Orkuveita Reykjavíkur

Condensed Consolidated
Interim Financial Statements
1 January to 31 March 2009

Orkuveita Reykjavíkur
Bæjarhálsi 1
110 Reykjavík

Reg. no. 551298-3029

Contents

Endorsement by the Board of Directors and the Managing Director

Orkuveita Reykjavíkur is a partnership that complies with the Icelandic law No.139/2001 on the founding of the partnership Orkuveita Reykjavíkur. The Company is an independent service company that produces and distributes electricity and distributes geothermal water for heating and cold water for consumption. It also operates sewage systems and fibre-optic cable system in its service area.

The condensed consolidated interim financial statements for the period 1 January to 31 March 2009 are prepared in accordance with the International Financial Reporting Standard IAS 34 Interim financial reporting. The financial statements comprise the consolidated interim financial statements of Orkuveita Reykjavíkur and subsidiaries. The financial statements have been reviewed by the independent auditor of the company.

Profit of the operations of Orkuveita Reykjavíkur during the period amounted to ISK 1.812 million. According to the statement of financial position the Company´s assets amount to ISK 262.559 million, book value of equity at the end of the period amounted to ISK 49.971 million and the Company´s equity ratio is 19.0%

At the beginning and the end of the period the Company´s shareholders were the following three municipalities:

	Share
Reykjavíkurborg	93.539%
Akraneskaupstaður	5.528%
Borgarbyggð	0.933%

The Icelandic Parliament passed changes to several Acts affecting the energy sector in this spring session 2008, which will come into effect 1 January 2010. These changes involve among others things that the Company must be split so that exclusive licence operations and competitive operations will be operated in separate entities. Preparations for these changes are underway.

Statement by the Board of Directors and the Director

According to the best knowledge of the Board of Directors and the Director of Orkuveita Reykjavíkur, the company´s condensed consolidated interim financial statements are in accordance with International Financial Reporting Standards as adopted by the EU. It is the opinion of the Board of Directors and the Director that the condensed consolidated interim financial statements give a fair view of the Company's assets, liabilities and financial position at 31 March 2009 and the company´s operating return and changes in cash and cash equivalents for the period then ended.

It is the opinion of the Board of Directors and the Director that the condensed interim financial statements give a fair view of the Company´s operating development and results, its standing and describe the main risk factors and uncertainties faced by the Company.

The Board of Directors and the Director of Orkuveita Reykjavíkur hereby confirm the Company´s condensed consolidated interim financial statements for the period 1 January to 31 March 2009.

Reykjavik, 15 March 2009

The Board of Directors:

Director:

Independent Auditor´s Review Report

To the Board of Directors and owners of Orkuveita Reykjavíkur

We have reviewed the accompanying condensed financial statements of Orkuveita Reykjavíkur, which comprise the interim statement of financial position as at 31 March 2009 and the interim statement of comprehensive income, interim statement of changes in equity and interim cash flow statement for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted by the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 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 others 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 could 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 belive that the accompanying interim financial information does not give a true and fair view of the financial position of the Company as at 31 March 2009, and of its financial performance and its cash flows for the three-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavik, 15 March 2009

KPMG hf.

Interim Statement of Comprehensive Income for the period ended 31 March 2009

	Notes	2009 1.1.-31.3.	2008 1.1.-31.3.
Operating revenue		6.541.424	6.078.813
Energy purchase		(1.315.663)	(1.030.800)
Salaries and salary related expenses	4	(977.038)	(909.575)
Other operating expenses		(913.275)	(738.168)
Depreciation and amortisation	5	(2.374.190)	(1.631.556)
Results from operating activities		961.257	1.768.714
Interest income		93.284	100.621
Interest expenses		(1.827.093)	(1.447.535)
Other (expenses) income on financial assets and liabilites		2.436.567	(21.382.182)
Total financial income and expenses	6	702.758	(22.729.096)
Share in profit of associated companies		19.494	41.605
Profit (loss) before income tax		1.683.509	(20.918.777)
Income tax	7	128.945	3.675.514
Profit (loss) for the period		1.812.454	(17.243.263)

Other comprehensive income

Comprehensive income is defined as profit (loss) for the period in addition with certain transactions in equity. During the period there were no such transactions and the comprehensive income is the same as profit (loss) for the period.

Attributable to:

	2009	2008
Owners of the Parent	1.805.500	(17.220.095)
Non-controlling interests	6.953	(23.168)
Profit (loss) for the period	1.812.453	(17.243.263)

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Interim Statement of Financial Position
31 March 2009

	Notes	31.3. 2009	31.12. 2008
Assets			
Property, plant and equipment	8	228.994.133	226.970.432
Intangible assets	9	1.709.187	1.680.693
Investments in associated companies		660.458	574.470
Investments in other companies		2.534.022	10.026.011
Embedded derivatives in electricity sales contracts	10	4.687.663	9.091.449
Other financial assets		61.174	105.331
Deferred tax assets	11	4.299.575	4.169.441
Total non-current assets		242.946.212	252.617.827
Inventories		1.783.582	1.544.565
Trade receivables		4.104.262	3.292.480
Other financial assets		292.730	111.374
Investments in other companies		7.710.320	0
Other receivables		1.015.544	563.279
Cash and cash equivalents		4.706.306	1.243.639
Total current assets		19.612.745	6.755.337
Total assets		262.558.957	259.373.164
Equity			
Revaluation reserve		55.842.384	55.842.383
(Accumulated deficit)		(5.912.023)	(7.517.523)
Equity attributable to owners of the Parent		49.930.360	48.324.860
Non-controlling interests		40.724	33.770
Total equity		49.971.084	48.358.630
Liabilities			
Loans and borrowings	13	194.326.940	196.098.760
Retirement benefit obligation		443.297	456.027
Other financial liabilities		40.031	34.468
Total non-current liabilities		194.810.268	196.589.255
Account payables		1.910.800	2.443.340
Loans and borrowings	13	13.667.663	9.681.610
Other financial liabilities		19.012	17.645
Current tax liabilities	11	218	218
Other current liabilities		2.179.912	2.282.466
Total current liabilities		17.777.605	14.425.279
Total liabilities		212.587.873	211.014.534
Total equity and liabilities		262.558.957	259.373.164

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Interim Statement of changes in Equity for the period ended 31 March 2009

	Revaluation reserve	(Accumulated deficit) Retained earnings	Attributable to owners of the Parent	Non-controlling interest	Total equity
1.1.-31.3. 2009					
Equity at 1 January 2009	55.842.384	(7.517.523)	48.324.861	33.770	48.358.630
Loss for the period		1.805.500	1.805.500	6.953	1.812.453
Total recognised income	0	1.805.500	1.805.500	6.953	1.812.453
Dividends paid		(200.000)	(200.000)		(200.000)
Equity at 31 March 2009	55.842.384	(5.912.023)	49.930.361	40.723	49.971.083
1.1.-31.3. 2008					
Equity at 1 January 2008	23.374.919	65.490.687	88.865.606	122.764	88.988.370
Loss for the period		(17.220.095)	(17.220.095)	(23.168)	(17.243.263)
Total loss for the period	0	(17.220.095)	(17.220.095)	(23.168)	(17.243.263)
Dividends paid		(383.982)	(383.982)		(383.982)
Equity at 31 March 2008	23.374.919	47.886.610	71.261.529	99.596	71.361.125

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Interim Statement of Cash Flows
for the period ended 31 March 2009

	2009 1.1.-31.3.	2008 1.1.-31.3.
Cash flows from operating activities		
Profit (loss) for the period	1.812.454	(17.243.263)
Financial income and expenses	(702.756)	22.729.096
Other items not affecting cash flow	2.213.021	(2.060.646)
Changes in operating assets and liabilities	(1.246.347)	(2.027.928)
Working capital from operation before interests and taxes	2.076.372	1.397.259
Received interest income	132.052	88.796
Paid interest expenses	(1.804.915)	(1.161.902)
Paid due other financial income and expenses	21.971	119.194
Net cash from operating activities	425.481	443.347
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(5.163.138)	(5.164.178)
Acquisition of associated companies	(450)	(859.840)
Acquisition of other financial assets	(45.944)	(357.787)
Proceed from sale of other assets	19.249	939
Net cash used in investing activities	(5.190.283)	(6.380.866)
Cash flows from financing activities		
Proceeds from new borrowings	5.261.995	2.235.204
Repayment of borrowings	(642.805)	(1.261.634)
Dividends paid	(200.000)	(383.982)
Credit facility, change	(257.512)	11.240.532
Current liabilities, increase	3.578.000	0
Net cash from financing activities	7.739.678	11.830.120
Increase in cash and cash equivalents	2.974.876	5.892.601
Cash and cash equivalents at beginning of the year	1.243.639	3.751.013
Change in the Group	(5.907)	0
Effect of currency fluctuations on cash and cash equivalents	493.699	293.089
Cash and cash equivalents at period end	4.706.307	9.936.703
Investments and financing without payment effects:		
Acquisition of property, plant and equipment	(819.947)	(871.622)
Acquisition of other companies	122.416	0
Other financial assets, change	(122.416)	0
Current liabilities, change	819.947	871.555
Other information:		
Working capital from operation	1.697.153	2.183.303

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Notes to the Interim Financial Statements

Notes

1. Reporting entity

Orkuveita Reykjavíkur is a partnership that complies with the Icelandic Act No.139/2001 on founding the partnership of Orkuveita Reykjavíkur. The Company´s headquarters are at Bæjarháls 1 in Reykjavík. The Company´s consolidated interim financial statements include the interim financial statements of the parent company and its subsidiaries, (together referred to as "the Group") and share in associated companies.

The Company is an independent service company that produces and distributes electricity, distributes geothermal water for heating, cold water for consumption, sewer systems, and operates fibre-optic cable systems.

2. Basis of preparation

a. *Statement of compliance*

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. They do not include all of the information required for a complete set of consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended 31 December 2008.

The interim financial statements were approved by the Board of Directors 15 May 2009.

b. *Basis of measurement*

The accounting policies applied by the Group in these condensed consolidated interim financial stements are the same as those applied by the Group in its consolidated financial annual statements as at and for the year ended 31 December 2008. The consolidated financial statements for the Group as at and for the year ended 31 December 2008 are available upon request from the Company´s registered office at Bæjarháls 1, Reykjavík, at www.or.is or at The Nordic Stock Exchange´s website, www.omxgroup.com.

The consolidated interim financial statements have been prepared on the historical cost basis except for the following:

-a part of plant and equipment was revalued at fair value.
-embedded derivatives in electricity contracts
-investments in other companies
-other financial assets and financial liabilities

c. *Functional and presentation currency*

These consolidated interim financial statements are presented Icelandic kronas, which is the Company´s functional currency. All financial information presented in Icelandic kronas have been rounded to the nearest thousand unless otherwise stated.

d. *Use of estimates and judgements*

The preparation of financial statements in conformity with IFRSs 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the interim financial statements is included in the following notes:

Note 8 - Property, plant and equipment
Note 10 - Embedded derivatives in electricity contracts
Note 11 - Deferred tax assets and liabilities
Note 16 - Other issues

3. Segment reporting

Segment information is presented by the Group´s business segments according to the Group´s organisation and internal reporting. Business segments consist of production, distribution and sale, and other operation. In addition, information is provided on the Group´s sectors, which are electricity, hot water, sewer and fibre-optic cable systems.

Business segmenets - divisions

1.1.-31.3. 2009	**Production**	**Distribution**	**Sale**	**Other operation**	**Adjust-ments**	**Total**
External revenue	913.428	1.356.734	4.101.822	169.440	0	6.541.424
Inter-segment revenue	1.200.070	1.598.519	167.923	97.444	(3.063.956)	0
Total segment revenue	2.113.498	2.955.253	4.269.745	266.884	(3.063.956)	6.541.424
Segment result	31.212	1.044.089	755.917	(20.015)	0	1.811.203
Unallocated expenses						(849.945)
Results from operating activities						961.258
Financial income and expenses						702.756
Share of loss of associated companies						19.494
Income tax						128.945
Profit for the period						1.812.453

1.1.-31.3. 2008	**Production**	**Distribution**	**Sale**	**Other operation**	**Adjust-ments**	**Total**
External revenue	736.218	1.442.061	3.851.514	49.020	0	6.078.813
Inter-segment revenue	1.152.297	1.534.238	128.795	220.630	(3.035.960)	0
Total segment revenue	1.888.515	2.976.299	3.980.309	269.650	(3.035.960)	6.078.813
Segment result	506.110	985.224	557.512	(47.789)	0	2.001.057
Unallocated expenses						(232.343)
Result from operating activities						1.768.714
Financial income and expenses						(22.729.096)
Share of loss of associated companies						41.605
Income tax						3.675.514
Loss for the period						(17.243.263)

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3. Segment reporting, contd.

Business segments - divisons, contd. **1.1.-31.3. 2009**	Production	Distribution	Sale	Other operation	Unallocated	Total
Balance Sheet: (31.3. 2009)						
Property, plant and equipment	119.648.808	100.338.434	18.344	440.397	8.548.150	228.994.133
Intangible assets	0	0	0	204.688	1.504.499	1.709.187
Investments in associated companies						660.458
Other unallocated assets						31.195.179
Total assets						262.558.957
Unallocated liabilities						212.587.872
Investments:						
Property, plant and equipment	3.270.134	1.059.481	0	1.510	30.688	4.361.813
Intangible assets	0	0	0	11.069	53.502	64.571
Depreciation:						
Property, plant and equipment	1.195.655	1.031.688	549	0	110.220	2.338.112
Intangible assets	0	0	0	0	36.079	36.079
1.1.-31.3. 2008						
Balance Sheet (31.12. 2008)						
Property, plant and equipment	117.845.312	99.886.587	41.725	448.305	8.748.503	226.970.432
Intangible assets	0	0	0	193.619	1.487.074	1.680.693
Investments in associated companies						574.470
Other unallocated assets						30.147.569
Total assets						259.373.164
Unallocated liabilities						211.014.534
Investments:						
Property, plant and equipment	4.030.216	1.066.546	0	23.103	108.337	5.228.202
Intangible assets	0	0	0	41.000	42.332	83.332
Depreciation:						
Property, plant and equipment	696.025	781.088	2.230	0	122.171	1.601.514
Intangible assets	0	0	0	0	30.042	30.042

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3. Segment reporting, contd.

Business segments - sectors

1.1.-31.3. 2009	Electricity	Hot water	Cold water	Sewer	Fibre-optic cable system	Adjust-ments	Total
Revenue:							
External revenues	3.321.049	1.926.524	651.808	577.476	64.567	0	6.541.424
Inter-segment revenue	229.300	58.034	(2.158)	(1.911)	0	(283.265)	0
Total revenue	3.550.349	1.984.558	649.650	575.565	64.567	6.824.689	10.099.029
Assets (31.3. 2009)							
Property, plant and equity	113.265.843	54.627.197	17.686.241	35.793.104	7.621.748	0	228.994.133
Intangible assets	776.299	564.373	122.335	246.180	0	0	1.709.187
Unallocated assets							31.855.637
Total assets							262.558.957
Investments:							
Property, plant and equity	1.952.913	1.672.944	89.723	498.135	148.098	0	4.361.813
Intangible assets	29.613	20.900	4.667	9.391	0	0	64.571
Depreciation:							
Property, plant and equity	1.017.463	674.250	166.840	368.789	110.770	0	2.338.112
Intangible assets	13.785	11.241	3.462	7.591	0	0	36.079

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1.1.-31.3. 2008	Electricity	Hot water	Cold water	Sewer	Fibre-optic cable system	Adjust-ments	Total
Revenue:							
External revenues	2.915.868	1.826.902	507.106	681.688	147.249	0	6.078.813
Inter-segment revenue	344.929	130.147	18.877	25.376	0	(519.329)	0
Total revenue	3.260.797	1.957.049	525.983	707.064	147.249	(519.329)	6.078.813
Assets (31.12. 2008)							
Property, plant and equity	113.379.586	52.682.272	17.755.777	35.568.377	7.584.420	0	226.970.432
Intangible assets	785.175	541.594	117.479	236.445	0	0	1.680.693
Unallocated assets							30.722.039
Total assets							259.373.164
Investments:							
Property, plant and equity	2.072.718	2.577.377	114.400	258.853	204.854	0	5.228.202
Intangible assets	16.173	54.190	4.063	8.906	0	0	83.332
Depreciation:							
Property, plant and equity	608.399	504.593	126.261	266.211	96.050	0	1.601.514
Intangible assets	11.479	9.361	2.884	6.321	0	0	30.045

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Notes

4. Salaries and salary related expenses

Salaries and salary related expenses are specified as follows:	2009 1.1.-31.3.	2008 1.1.-31.3.
Salaries	963.312	882.675
Defined contribution pension plan expense	121.671	118.215
Retirement benefit obligation, change	(10.487)	27.536
Other salary related expenses	66.819	61.376
Total salaries and salary related expenses	1.141.315	1.089.802

Salaries and salary related expenses are thus stated in the financial statements:

Expensed in the income statement	977.038	909.575
Capitalised on projects	164.276	180.227
Total salaries and salary related expenses	1.141.314	1.089.802

5. Drepreciation and amortisation

Depreciation and amortisation is specified as follows:	2009 1.1.-31.3.	2008 1.1.-31.3.
Depreciation of property, plant and equipment, cf.note 8	2.338.112	1.601.514
Amortisation of intangible assets, cf.note 9	36.079	30.042
Depreciation and amortisation recognised in the income statement	2.374.191	1.631.556

6. Financial income and expenses

Financial income and expenses are specified as follows:	2009 1.1.-31.3.	2008 1.1.-31.3.
Interest income	93.284	100.621
Interest expenses	(1.715.004)	(1.394.113)
Guarantee fee to owners	(112.089)	(53.422)
Total interest expenses	(1.827.093)	(1.447.535)
Fair value changes of embedded derivatives in electricity sales contracts	(4.403.786)	5.233.941
Fair value changes of shares in other companies	389.719	53.570
Foreign exhange difference and forward currency swaps	6.450.632	(26.669.693)
Total income (expenses) on financial assets and liabilities	2.436.565	(21.382.182)
Total financial income and expenses	702.756	(22.729.096)

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6. Financial income and expenses, contd.

Financing cost due to construction of power plant to the amount of ISK 554 million is capitalised and has been recognised as reduction of financial expenses (1.1. to 31.3.2008: ISK 117 million).

Capitalized finance cost is calculated from an estimate of the Icelandic interest rates that would have given a good indication of the interest terms the Group would have received, if the power plant constructions were financed in ISK during the construction period. This is done to reflect that the foreign currency denominated interest rates of the Group´s debt portfolio does not give good indication of interest incurred during construction time. The average of monthly REIBOR fixing during the period 1.1. to 31.3.2009 is used, the average is 18.12%. A margin that reflects the Group´s terms from the Icelandic banks during 1.1. to 31.3.2009 is added, this margin is 1.25%. In addition the Group´s owners annual guaranty fee of 0.25% is added, in total the interest rate is 19.62%.

	2009 1.1.-31.3.	2008 1.1.-31.3.
Interest expenses, charged in the income statement	(1.827.093)	(1.447.535)
Capitalised finance cost	(553.909)	(117.045)
Interest expenses	(2.381.002)	(1.564.580)

Generally accepted valuation methods are used to determine the fair value of certain financial assets and financial liabilities. Change in fair value that is recognised in the income statement amounts to expenses of ISK 4.404 million (1.1. to 31.3.2008: revenue of ISK 5.234 million).

7. Income tax

Orkuveita Reykjavikur is tax liable in accordance with Article 2 of law no.90/2003 on income tax. The part of the Company´s operation concerning operation of cold water supply and sewer is though exempt from income tax.

Income tax recognised in the income statement is specified as follows:	2009 1.1.-31.3.	2008 1.1.-31.3.
Change in deferred income tax	(128.945)	(3.675.514)
Income tax recognised in the income statement	(128.945)	(3.675.514)

Reconciliation of effective tax rate:		2009 1.1.-31.3.		2008 1.1.-31.3.
Profit (loss) before tax		1.683.508		(20.918.777)
Income tax according to current tax ratio	23.5%	395.624	26,0%	(5.438.882)
Non-taxable oper. of water supply and sewer	(24.5%)	(412.585)	(3.1%)	1.686.646
Other items	(6.7%)	(111.984)	(1.4%)	76.722
Effective income tax	(7.7%)	(128.945)	21.6%	(3.675.514)

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Notes

8. Property, plant and equipment

Property, plant and equipment is specified as follows:

1.1.-31.3. 2009	Production system	Distribution system	Other real estates	Other equipments	Total
Cost					
Balance at year beginning	164.856.768	184.796.025	10.471.217	2.550.391	362.674.401
Additions during the year	3.265.572	838.232	252.969	5.040	4.361.813
Balance at year end	168.122.340	185.634.257	10.724.186	2.555.431	367.036.214
Amortisation					
Balance at year beginning	46.181.542	85.742.803	1.855.065	1.924.560	135.703.970
Additions during the year	1.209.410	1.027.483	57.449	43.769	2.338.111
Balance at year end	47.390.952	86.770.286	1.912.514	1.968.329	138.042.081
Carrying amounts					
At 1.1.2009	118.675.226	99.053.222	8.616.152	625.831	226.970.431
At 31.3.2009	120.731.388	98.863.971	8.811.672	587.102	228.994.133
Thereof assets in construction at end of period	13.618.773	0	0	0	13.618.773

1.1.-31.12. 2008	Production system	Distribution system	Other real estates	Other equipments	Total
Cost					
Balance at year beginning	112.503.139	138.979.119	9.696.737	2.791.851	263.970.846
Reclassification af assets	272.626	(116.328)	(42.958)	(535.364)	(422.024)
Additions during the year	22.755.532	7.189.060	817.439	293.904	31.055.935
Revaluation	29.325.471	38.744.174	0	0	68.069.645
Balance at year end	164.856.768	184.796.025	10.471.218	2.550.391	362.674.402
Depreciation					
Balance at year beginning	34.657.781	63.034.380	1.670.824	2.190.924	101.553.909
Reclassification af assets	91.051	34.849	(770)	(500.325)	(375.195)
Depreciated during the year	3.207.411	3.174.612	185.011	233.961	6.800.995
Revaluation	8.225.299	19.498.962	0	0	27.724.261
Balance at year end	46.181.542	85.742.803	1.855.065	1.924.560	135.703.970
Carrying amounts					
At 1.1.2009	77.845.358	75.944.739	8.025.913	600.927	162.416.937
At 31.3.2009	118.675.226	99.053.222	8.616.153	625.831	226.970.432
Thereof assets in construction at year end	12.389.190	0	0	0	12.389.190

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8. Property, plant and equipment, contd.

Obligations

In May 2008 the Company entered into a contract concerning purchase of equipment for power plants. The equipment will be delivered in the years 2010 and later. The contract and other contracts regarding developments at Hellisheiði amount to ISK 35.6 billion as per exchange rate at the end of the period (31.12. 2008: ISK 35.5 billion). Furthermore, the Company has entered into contracts and placed purchase orders with suppliers and developers concerning work on production and distribution systems. The balance of these contracts and purchase orders at 31 March 2009 is estimated at ISK 0.6 billion (31.12. 2008: ISK 1.9 billion).

9. Intangible assets

Intangible assets are specified as follows:

1.1.-31.3. 2009	Heating rights	Preparation cost	Software	Total
Cost				
Balance at year beginning	1.427.031	193.620	1.746.214	3.366.865
Additions during the year	0	11.068	53.504	64.572
Balance at year end	1.427.031	204.688	1.799.718	3.431.437
Amortisation				
Balance at year beginning	410.674	0	1.275.497	1.686.171
Additions during the year	3.345	0	32.733	36.078
Balance at year end	414.019	0	1.308.230	1.722.249
Carrying amounts				
At 1.1.2009	1.016.357	193.620	470.717	1.680.694
At 31.3.2009	1.013.012	204.688	491.488	1.709.188

1.1.-31.12. 2008	Heating rights	Preparation cost	Software	Total
cost				
Balance at year beginning	1.427.031	64.888	1.107.268	2.599.187
Reclassification of assets	0	0	422.025	422.025
Additions during the year	0	128.732	216.921	345.653
Balance at year end	1.427.031	193.620	1.746.214	3.366.865
Amortisation				
Balance at year beginning	390.881	0	768.318	1.159.199
Reclassification of assets	0	0	375.195	375.195
Amortisation for the year	19.793	0	131.984	151.777
Balance at year end	410.674	0	1.275.497	1.686.171
Carrying amounts				
At 1.1.2009	1.036.150	64.888	338.950	1.439.988
At 31.3.2009	1.016.357	193.620	470.717	1.680.694

Interim Financial Statements of Orkuveita Reykjavíkur 31 March 2009 18 Amounts are in ISK thousands

10. Embedded derivatives in electricity sales contracts

Four electricity sales contracts have been made to 20 years, one with Landsvirkjun in regards of Norðurál and three with Norðurál in regards of the aluminium plant at Grundartangi, in addition to contracts with Landsnet hf. on distribuiton of electricity. Orkuveita Reykjavíkur and Norðurál have also made an electricity sales contract due to sale of electricity to a pending aluminium plant in Helguvik, where delivery of electricity for the first stage is estimated to begin in the year 2011, but this contract is longterm for 25 years. These electricity sales contracts are made in USD and the price of the electricity is connected to the world market price of aluminium.

The aforementioned electricity sales contracts include embedded derivatives as income thereon is subject to changes in the future world market price of aluminium. In accordance with provision of IAS 39 on financial instruments, the fair value of those embedded derivatives for Grundartangi and partially for Helguvík has been measured and recognised in the financial statements.

As the market value of the embedded derivatives is not available their fair value has been measured with generally accepted evaluation methods. The expected net present value of the cash flow of an contract on the accounting date has been measured, based on the future price of aluminium on LME (London Metal Exchange) on the accounting date and expectations of price development of aluminium for the next 30 years according to the assessment of CRU, an independent evaluation party, as available on the accounting date. From the expected net present value of cash flow of the contract on the accounting date the expected net present value based on premises on aluminium price on the initial date of the contract is deducted. The difference is the fair value change of the derivative. The valuation is based on the premises that the derivative has no value at the initial date of the contract.

Embedded derivatives of the electricity sales contracts recognised in the financial statements are capitalised in the balance sheet at fair value at the accounting date and fair value changes during the year are recognised in the income statement among income on financial assets.

The fair value of embedded derivatives due to electricity sales contracts, which have not yet been executed and that are uncertain, is calculated in the same way. Their fair value amounts to a total of ISK 5.206 million at 31 March 2009 (31.12.2008: ISK 8.257 million) and is not recognised in the interim financial statements.

The fair value of embedded derivatives in electricity sales contracts is specified as follows:

	31.3. 2009	31.12. 2008
Fair value of embedded derivatives at the beginning of the year	9.091.449	8.154.304
Fair value changes during the period	(4.403.786)	937.145
Fair value of embedded derivatives at the end of the period	4.687.663	9.091.449

The allocation of embedded derivatives in electricity sales contracts is specified as follows:

Non-Current embedded derivatives	5.458.998	9.412.328
Current emedded derivatives	(771.335)	(320.879)
Total embedded derivatives	4.687.663	9.091.449

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11. Deferred tax assets and liabilities

Deferred tax assets and liabilities is specified as follows:

1.1.-31.3. 2009	Tax assets	Tax liabilities	Net amount
Deferred tax assets/liabilities at the beginning of the year	4.169.441	0	4.169.441
Calculated income tax for the period	128.945	0	128.945
Other changes	1.189	0	1.189
Deferred tax assets/liabilities at the end of the period	4.299.575	0	4.299.575

1.1.-31.12. 2008	Tax assets	Tax liabilities	Net amount
Deferred tax assets/liabilities at the beginning of the year	190.443	4.716.084	(4.525.641)
Effect of change in income tax rate	0	(537.295)	537.295
Effect of a revaluation of non-current assets	(6.895.739)	0	(6.895.739)
Calculated income tax for the year	10.874.519	(4.189.748)	15.064.267
Current tax liabilities	218	0	218
Other changes	0	10.959	(10.959)
Deferred tax assets/liabilities at year end	4.169.441	0	4.169.441

Deferred tax assets and liabilities are attributable to the following:

	31.3. 2009		31.12. 2008	
	Tax assets	Tax liabilities	Tax assets	Tax liabilities
Property, plant and equipment	(11.029.588)	0	(11.085.420)	0
Embedded derivatives	(1.101.601)	0	(2.136.491)	0
Other items	171.338	0	171.992	0
Effect of carry forward taxable loss	16.259.427	0	17.219.360	0
Deferred tax assets/liabilities at end of period	4.299.576	0	4.169.441	0

12. Equity

It is the Copmany´s policy to maintain a strong equity standing in order to support stability and future development of the operation. Dividend payments have been determined as a percentage of equity, independent from the profit or loss of the relevant year. The owners´ meeting takes the decision of dividend payments.

Equity ratio of the Group at the end of the period is 19.0% (31.12.2008: 18.6%). Return on equity is 15.9% during the period (1.1. to 31.12.2008: negative by 69.4%).

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13. Loans and borrowings

The Group´s interest-bearing loans and borrowings are measured at amortised cost. For more information about the Group´s exposure to interest rate, foreign currency and liquidity risk, see note 14.

Non-current liabilities	**31.3. 2009**	**31.12. 2008**
Bank loans	177.743.153	178.925.311
Credit facility	14.722.199	15.059.998
Bond issuance	7.709.251	7.553.061
	200.174.603	201.538.370
Current portion on non-current liabilitiy	(5.847.663)	(5.439.610)
	194.326.940	196.098.760

Current liabilities		
Current portion on non-current liabilities	5.847.663	5.439.610
Bank loans	7.820.000	4.242.000
	13.667.663	9.681.610
Total interest on non-current liabilities	207.994.603	205.780.370

Terms of interest-bearing loans and borrowings
Liabilities in foreign currencies:

		31.3. 2009		**31.12. 2008**	
	Date of maturity	**Average interest rate**	**Carrying amount**	**Average interest rate**	**Carrying amount**
Liabilities in CHF	26.6.2036	1.64%	37.193.539	2.31%	39.214.737
Liabilities in EUR	26.6.2036	2.95%	73.649.453	4.77%	76.654.728
Liabilities in USD	10.3.2028	2.13%	34.146.394	2.66%	31.994.843
Liabilities in JPY	26.6.2036	0.98%	21.744.529	1.10%	23.635.999
Liabilities in GBP	26.6.2036	2.84%	7.269.166	3.67%	3.282.738
Liabilities in SEK	5.10.2027	2.45%	12.151.117	4.26%	12.676.195
Liabilities in CAD	13.12.2011	1.44%	6.097.560	2.61%	6.317.637
			192.251.758		193.776.877
Liablities in ISK:					
Indexed	10.1.2037	5.17%	7.923.145	5.17%	7.761.493
Non-indexed	17.3.2010	18.82%	7.820.000	21.09%	4.242.000
			15.743.145		12.003.493
Total interest-bearing loans and borrowings			207.994.903		205.780.370

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13. Loans and borrowings, contd.

Repayment on non-current liablilities are specified as follows on the next years:	31.3. 2009	31.12. 2008
1.4.2009 to 31.3.2010 / 1.1. to 31.12.2009	5.847.663	5.439.610
1.4.2010 to 31.3.2011 / 1.1. to 31.12.2010	4.935.796	5.060.784
1.4.2011 to 31.3.2012 / 1.1. to 31.12.2011	26.910.858	24.159.150
1.4.2012 to 31.3.2013 / 1.1. to 31.12.2012	7.692.649	9.927.624
1.4.2013 to 31.3.2014 / 1.1. to 31.12.2013	29.767.137	28.769.781
Later	125.020.500	128.181.421
Total non-current liabilities, including next year´s repayment	200.174.603	201.538.370

Guarantees and pledges

The owners of the parent company are responsible, pro rata, for all of the Parent´s and HAB´s liabilities and obligations. The Group has not pledged its assets as guarantee for its liabilities.

14. Risk management and financial instruments

a. *Overview*

Orkuveita Reykjavik has approved a policy on objectives and execution of risk management. The main objectives with risk management according to the policy is to contribute to a stable return and limit financing cost by limiting fluctuations in currency exchange and aluminium prices and to contribute to a low intrest rate.

The Group´s currency risk is related to cash flow risk and risk in the balance sheet. Interest rate risk related to the variance of variable interests and fixed interest and can relate to both cash flow and the balance sheet. Risk due to variance of aluminium prices is due to the relation between electricity price to industries and aluminium price level and relates to the cash on electricity sale to industry consumers.

The Group´s currency risk is monitored both in cash flow and in the balance sheet with generally accepted calculation methods. Annual standard deviation and daily value at risk for liabilities and estimated cash flow in foreign currencies is measured. Risk in cash flow due to changes in aluminium prices and interests is measured based on the same method.

The policy defines risk and sets performance levels. The Company´s Board of Directors receives on a regular basis a statement on the standing and performance of the Group´s risk management.

Decision making and control on the execution of the risk management is in the hands of a risk committee. The risk committee consists of the Director, Managing Director of finance, Head of financial and risk management and Head of the financial department.

- Market risk
- Liquidity risk
- Credit risk

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14. Risk management and financial instruments contd.

b. *Market risk*

Market risk is the risk that changes in the market price of foreign currencies, aluminium price and interests will affect the group´s income or the value of its financial instruments. This is the risk that weights the most in the Group and is divided into:

•Currency risk due to liabilities in the balance sheet and cash flow in foreign currencies.
•Interest rate risk due to loans.
•Risk due to changes in the world market price of aluminium.

i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than Icelandic kronas (ISK). Currencies mainly creating risk are Euro (EUR), Swiss Francs (CHF), Japanese Yens (JPY) and Swedish kronas (SEK).

Approx 92.4% of the Group´s non-current loans are in foreign currencies and creates thus currency risk. This currency risk is hedged in accordance with the Company´s policy on risk management where the interest cost of the loans is assessed together with the currency risk. Interest rate of loans in foreign currencies was considerably lower than for loans in Icelandic kronas. The Group has entered into long term electricity sales contracts in foreign currency (USD). The expected future revenues from these contracts on the accounting date amount to approx. ISK 165.388 millions. That amount is based on the future price of aluminium on LME (London Metal Exhange) on the accounting date and expectations of price development of aluminium for the next 30 years according to the assessment of CRU, an independent evaluation party, as available on the accounting date.

Foreign exhange rate of the main currencies during the year is specified as follows:

	1.1.-31.3. 2009	2008	31.3. 2009	31.12. 2008
	Average exchange rate		Exchange rate	
CHF	102,348	80,698	108,195	113,905
EUR	153,246	127,457	163,515	169,470
USD	117,438	88,088	123,325	121,245
JPY	1,258	0,863	1,2439	1,340
GBP	168,494	159,361	176,38	176,745
SEK	14,033	13,195	14,88	15,523
CAD	94,425	81,585	97,85	98,750
Narrow trade index (TWI at year-end)	199,486	166,444	211,12	216,300

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14. Risk management and financial instruments, contd.

b. *Market risk, contd.*

i) Currency risk, contd.

Exposure to currency risk

The Group´s exposure to currency risk based on the nominal amounts is specified as follows:

31.3. 2009	CHF	EUR	USD	JPY	GBP	CAD	SEK	DKK	Total
Loans and borrowings	(37.193.540)	(73.649.153)	(34.146.394)	(21.744.529)	(7.269.166)	(6.097.560)	(12.151.117)		(192.251.459)
Accounts payable			(86.444)				(3.525)	(2.539)	(92.508)
Trade receivables	8.474	231.990	556.609		328				797.401
Bank deposits	3.178	2.136.327	1.411.188	29.316	111.854	3.385	1.011		3.696.259
Aluminium derivatives			4.687.663						4.687.663
Balance sheet risk	(37.181.888)	(71.280.836)	(27.577.378)	(21.715.213)	(7.156.984)	(6.094.175)	(12.153.631)	(2.539)	(183.162.644)
Estimated sale in 2009			3.942.677						3.942.677
Estimated purchase in 2009	(8.718)	(326.309)	(2.422)	(1.299.871)	(288)	(5.685)	(1.637)		(1.644.930)
Off Balance-sheet risk	(8.718)	(326.309)	3.940.255	(1.299.871)	(288)	(5.685)	(1.637)	0	2.297.747
Swaps	(714.527)			655.484					(59.043)
Net risk	(37.905.133)	(71.607.145)	(23.637.123)	(22.359.600)	(7.157.272)	(6.099.860)	(12.155.268)	(2.539)	(180.923.940)

Interim Financial Statements of Orkuveita Reykjavíkur 31 March 2009 24 Amounts are in ISK thousands

14. Risk management and financial instruments, contd.

b. *Market risk, contd.*

i) Currency risk, contd.

Exposure to currency risk, contd.

31.12. 2008	CHF	EUR	USD	JPY	GBP	CAD	SEK	DKK	Total
Interest-bearing liabilities	(39.214.737)	(76.654.728)	(31.994.843)	(23.635.999)	(3.282.738)	(6.317.637)	(12.676.195)		(193.776.877)
Accounts payables							(2.645)	(2.235)	(4.880)
Trade receivables	11.922	214.851	406.224		1.061			10.595	644.653
Bank deposits	2.516	26.204	428.906	81	7.104	44.489	2.833		512.133
Aluminium deriv.			9.091.449						9.091.449
Balance sheet risk	(39.200.299)	(76.413.673)	(22.068.264)	(23.635.918)	(3.274.573)	(6.273.148)	(12.676.007)	8.360	(183.533.522)
Estimated sale in 2009			4.235.432						4.235.432
Estimated purchasein 2009		(2.852.531)	(143.411)	(1.650.829)	(538)	(1.183)	(6.890)	(528)	(4.655.910)
Off-balance sheet risk	0	(2.852.531)	4.092.021	(1.650.829)	(538)	(1.183)	(6.890)	(528)	(420.478)
Swaps	(835.899)			783.787					(52.112)
Net risk	(40.036.198)	(79.266.204)	(17.976.243)	(24.502.960)	(3.275.111)	(6.274.331)	(12.682.897)	7.832	(184.006.112)

Sensitivity analysis

Strengthening by 10% of the Icelandic krona against the following currencies would have increased (decreased) equity and profit or loss by the amounts shown

	Profit or (loss)								
	CHF	EUR	USD	JPY	GBP	CAD	SEK	DKK	Total
1.1.-31.3. 2009	2.844.414	5.452.984	2.109.669	1.661.214	547.509	466.204	929.753	194	14.011.941
1.1.-31.12. 2008	2.998.823	5.845.646	1.688.222	1.808.148	250.505	479.896	969.715	(640)	14.040.315

Interim Financial Statements of Orkuveita Reykjavíkur 31 March 2009 25 Amounts are in ISK thousands

14. Risk management and financial instruments, contd.

b. *Market risk, contd.*

ii) Interest rate risk

Interest-bearing financial assets and liabilities are specified as follows at the end of the period:

Fixed rate instruments	**31.3. 2009**	**31.12. 2008**
Financial assets	353.904	216.705
Financial liabilities	14.604.049	15.015.002
	14.250.145	14.798.297
Variable rate instruments		
Financial liabilities	193.449.596	190.817.481
	193.449.596	190.817.481

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for avariable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or (loss)	
	100 p	**100 p**
1.1.-31.3. 2009	**increase**	**decrease**
Variable rate instruments	(2.793.507)	2.950.728
Cash flow sensitivity, net	(2.793.507)	2.950.728
1.1.-31.12. 2008		
Variable rate instruments	(2.435.472)	2.612.795
Cash flow sensitivity, net	(2.435.472)	2.612.795

Interim Financial Statements of Orkuveita Reykjavíkur 31 March 2009 26 Amounts are in ISK thousands

14. Risk management and financial instrumetns, contd.

b. *Market risk, contd.*

iii) Aluminium price risk

The Group has entered into electricity sales contracts where the sales price of electricity is based on among other things the LME (London Metal Exchange). The Group has not hedged specifically against aluminium price changes. Revenue from the electricity sales contracts related to aluminium price level amounted to 13.2% (1.1 to 31.3. 2008: 11.6%) of the Group´s total revenue for the year.

Sensitivity analysis

A change in aluminium price level by 10% at year end, whether by increase or decrease, would have the following effect on the Group´s profit or loss after taxes.

	Profit or (loss)	
	31.3. 2009	**31.12. 2008**
Increase by 10%	8.444.833	6.897.313
Decrease by 10%	(8.415.070)	(6.844.999)

iv) Other market risk

Other market risk is limited as investments in bonds and shares are an insubtantial part of the Group´s operation.

v) Correlation of aluminium price and interest rates

Our research has shown correlation in the price of aluminium and interest rates, an aluminium price change leads changes in interest rates. This correlation results in embedded hedging.

c. *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group´s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group´s reputation.

Owners´ guarantees for the Comapny´s loans and a good credit rating has enabled the Company to obtain access to loans at good terms. The Company pays for owners´ guarantee a 0.25% guarantee fee on the principal of the loans at each time. Power plant projects at Hellisheiði have primarily been financed with loans from the European investment Bank (EIB), the Europe Development Bank (CEB) and the Nordic Investment Bank (NIB), but all of those banks have expressed an interest of continued participation in the financing of geothermal power plant projects, such as the power plant of Hellisheiði. The loans are long term and have been determined in accordance with long term agreements on sale of electricity in order to limit the Company´s risk inherent with refinancing.

The Group´s cash and cash equivalents at year end amounted to ISK 4.7 billion. Furthermore, the Group had unused loan authorisations and a open credit line to the total amount of approx. ISK 5.7 billion. The Group had thus in total ensured capital at year end to the amount of approx. ISK 10.4 billion. The corresponding amount at year end 2008 amounted to ISK 14.8 billion.

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14. Risk management and financial instrumetns, contd.

b. *Liquidity risk contd.*

Contractual payments due to financial liabilities, including estimated interest payments, are specified as follows:

31.3. 2009

Non-derivative financial instruments	Carrying amount	Contractual cash flows	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
Interest-bearing liabilities	207.994.603	(241.524.052)	(16.515.183)	(40.628.612)	(85.750.841)	(98.629.416)
Accounts payable	1.910.800	(1.910.800)	(1.910.800)			
Other liabilities	2.180.130	(2.180.130)	(2.180.130)			
Derivative financial instruments						
Currency swaps	59.043	(64.739)	(18.880)	(16.309)	(29.550)	0
	212.144.576	(245.679.721)	(20.624.993)	(40.644.921)	(85.780.391)	(98.629.416)

31.12. 2008

Non-derivative financial instruments	Carrying amount	Contractual cash flows	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
Interest-bearing liabilities	205.780.370	(261.357.284)	(27.696.004)	(8.775.085)	(62.352.858)	(162.533.337)
Accounts payable	2.443.340	(2.443.340)	(2.443.340)			
Other liabilities	2.282.684	(2.282.684)	(2.282.684)			
Derivative financial instruments						
Currency swaps	52.113	(60.872)	(17.480)	(14.827)	(28.565)	0
	210.558.507	(266.144.180)	(32.439.508)	(8.789.912)	(62.381.423)	(162.533.337)

Non-current loans will presumably be refinanced in order to prolong the loan term. Therefore, the distribution of the repayments will presumably be different from the above.

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14. Risk management and financial instrumetns, contd.

d. *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group´s receivables from customers. Losses due to unpaid receivables are insubstantial and have limited effect on the Group´s return.

The carrying amount of financial assets represents the maximum credit exposure, which is specified as follows at the end of the period:

	31.3. 2009	31.12. 2008
Trade receivables	4.104.262	3.292.480
Other current receivables	1.015.544	563.279
Other financial assets	292.730	111.374
Cash and cash equivalents	4.706.306	1.243.639
	10.118.842	5.210.772

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

Trade receivable, industrial consumers	613.085	478.427
Trade receivable, retail	3.491.177	2.814.053
	4.104.262	3.292.480

Impairment

The aging of trade receivables and allowance for doubtful accounts at the reporting date was:

	31.3. 2009		31.12. 2008	
	Gross balance	Allowance	Gross balance	Allowance
Non-overdue receivables	3.010.826	68.573	2.707.804	68.112
Overdue receivables	1.322.263	160.254	811.966	159.178
	4.333.089	228.827	3.519.770	227.290

e. *Fair value*

Fair value versus carrying amounts

The carrying amount of financial assets and liabilities in the financial statements is the same as their fair value with the exception that interest-bearing liabilities are booked at amortised cost. Their carrying amount and fair value are specified as follows:

	31.3. 2009		31.12. 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing liabilities	(207.994.603)	(184.192.257)	(205.780.370)	(185.480.733)
Embedded derivatives in electricity sales contracts	4.687.663	4.687.663	9.091.449	9.091.449
Currency swaps	(59.043)	(59.043)	(52.113)	(52.113)

The fair value of interest-bearing liabilities is based on the prensent value of future principal and interest payments, discounted with the market rate of interest and an appropriate risk premium on the accounting date

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Notes

14. Risk management and financial instrumetns, contd.

e. *Fair value, contd.*

Interest rates used for determining fair value
Where applicable, the interest yield curve at the reporting date is used in discounting estimated cash flow. The interests are specified as follows:

	31.3. 2009	31.12. 2008
Interest-bearing liabilities	0.167% - 16.5%	0.02% - 18.575%
Embedded derivatives in electicity sales contracts	0.4275% - 3.237%	0.135% - 2.743%

f. *Summary of financial agreements*

Financial assets and financial liabilities are specified as follows:

	31.3. 2009			31.12. 2008		
	Loans and receivables	Financial asset/liabilities at fair value through P/L	Available for sale	Loans and receivables	Financial asset/liabilities at fair value through P/L	Available for sale
Investments in other companies		108.480	10.135.862		294.909	9.731.102
Embedded derivatives in electr. contracts ..		4.687.663			9.091.449	
Other financial ass. ...	353.904			216.705		
Trade receivables	4.104.262			3.292.480		
Other receivables	1.015.544			563.279		
Cash / cash equiv.	4.706.306			1.243.639		
Interest-bearing				-205780370		
loans	(207.994.603)			(205.780.370)		
Other financial liab. ...		(59.043)			(52.113)	
Accounts payable	(1.910.800)			(2.443.340)		
Other current liab.	(2.179.912)			(2.282.466)		

15. Group entities

Shares in subsidiaries included in the consolidated interim financial statements are specified as follows:

	Main operation	Nominal value	Share 31.3. 2009	Share 31.12. 2008
Gagnaveita Reykjavíkur ehf.	Data transfer	4.736.841	100,0%	100,0%
Hitaveita Akraness og Borgarfj.	Heating supplier		79,3%	79,3%
Reykjavík Energy Invest ehf.	Investment company	3.004.723	100,0%	100,0%
Úlfljótsvatn frítímabyggð ehf.	Preparation company	225.000	100,0%	100,0%
Hrafnabjargavirkjun hf.	Preparation company	6.000	60,0%	60,0%

Main changes in the Group during the period
Orkuveita Reykjavikur founded REYST Graduate School in the year 2008 with Reykjavik University and University of Iceland. According to the founding agreement of the owners, Reykjavik University and University of Iceland increased their share in February 2009. Now all parties own one third of REYST hf. Therefore REYST has become an associate company at Orkuveita Reykjavikur but was before a subsidiary.

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16. Other issues

Hitaveita Suðurnesja (now HS Orka hf. and HS Veitur hf.)
Orkuveita Reykjavíkur purchased in the year 2007 a 16.58% share in Hitaveita Suðurnesja hf. According to an agreement between Orkuveita Reykjavíkur and Hafnarfjarðarbær, the Company entered into an obligation to purchase, in addition, all of the shares of Hafnarfjarðarbær in Hitaveita Suðurnesja amounting to the total of ISK 1.133.356.000 nominal value at the price 7. The town council of Hafnarfjarðarbær agreed on a meeting on 18 December 2007 to sell 95% of the municipality´s share in Hitaveita Suðurnesja to Orkuveita Reykjavíkur. In a decision by the Competitvie Authority No.23/2008 it was stated that according to Article 16 of the Competition Act No.44/2005, the Competitive Authority instructs that Orkuveita Reykjavíkur is not allowed to own more than 3% of Hitaveita Suðurnesja hf. The Board of Directors of Orkuveita Reykjavíkur appealed this decision to the Competition Appeals Committee which decided on 2 July 2008 that the Company was not allowed to own 10% or more of Hitaveita Suðurnesja.

With reference to the decision of the Competition Appeals Committee, the Board of Directors of Orkuveita Reykjavíkur is of the opinion that Orkuveita Reykjavíkur can not fulfill its obligation under the contract with Hafnarfjarðarbær to by 95% of the municipality´s shares in Hitaveita Suðurnesja hf. Hafnarfjarðarbær has subpoenead Orkuveita Reykjavíkur for the amount payable under the contract. A ruling made from the District court 18 March 2009 was in favour of Hafnarfjarðarbær. Orkuveita Reykjavikur has three months, i.e. until 18 June 2009, to make an appeal to the Supreme Court. A decision will be made before that date on the continuance of the case. In regards of the fore mentioned, directors of Orkuveita Reykjavikur do not believe that there are grounds to capitalise the share in the statement of financial position.

The Board of Directors of Orkuveita Reykjavikur has decided to sell its share in Hitaveitu Suðurnesja, HS Orku hf. and HS Veitur hf. The Board has also asked Hafnarfjarðarbær to participate in the sales process.

Derivative contracts in default
After the collapse of the Icelandic banks trading in the foreign exchange market in Iceland has been little and it can hardly be stated that the foreign exchange market is active. Due to the collapse, the Central Bank of Iceland issued rules on foreign exchange based on authority contained in the Act amending the Foreign Exchange Act No. 87/1992, which imposed restrictions on investment and transactions in foreign exchange.

Derivative contracts in default according to agreements with Glitnir banki hf. (old bank) are accounted for amongst other current liabilities. The agreements have not been calculated to date due to uncertainties both with Orkuveita Reykjavíkur and the Receivership Committees of the old banks concerning how to handle these calculations. It was decided, as a precaution, to refer to the mid rate of the Central Bank of Iceland as at 7 October 2008 which is the latest exchange rate before the Receivership Committee took over Glitnir banki hf.'s operations. The trade weighted index at that time was 175 and accordingly derivative contracts in default as accounted for in the financial statements are negative amounting to ISK 181.2 million. The contracts were accounted for amongst other financial assets or other financial liabilities but are now amongst other current liabilities.