

## Hitaveita Suðurnesja hf. - Financial Statements 2007

The financial statements of Hitaveita Suðurnesja hf. (HS hf.) were approved in a Board of Directors' meeting

The financial statements of Hitaveita Suðurnesja are now for the first time prepared on the basis of the International Financial Reporting Standards (IFRS). Upon the adoption of the standards the Company's equity increased by ISK 1,201 million at year end 2006 in comparison to the previous GAAP but the implementation of the standards is further discussed here below. Comparative figures for 2006 have been

Following are the main figures in the financial statements in ISK thousand (\* Amounts pertaining to the years

<b>Income statements</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Operating revenue	7660000	5896693	4681528	3808527
Operating expenses less depreciation	3419767	2852853	2440041	2359284
Operating profit before depreciation	4240233	3043840	2241487	1449243
Depreciation	( 1.285.351 )	( 991.367 )	( 670.016 )	( 645.749 )
Operating profit	2954882	2052473	1571471	803494
Financial income and expenses	1.329.736	10.912	4.381	76.463
Effect through associated companies	( 63.359 )	( 92.533 )	0	0
Earnings before income tax	4.221.259	1.970.852	1.575.852	879.957
Income tax	( 741.186 )	906.528	0	0
<b>Profit</b>	<b>3480073</b>	<b>2877380</b>	<b>1575852</b>	<b>879957</b>
<b>Balance sheet</b>	<b>31.12.2007</b>	<b>31.12.2006</b>	<b>31.12.2005</b>	<b>31.12.2004</b>
Non-current assets	34882045	29978378	22700041	16017483
Current assets	1908223	2354508	1933326	1968141
<b>Total assets</b>	<b>36790268</b>	<b>32332886</b>	<b>24633367</b>	<b>17985624</b>
Equity	19976138	16896065	13771251	12525399
Non-current liabilities	13386066	13518268	8122073	3153838
Current liabilities	3428064	1918553	2740043	2306387
<b>Total equity and liabilities</b>	<b>36790268</b>	<b>32332886</b>	<b>24633367</b>	<b>17985624</b>
<b>Key ratios</b>				
Current ratio	0,56	1,23	0,71	0,85
Equity ratio	0,54	0,52	0,56	0,70

The Company's profit during the year amounted to ISK 3,480 million, compared to ISK 2,877 million the

According to the income statement HS hf.'s operating revenue for the year amounted to ISK 7,660 million,

Operating expenses less depreciation amounted to ISK 3,420 million compared to ISK 2,853 million the

Net financial income amounted to ISK 1,330 million during the year compared to ISK 11 million the previous

In accordance with the International Financial Reporting Standards, the Company presents effects of

According to the balance sheet, HS hf.'s assets at year end 2007 are recorded at the book value of ISK 36,790

HS hf.'s liabilities amounted to ISK 16,814 million according to the balance sheet, whereof short term

HS hf.'s equity amounted to ISK 19,976 million at year end 2007. Equity ratio was 54%. At the beginning of

Operating outlook for Hitaveita Suðurnesja is good. Power plant 6 in Svartsengi, a power plant of 30 MW,

### **Effects of the implementation of the IFRS**

The financial statements of Hitaveita Suðurnesja are now for the first time prepared on the basis of the IFRS. The adoption of the standards leads to assessment changes in assets and liabilities and the presentation of the

The financial statements of Hitaveita Suðurnesja 2007 are prepared on the bases of those accounting methods

The main changes in the assessment of assets and liabilities upon the implementation of the IFRS at year end 2

- In accordance with IAS 39 the Company has entered embedded derivativs at fair value which lead to an
  
- Connection fees are now recognised over 15 years wich equals to the average useful life of a distribution
  
- Shares in associated companies are entered on the basis of the equity method in the financial statements. The change decreased book value of equity by ISK 127 million.
  
- Upon the implementation of the IFRS, methods of capitalisation of research cost were changed in
  
- Classification of development cost was changed in accordance with IAS 38. The change lead to a decrease
  
- The overall effect of the implementation of the IFRS on income tax is that equity decreased by ISK 328

Further information is provided by Júlíus Jónsson, Managing Director of Hitaveita Suðurnesja hf., tel. 422



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