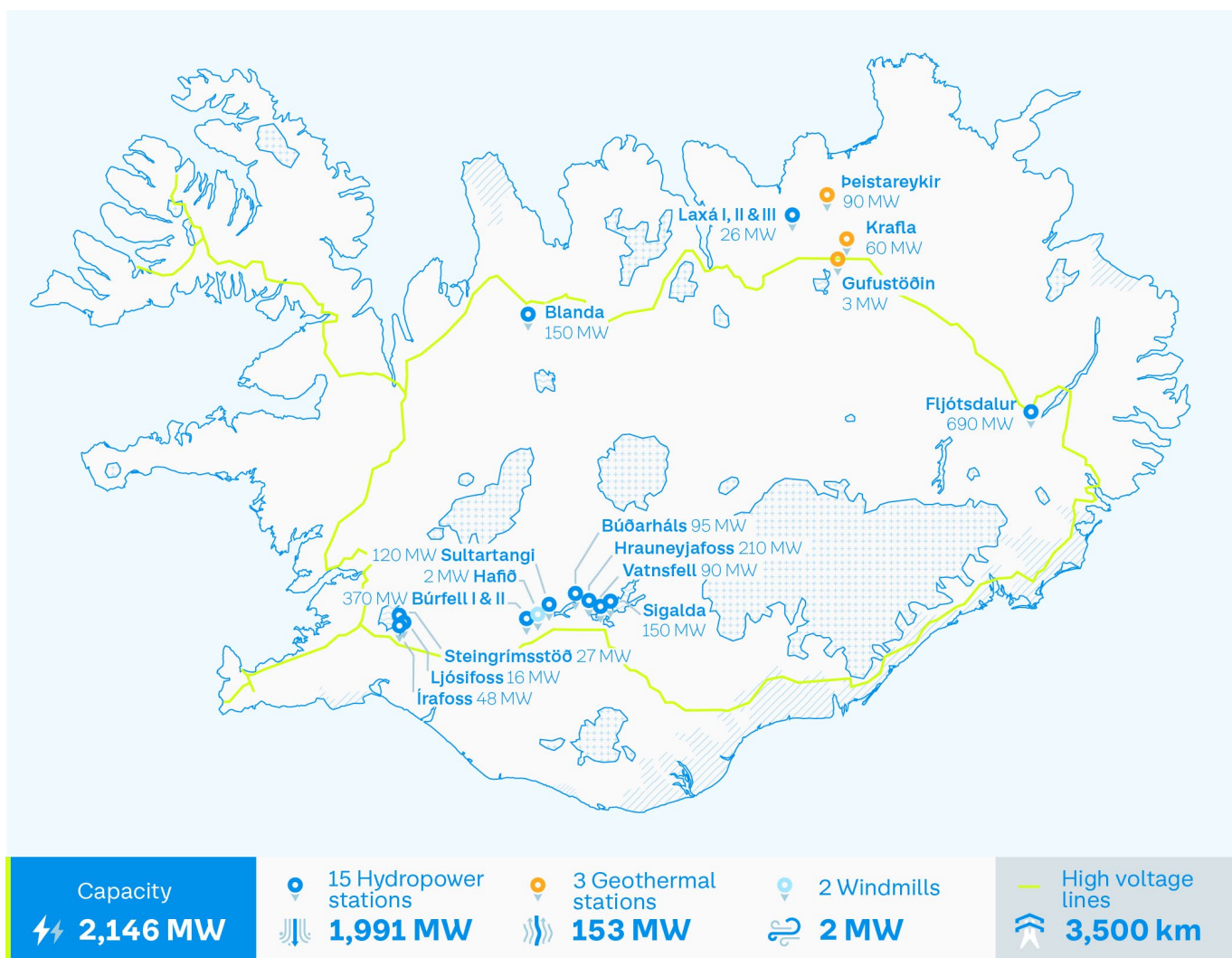
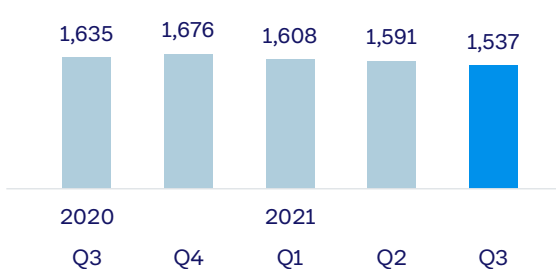
Profit before unrealised financial items



Cash flow from operating activities



Net debt



## Key figures

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

Amounts are in USD thousand

	2021	2020	2019	2018	2017
	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.
<b>Operation</b>					
Operating revenues .....	430,504	323,055	365,493	403,800	351,691
Realised hedges .....	( 33,592)	4,906	6,956	( 4,983)	( 4,361)
<b>Total operating revenues .....</b>	<b>396,912</b>	<b>327,961</b>	<b>372,449</b>	<b>398,817</b>	<b>347,330</b>
Operating and maintenance expenses .....	( 97,609)	( 92,403)	( 89,737)	( 107,125)	( 97,762)
<b>EBITDA .....</b>	<b>299,303</b>	<b>235,558</b>	<b>282,712</b>	<b>291,692</b>	<b>249,568</b>
Depreciation and impairment loss .....	( 103,891)	( 95,764)	( 100,800)	( 93,114)	( 87,070)
<b>EBIT .....</b>	<b>195,412</b>	<b>139,794</b>	<b>181,912</b>	<b>198,578</b>	<b>162,498</b>
Financial items .....	( 41,466)	( 47,392)	( 52,852)	( 65,134)	( 47,664)
<b>Profit before unrealised financial items ....</b>	<b>153,946</b>	<b>92,402</b>	<b>129,060</b>	<b>133,444</b>	<b>114,834</b>
<b>Unrealised financial items:</b>					
Fair value changes in embedd. derivatives ....	49,242	( 6,384)	( 7,780)	( 32,762)	66,194
Fair value changes in other derivatives .....	( 58,987)	( 4,541)	( 3,046)	17,573	( 8,919)
Unrealised foreign exchange difference .....	9,365	7,711	16,494	14,623	( 56,091)
	( 380)	( 3,214)	5,668	( 566)	1,184
<b>Profit before income tax .....</b>	<b>153,566</b>	<b>89,188</b>	<b>134,728</b>	<b>132,878</b>	<b>116,018</b>
Income tax .....	( 51,014)	( 27,996)	( 44,579)	( 43,601)	( 37,489)
<b>Profit for the period .....</b>	<b>102,552</b>	<b>61,192</b>	<b>90,149</b>	<b>89,277</b>	<b>78,529</b>
<b>Balance sheet</b>					
	<b>30.9.2021</b>	<b>30.9.2020</b>	<b>30.9.2019</b>	<b>30.9.2018</b>	<b>30.9.2017</b>
Total assets .....	4,453,863	4,336,657	4,336,760	4,445,981	4,441,672
Total equity .....	2,281,433	2,217,323	2,211,197	2,132,829	2,034,201
Total liabilities .....	2,172,430	2,119,334	2,125,563	2,313,152	2,407,471
Net debt* .....	1,537,433	1,634,720	1,712,848	1,940,009	2,038,246
<b>Cash flow</b>					
	<b>1.1.-30.9.</b>	<b>1.1.-30.9.</b>	<b>1.1.-30.9.</b>	<b>1.1.-30.9.</b>	<b>1.1.-30.9.</b>
Funds from operation (FFO) .....	257,776	189,108	232,214	234,505	202,521
Cash flow from operating activities .....	239,064	169,828	222,407	222,693	200,432
Investing activities .....	( 86,035)	( 74,958)	( 57,202)	( 126,863)	( 188,691)
Financing activities .....	( 96,392)	( 102,884)	( 201,102)	( 131,696)	( 47,660)
<b>Liquidity</b>					
	<b>30.9.2021</b>	<b>30.9.2020</b>	<b>30.9.2019</b>	<b>30.9.2018</b>	<b>30.9.2017</b>
Cash and cash equivalents .....	148,821	101,063	78,952	88,867	111,176
Undrawn loans .....	190,000	350,000	297,017	364,492	380,219
Total liquidity .....	338,821	451,063	375,969	453,359	491,395
<b>Key ratios</b>					
Return on equity ** .....	5.4%	3.9%	5.7%	5.8%	5.0%
Equity ratio .....	51.2%	51.1%	51.0%	48.0%	45.8%
Interest cover (EBITDA/net interest exp)** ....	7.18x	5.48x	5.39x	4.88x	5.43x
FFO / net debt** .....	21.8%	16.5%	18.3%	16.2%	12.7%
FFO / interest expense** .....	6.10x	4.33x	4.27x	3.82x	4.10x
Net debt / EBITDA** .....	3.94x	4.93x	4.50x	5.00x	6.26x
<b>Credit rating without state guarantee at the end of September</b>					
Standard & Poor's .....	BBB+	BBB	BBB	BBB	BBB
Moody's .....	Baa1	Baa1	Baa2	Baa2	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

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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 1 January to 30 September 2021 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 2021 amounted to USD 102.6 million while during the same period in 2020 the Group's profit amounted to USD 61.2 million. The change between periods is USD 41.4 million. The Group's operating revenues amounted to USD 396.9 million during the period compared to USD 328.0 million during the same period in the previous year. The increase is mainly due to the increase in the global market price of aluminium and electricity price on the Nord Pool power market. The fair value change of derivatives was negative and amounted to USD 9.7 million during the period January to September 2021 compared to a negative difference of USD 10.9 million during the same period in the previous year. The currency exchange difference was positive and amounted to USD 9.3 million compared to a positive difference in the amount of USD 5.0 million during the same period in 2020. Cash flow from operations amounted to USD 239.1 million during the period compared to USD 169.8 million during the same period in the previous year. At the end of September 2021, the Group's cash and cash equivalents amounted to USD 148.8 million and undrawn loans amounted to USD 190.0 million, a total of USD 338.8 million. The Group's equity at the end of September amounted to USD 2,281.4 million according to the balance sheet compared to USD 2,235.1 million at year end 2020.

### Effects of the COVID-19 pandemic on Landsvirkjun's operations and other risk factors

Although the effect of COVID-19 was insignificant during the period, the pandemic is not over and it is unclear how it will develop. There is no indication of a material negative impact. Reference is made to the consolidated financial statements of the Group for the year 2020 with regard to other risk factors.

### 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 2021 and the Group's operating results and changes in cash flow during the period from January to September 2021.

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 2021 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 30 September 2021 and confirm them by means of their signatures.

Reykjavik, November 19, 2021.

The Board of Directors:  
Jónas Þór Guðmundsson  
Álfheiður Ingadóttir  
Gunnar Tryggvason  
Hákon Hákonarson  
Jón Björn Hákonarson

The CEO:  
Hörður Arnarson

# Income Statement

	Notes	2021	2020	2021	2020
		1.1.-30.9.	1.1.-30.9.	Q3*	Q3*
<b>Operating revenues</b>					
Power sales .....	6	359,351	261,685	131,094	79,674
Realised hedges .....	(	33,592)	4,906	( 18,572)	1,087
Transmission .....	6	63,908	56,004	21,076	18,166
Other income .....		7,245	5,366	1,351	1,934
		<u>396,912</u>	<u>327,961</u>	<u>134,949</u>	<u>100,861</u>
<b>Operating expenses</b>					
Energy generation costs .....		110,004	107,373	37,262	38,016
Transmission costs .....		45,493	46,287	14,259	15,431
Cost of general research .....		13,886	6,120	5,037	2,139
Other operating expenses .....		32,117	28,387	10,073	8,988
		<u>201,500</u>	<u>188,167</u>	<u>66,631</u>	<u>64,574</u>
<b>Operating profit.....</b>		<u>195,412</u>	<u>139,794</u>	<u>68,318</u>	<u>36,287</u>
<b>Financial income and (expenses)</b>					
Interest income .....		476	1,157	158	154
Interest expenses .....	(	41,691)	( 45,734)	( 13,822)	( 14,605)
Foreign exchange difference .....		9,281	4,989	8,508	( 4,720)
Fair value changes in embedded derivatives .....		49,242	( 6,384)	27,842	13,242
Fair value changes in other derivatives .....	(	58,987)	( 4,541)	( 20,116)	( 4,512)
	7	<u>( 41,679)</u>	<u>( 50,513)</u>	<u>2,570</u>	<u>( 10,441)</u>
Associated companies .....	(	167)	( 93)	( 85)	10
<b>Profit before income tax.....</b>		<u>153,566</u>	<u>89,188</u>	<u>70,803</u>	<u>25,856</u>
Income tax .....	(	51,014)	( 27,996)	( 23,352)	( 8,226)
<b>Net profit for the period.....</b>		<u>102,552</u>	<u>61,192</u>	<u>47,451</u>	<u>17,630</u>
<b>Attributable to:</b>					
Owners of the parent company .....		93,014	53,210	43,722	15,406
Subsidiaries minority interest .....		9,538	7,982	3,729	2,224
		<u>102,552</u>	<u>61,192</u>	<u>47,451</u>	<u>17,630</u>

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

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

## Statement of Comprehensive Income

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>1.1.-30.9.</b>	<b>1.1.-30.9.</b>	<b>Q3*</b>	<b>Q3*</b>
<b>Profit for the period</b> .....	102,552	61,192	47,451	17,630
<b>Items transferred to equity that will not be reclassified subsequently to profit or loss:</b>				
Pension obligation after income tax, change .....	( 2,827)	( 1,365)	( 941)	( 456)
Demolition obligation after income tax, change .....	1,697	( 3,888)	1,033	( 910)
<b>Items transferred to equity that may be reclassified subsequently to profit or loss:</b>				
Transl. diff. due to subsid. and assoc. companies .....	( 262)	( 1,930)	( 734)	( 57)
Total operating items moved to equity	( 1,392)	( 7,183)	( 642)	( 1,423)
<b>Total Comprehensive Income for the period ..</b>	<u>101,160</u>	<u>54,009</u>	<u>46,809</u>	<u>16,207</u>
<b>Attributable to:</b>				
Owners of the parent company .....	90,914	47,680	42,831	14,305
Subsidiaries minority interest .....	10,246	6,329	3,978	1,902
	<u>101,160</u>	<u>54,009</u>	<u>46,809</u>	<u>16,207</u>

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

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

# Balance Sheet

<b>Assets</b>	<b>Notes</b>	<b>30.09.2021</b>	<b>31.12.2020</b>
<b>Non-current assets</b>			
Property, plant and equipment .....		3,885,331	3,855,644
Projects under construction .....		72,632	121,374
Development cost .....		131,480	136,412
Other intangible assets .....		49,314	48,590
Derivative financial instruments .....	8	49,185	14,931
Associated companies .....		2,051	1,901
Deferred tax asset .....		32	4
Other non-current assets .....		565	723
Total non-current assets		<u>4,190,590</u>	<u>4,179,579</u>
<b>Current assets</b>			
Inventories .....		5,917	5,553
Accounts receivables and other receivables .....		80,367	69,344
Derivative financial instruments .....	8	28,168	1,905
Cash and cash equivalents .....		148,821	91,963
Total current assets		<u>263,273</u>	<u>168,765</u>
<b>Total assets</b>		<u><u>4,453,863</u></u>	<u><u>4,348,344</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Owners' contributions .....		586,512	586,512
Revaluation account .....		143,945	147,161
Restricted reserves .....		68,023	59,178
Translation difference .....		( 42,603)	( 42,232)
Other equity .....		1,377,383	1,341,726
Equity of the owners of the parent company		<u>2,133,260</u>	<u>2,092,345</u>
Minority interest .....		148,173	142,790
Total equity		<u>2,281,433</u>	<u>2,235,135</u>
<b>Long-term liabilities</b>			
Interest bearing liabilities .....	9	1,558,649	1,531,715
Accrued pension liabilities .....		38,509	36,597
Deferred income tax liability .....		201,037	173,513
Lease obligation .....		5,917	6,091
Obligation due to demolition .....		16,477	17,727
Prepaid income .....		2,446	2,555
Derivative financial instruments .....	8	27,857	5,408
		<u>1,850,892</u>	<u>1,773,606</u>
<b>Current liabilities</b>			
Accounts payable and other payables .....		107,065	71,072
Interest bearing liabilities .....	9	127,605	236,052
Income tax payable .....		22,200	24,618
Derivative financial instruments .....	8	64,668	7,861
		<u>321,538</u>	<u>339,603</u>
Total liabilities		<u>2,172,430</u>	<u>2,113,209</u>
<b>Total equity and liabilities</b>		<u><u>4,453,863</u></u>	<u><u>4,348,344</u></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>1 January to 30 September, 2020</b>								
Equity at 1 January, 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)
Demolition obligation, change.....		( 2,517)				( 2,517)	( 1,371)	( 3,888)
Pension obligation, change.....					( 1,365)	( 1,365)	0	( 1,365)
Profit for the period.....					53,210	53,210	7,982	61,192
Total comprehensive profit.....		( 2,517)		( 1,648)	51,845	47,680	6,329	54,009
Dividend.....					( 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 30 September, 2020.....	586,512	148,793	56,009	( 43,218)	1,328,225	2,076,321	141,002	2,217,323
<b>1 January to 30 September, 2021</b>								
Equity at 1 January, 2021 .....	586,512	147,161	59,178	( 42,232)	1,341,726	2,092,345	142,790	2,235,135
Translation difference.....				( 371)		( 371)	109	( 262)
Demolition obligation, change.....		1,098				1,098	599	1,697
Pension obligation, change.....					( 2,827)	( 2,827)	0	( 2,827)
Profit for the period.....					93,014	93,014	9,538	102,552
Total comprehensive profit.....		1,098		( 371)	90,187	90,914	10,246	101,160
Dividend.....					( 50,000)	( 50,000)	( 4,863)	( 54,863)
Share of profit of subsidiaries and associated companies.....			8,845		( 8,845)	0	0	0
Revaluation transferred to other equity.....		( 4,314)			4,314	0	0	0
Equity at 30 September, 2021.....	586,512	143,945	68,023	( 42,603)	1,377,383	2,133,260	148,173	2,281,433

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

## Statement of Cash Flows

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>1.1.-30.9.</b>	<b>1.1.-30.9.</b>	<b>Q3*</b>	<b>Q3*</b>
<b>Operating activities</b>				
Operating profit .....	195,412	139,794	68,318	36,287
Depreciation and impairment loss .....	103,891	95,764	34,984	31,916
Pension obligation, change .....	( 1,624)	( 1,293)	( 552)	( 433)
Other changes .....	( 969)	( 667)	( 24)	( 668)
Working capital from op. before fin. items	296,710	233,598	102,726	67,102
Operating assets, change .....	( 11,635)	6,711	( 10,628)	( 6,282)
Operating liabilities, change .....	15,563	( 4,823)	5,913	4,189
Cash flow from operating act. bef. fin. items	300,638	235,486	98,011	65,009
Interest income received .....	409	798	104	129
Interest exp. and foreign exch. diff. paid .....	( 43,346)	( 55,017)	( 15,845)	( 21,305)
Taxes paid .....	( 18,637)	( 11,439)	( 6,746)	( 3,659)
Cash flow from operating activities	<u>239,064</u>	<u>169,828</u>	<u>75,524</u>	<u>40,174</u>
<b>Investing activities</b>				
Power stations in operation .....	( 16,073)	( 12,866)	( 5,086)	( 4,341)
Transmission .....	( 65,115)	( 56,798)	( 22,250)	( 28,454)
Power plant preparation cost .....	( 872)	( 1,127)	( 160)	( 284)
Purchased shares .....	( 308)	( 499)	( 3)	( 499)
Other investments .....	( 5,101)	( 3,842)	( 1,752)	( 1,338)
Assets sold .....	1,434	174	24	159
Investing activities	<u>( 86,035)</u>	<u>( 74,958)</u>	<u>( 29,227)</u>	<u>( 34,757)</u>
<b>Financing activities</b>				
Dividend paid to owners .....	( 29,862)	( 24,641)	0	0
New loans .....	179,910	179,524	0	0
Currency swaps .....	0	( 41,175)	0	0
Amortisation of long-term debt .....	( 246,440)	( 216,592)	( 85,700)	( 10,298)
Financing activities	<u>( 96,392)</u>	<u>( 102,884)</u>	<u>( 85,700)</u>	<u>( 10,298)</u>
<b>Change in cash and cash equivalents .....</b>	<b>56,637</b>	<b>( 8,014)</b>	<b>( 39,403)</b>	<b>( 4,881)</b>
<b>Effect of exchange diff.on cash and cash equiv ....</b>	<b>221</b>	<b>( 1,410)</b>	<b>( 1,188)</b>	<b>421</b>
<b>Cash and cash equiv. at the beginning of the year</b>	<u>91,963</u>	<u>110,487</u>	<u>189,412</u>	<u>105,523</u>
<b>Cash and cash equiv. at the end of the period .....</b>	<u><u>148,821</u></u>	<u><u>101,063</u></u>	<u><u>148,821</u></u>	<u><u>101,063</u></u>

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

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

# Notes

## 1. Reporting entity

Landsvirkjun is a partnership which operates in Iceland and has its headquarters in Háaleitisbraut 68, Reykjavik, Iceland. Landsvirkjun operates according to the Act on Landsvirkjun no. 42/1983. The Company's main objective is to engage in operations in the energy sector. The interim financial statements include the consolidated financial statements of the Company and its subsidiaries.

## 2. Statement of IFRS compliance

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the EU and additional requirements in the Icelandic Financial Statement Act. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December, 2020.

## 3. Significant accounting policies

The interim financial statements are prepared using the same accounting policies as for the year 2020 except that the Group has adopted new International Accounting Standards, as adopted by the EU, for the accounting period beginning 1 January, 2021, 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 the 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 2020 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.

## 5. Segment information

<b>Operating segments 1.1.-30.9.2021</b>	<b>Electricity generation</b>	<b>Electricity transmission</b>	<b>Other segments</b>	<b>Adjustments</b>	<b>Total</b>
Income from third party .....	331,348	64,506	1,058		396,912
Income within the Group .....	12,561	44,628	2,702	( 59,891)	0
Segment income .....	343,909	109,134	3,760	( 59,891)	396,912
Segment operating expenses .....	( 111,560)	( 43,404)	( 2,536)	59,891	( 97,609)
EBITDA .....	232,349	65,730	1,224		299,303
Depreciation and impairm. loss ....	( 80,690)	( 22,800)	( 713)	312	( 103,891)
Segment earnings, EBIT .....	151,659	42,930	511	312	195,412

## Notes, contd.:

### 5. Segment information contd.:

	Electricity generation	Electricity transmission	Other segments	Adjustments	Total
Segment assets 30.9.2021 .....	3,791,432	943,334	20,120	( 303,074)	4,451,812
Shares in assoc. companies .....	314	5,431	1,737	( 5,431)	2,051
Total assets 30.9.2021 .....	<u>3,791,746</u>	<u>948,765</u>	<u>21,857</u>	<u>( 308,505)</u>	<u>4,453,863</u>
Segment liabilities 30.9.2021 .....	1,642,847	529,096	7,515	( 7,028)	2,172,430
Total liabilities 30.9.2021 .....	<u>1,642,847</u>	<u>529,096</u>	<u>7,515</u>	<u>( 7,028)</u>	<u>2,172,430</u>

### Operating segments 1.1.-30.9.2020

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 impairm. loss ....	( 73,410)	( 22,046)	( 612)	304	( 95,764)
Segment earnings, EBIT .....	<u>105,190</u>	<u>33,785</u>	<u>515</u>	<u>304</u>	<u>139,794</u>
Segment assets 31.12.2020 .....	3,716,194	906,025	20,392	( 296,168)	4,346,443
Shares in assoc. companies .....	249	5,413	1,652	( 5,413)	1,901
Total assets 31.12.2020 .....	<u>3,716,443</u>	<u>911,438</u>	<u>22,044</u>	<u>( 301,581)</u>	<u>4,348,344</u>
Segment liabilities 31.12.2020 .....	1,608,488	506,589	7,489	( 9,357)	2,113,209
Total liabilities 31.12.2020 .....	<u>1,608,488</u>	<u>506,589</u>	<u>7,489</u>	<u>( 9,357)</u>	<u>2,113,209</u>

### 6. Operating revenues

	2021 1.1.-30.9.	2020 1.1.-30.9.
Power sales are specified as follows:		
Retail sales companies .....	40,799	43,033
Power intensive users .....	318,552	218,652
Power sales total .....	<u>359,351</u>	<u>261,685</u>
Revenues from transmission are specified as follows:		
Transmission .....	56,159	48,864
Transmission losses, grid service and other transmission revenues .....	7,749	7,140
Transmission total .....	<u>63,908</u>	<u>56,004</u>

## Notes, contd.:

<b>7. Financial income and (expenses)</b>	<b>2021</b>	<b>2020</b>
Financial income and (expenses) are specified as follows:	1.1.-30.9.	1.1.-30.9.
Interest income .....	476	1,157
Interest expense .....	( 43,504)	( 45,674)
Guarantee fee .....	( 1,198)	( 1,561)
Indexation .....	( 1,322)	( 875)
The effect of the present value of demolition obligation .....	( 399)	( 373)
Capitalised finance cost .....	4,732	2,749
Total interest expense .....	( 41,691)	( 45,734)
Realised foreign exchange difference .....	( 84)	( 2,721)
Unrealised foreign exchange difference .....	9,365	7,710
Total foreign exchange difference .....	9,281	4,989
Fair value changes in embedded derivatives .....	49,242	( 6,384)
Fair value changes in other derivatives .....	( 58,987)	( 4,541)
Financial income and (expenses)	( 41,679)	( 50,513)

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

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

	<b>30.09.2021</b>	<b>31.12.2020</b>
<b>Assets:</b>		
Embedded derivatives in power contracts .....	52,922	4,571
Commodity hedges .....	21,039	4,139
Currency swaps .....	3,392	8,126
	<u>77,353</u>	<u>16,836</u>
Derivative financial instruments are divided as follows:		
Long-term component of derivative agreements .....	49,185	14,931
Short-term component of derivative agreements .....	28,168	1,905
	<u>77,353</u>	<u>16,836</u>
<b>Liabilities:</b>		
Embedded derivatives in power contracts .....	0	890
Commodity hedges .....	90,570	12,379
Currency swaps .....	1,956	0
	<u>92,526</u>	<u>13,269</u>
Derivative financial instruments are divided as follows:		
Long-term component of derivative agreements .....	27,857	5,408
Short-term component of derivative agreements .....	64,668	7,861
	<u>92,526</u>	<u>13,269</u>

## Notes, contd.:

### 9. Liabilities

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

		<b>30.09.2021</b>		<b>31.12.2020</b>	
	<b>Maturity date</b>	<b>Average interest</b>	<b>Remaining balance</b>	<b>Average interest</b>	<b>Remaining balance</b>
Liabilities in ISK .....	2021-2034	5.0%	37,224	5.0%	37,853
Liabilities in CHF .....	2021-2022	0.0%	3,133	0.0%	9,978
Liabilities in EUR .....	2024-2026	0.0%	266,245	0.0%	282,143
Liabilities in USD .....	2021-2035	3.5%	1,379,652	3.4%	1,437,793
			<u>1,686,254</u>		<u>1,767,767</u>
Current maturities of long-term debt .....			( 127,605)		( 236,052)
Total long-term debt .....			<u>1,558,649</u>		<u>1,531,715</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 (2020:3.2%).

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

	<b>30.09.2021</b>
1.10.2021-30.9.2022 .....	127,605
1.10.2022-31.12.2022 .....	14,674
2023 .....	250,701
2024 .....	151,488
2025 .....	194,997
2026 .....	314,807
Later .....	631,982
	<u>1,686,254</u>

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

	<b>30.09.2021</b>		<b>31.12.2020</b>	
	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>
Interest bearing long term liabilities .....	1,686,254	1,873,887	1,767,767	2,005,966

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:

	<b>30.09.2021</b>	<b>31.12.2020</b>
Interest bearing liabilities in USD .....	0.1 to 1.7%	0.1 to 1.2%
Interest bearing liabilities other than in USD .....	-0.7 to 0.6%	-0.8 to 0.9%

## 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>30.09.2021</b>			
Embedded derivatives .....		52,922	52,922
Other derivatives .....	( 68,095)	( 68,095)	( 68,095)
Revaluation of property, plant and equipment .....		210,297	210,297
Shares in other companies .....		565	565
	<u>( 68,095)</u>	<u>263,784</u>	<u>195,689</u>
<b>31.12.2020</b>			
Embedded derivatives .....		3,681	3,681
Other derivatives .....	( 113)	( 113)	( 113)
Revaluation of property, plant and equipment .....		218,605	218,605
Shares in other companies .....		579	579
	<u>( 113)</u>	<u>222,865</u>	<u>222,752</u>

### 12. Other matters

The Icelandic Minister of Tourism, Industry and Innovation appointed a workgroup in 2019 to assess the viability of transferring ownership of Landsnet, wholly or partially, to the state within an acceptable timeframe. Landsnet operates the Icelandic electricity transmission system. Landsvirkjun owns 64.7% of Landsnet's shares. A new law took effect on the 1st July 2021 stating that the transmission company shall be directly owned by the Icelandic state and/or municipalities. The provision is to be implemented 1 July 2022.