

# **Reykjavik Energy**

Financial Statements 2004

Reykjavik Energy  
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# Reykjavik Energy

## Financial Statements 2004

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# Auditor's Report

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To the Board of Directors and owners of Reykjavik Energy.

We have audited the Financial Statements of Reykjavik Energy as of December 31<sup>st</sup> 2004. The Financial Statements contain the Consolidated Financial Statements of Reykjavik Energy and its subsidiaries, along with the parent company's Financial Statements, which is divided into the Board of Directors' Report, Income Statement, Balance sheet, Cash flow and Notes. The Financial Statements are presented by the company's management and on their responsibility in accordance with laws and regulations. Our responsibility is entailed in the opinion we issue on the Financial Statements on the basis of the audit.

We conducted our audit in accordance with generally accepted auditing standards in Iceland. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Financial Statements give a true and fair view of the financial position of Reykjavik Energy as of December 31<sup>st</sup> 2004 and of the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in Iceland applied on a consistent basis.

Reykjavík, February 16<sup>th</sup> 2005

**Deloitte hf.**

Birgir Finnbogason  
State Authorized Public Accountant

Páll Grétar Steingrímsson  
State Authorized Public Accountant

# Board of Directors and CEO Report

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The Board of Director's and the CEO's of Reykjavik Energy opinion is that the company's Consolidated Financial Statements include all necessary information regarding the company's financial position at year end, and results of its operations and financial development during the year.

Reykjavik Energy is a partnership. At the end of the year 2004 there were four owners of the company, as well as at the beginning of the year 2004, i.e., the City of Reykjavik with a share of 93.539%, the Town of Akranes with a share of 5.528%, the Town of Borgarbyggd with a share of 0.761% and the Municipality of Borgarfjordur with a 0.172% share.

At the company's annual meeting, The Reykjavik Energy Board of Directors will propose the payment of dividends, amounting to ISK 1.487 million, to the company's owners in 2005 for the year 2004.

The Board of Directors and CEO of Reykjavik Energy hereby confirm with their signatures the company's Financial Statements for 2004.

Reykjavik, February 16<sup>th</sup> 2005

## Chairman of the Board

Alfreð Þorsteinsson

Guðlaugur Þór Þórðarson

Guðmundur Páll Jónsson

Sigrún Elsa Smáradóttir

Tryggvi Friðjónsson

Þorbjörg Helga Vigfúsdóttir

## CEO

Guðmundur Þóroddsson

# Income Statement 2004

	Note	Group		Parent Company	
		2004	2003	2004	2003
<b>Operating revenues</b> .....		<u>13.183.938</u>	<u>12.006.185</u>	<u>13.084.455</u>	<u>11.816.092</u>
<b>Operating expenses</b>					
Energy purchases .....		3.200.353	3.134.041	3.396.704	3.294.010
Wages and related expenses .....	16	2.180.092	1.984.703	2.127.975	1.901.250
Other operating expenses .....		<u>2.673.056</u>	<u>2.596.026</u>	<u>2.560.148</u>	<u>2.480.672</u>
		<u>8.053.501</u>	<u>7.714.771</u>	<u>8.084.827</u>	<u>7.675.932</u>
<b>Operating profit before depr. and amortisation</b> .....		5.130.436	4.291.414	4.999.629	4.140.160
Depreciation and amortisation .....	4	<u>(3.205.877)</u>	<u>(3.552.690)</u>	<u>(3.082.825)</u>	<u>(3.294.123)</u>
<b>Operating profit</b> .....		1.924.559	738.724	1.916.803	846.037
Interest income (expenses) .....	17	1.825.211	565.511	1.810.567	553.785
Income (expenses) from subsidiaries .....		0	0	64.888	(41.964)
Income (expenses) from other shares .....		<u>(83.824)</u>	<u>(78.626)</u>	<u>(121.406)</u>	<u>(78.626)</u>
<b>Profit before tax</b> .....		3.665.946	1.225.609	3.670.853	1.279.232
Income tax .....		<u>0</u>	<u>25.746</u>	<u>0</u>	<u>0</u>
<b>Profit before share of minority in subsidiaries</b> .....		3.665.946	1.251.355	3.670.853	1.279.232
Share of minority in subsidiaries .....		<u>4.906</u>	<u>27.877</u>	<u>0</u>	<u>0</u>
<b>Net profit for the year</b> .....		<u><u>3.670.853</u></u>	<u><u>1.279.232</u></u>	<u><u>3.670.853</u></u>	<u><u>1.279.232</u></u>

# Balance Sheet

## Assets

	Note	Group		Parent Company	
		31.12.2004	31.12.2003	31.12.2004	31.12.2003
<b>Fixed assets</b>					
<b>Intangible assets</b>	3				
Goodwill and other intangible assets .....		68.981	235.332	60.601	47.414
		<u>68.981</u>	<u>235.332</u>	<u>60.601</u>	<u>47.414</u>
<b>Fixed tangible assets</b>	4,5				
Power plants and distribution systems .....		60.223.396	54.850.298	59.563.042	53.759.706
Other assets .....		10.497.829	10.882.268	10.488.807	10.386.298
		<u>70.721.224</u>	<u>65.732.566</u>	<u>70.051.849</u>	<u>64.146.004</u>
<b>Investments and bonds</b>					
Shares in subsidiaries .....	6	0	0	244.725	924.822
Shares in other companies .....	6	615.197	700.472	615.197	663.281
Bonds .....	8	173.367	225.141	173.367	255.261
		<u>788.564</u>	<u>925.613</u>	<u>1.033.289</u>	<u>1.843.364</u>
<b>Fixed assets</b>		<u>71.578.770</u>	<u>66.893.512</u>	<u>71.145.739</u>	<u>66.036.782</u>
<b>Current assets</b>					
<b>Inventories</b>					
Supplies .....	7	405.386	332.401	397.186	325.320
		<u>405.386</u>	<u>332.401</u>	<u>397.186</u>	<u>325.320</u>
<b>Accounts receivable</b>	8				
Accounts receivables .....		1.875.264	1.815.084	1.861.568	1.748.669
Subsidiaries .....		0	0	16.967	167.712
Other receivables .....		216.663	127.274	216.526	120.540
		<u>2.091.927</u>	<u>1.942.358</u>	<u>2.095.061</u>	<u>2.036.922</u>
<b>Securities</b>					
Current maturities of bonds .....		28.346	30.289	28.346	30.289
		<u>28.346</u>	<u>30.289</u>	<u>28.346</u>	<u>30.289</u>
<b>Liquid assets</b>					
Bank deposits and cash .....		125.713	556.633	110.287	484.187
		<u>125.713</u>	<u>556.633</u>	<u>110.287</u>	<u>484.187</u>
<b>Current assets</b>		<u>2.651.373</u>	<u>2.861.681</u>	<u>2.630.880</u>	<u>2.876.717</u>
<b>Total Assets</b>		<u><u>74.230.142</u></u>	<u><u>69.755.193</u></u>	<u><u>73.776.619</u></u>	<u><u>68.913.499</u></u>

## 31. December 2004

### Liabilities and Equity

	Note	Group		Parent Company	
		31.12.2004	31.12.2003	31.12.2004	31.12.2003
<b>Equity</b>	9				
Retained earnings .....		<u>41.928.924</u>	<u>39.699.071</u>	<u>41.928.924</u>	<u>39.699.071</u>
<b>Total equity</b>		<u>41.928.924</u>	<u>39.699.071</u>	<u>41.928.924</u>	<u>39.699.071</u>
<b>Minority share</b>					
Minority interest in subsidiaries .....		<u>72.912</u>	<u>165.362</u>	<u>0</u>	<u>0</u>
		<u>72.912</u>	<u>165.362</u>	<u>0</u>	<u>0</u>
<b>Liabilities</b>					
<b>Obligations</b>					
Pension liabilities .....	10	<u>241.438</u>	<u>227.781</u>	<u>223.139</u>	<u>201.243</u>
		<u>241.438</u>	<u>227.781</u>	<u>223.139</u>	<u>201.243</u>
<b>Long-term liabilities</b>					
Long-term loans .....	13	24.079.609	24.132.485	23.957.799	23.681.843
Long-term loan due to pension liability settlement .....		<u>2.868.044</u>	<u>2.815.053</u>	<u>2.868.044</u>	<u>2.815.053</u>
		<u>26.947.653</u>	<u>26.947.538</u>	<u>26.825.842</u>	<u>26.496.896</u>
<b>Current liabilities</b>					
Short-term loans.....		550.000	510.855	550.000	502.879
Accounts payable .....		1.622.852	1.097.606	1.607.850	1.077.907
Reykjavik Municipal Treasury .....		2.665	25.805	2.665	25.805
Subsidiaries.....		0	0	18.000	22.114
Long-term liabilities - due within one year.....	14	2.515.567	771.950	2.277.542	598.427
Other current liabilities.....		<u>348.131</u>	<u>309.227</u>	<u>342.656</u>	<u>289.157</u>
		<u>5.039.216</u>	<u>2.715.443</u>	<u>4.798.713</u>	<u>2.516.289</u>
<b>Total liabilities</b>		<u>32.228.306</u>	<u>29.890.761</u>	<u>31.847.694</u>	<u>29.214.428</u>
<b>Total equity and liabilities</b>		<u><u>74.230.142</u></u>	<u><u>69.755.193</u></u>	<u><u>73.776.619</u></u>	<u><u>68.913.499</u></u>

# Statement of Cash Flow 2004

	Note	Group		Parent company	
<b>Cash Inflow from Operating Activities</b>		<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Net profit for the year .....		3.670.853	1.279.232	3.670.853	1.279.232
<b>Reconciling items not involving cash</b>					
Depreciation and amortisation .....	4	3.205.877	3.552.690	3.082.825	3.294.123
Calculated effect of price-level changes .....	2	0	(677.037)	0	(658.566)
Indexation and exchange rate differences .....		(2.518.378)	(426.262)	(2.467.779)	(369.819)
Subsidiaries interest .....		0	0	(64.888)	41.964
Minority interest in subsidiaries' performance .....		(4.906)	(27.877)	0	0
Calculated income tax .....		0	(25.746)	0	0
Loss (gain) from sale of fixed assets .....		(83.965)	(32.287)	(83.965)	79.314
Write down of stock holdings .....		83.824	79.314	121.406	0
Increase in pension obligations .....		14.119	7.772	11.837	6.221
<b>Working capital from operating activities</b>	18	<u>4.367.423</u>	<u>3.729.798</u>	<u>4.270.288</u>	<u>3.672.469</u>
<b>Changes in operating assets and liabilities</b>					
Receivables (increase), decrease .....		(100.046)	52.385	(106.013)	(62.521)
Inventory (increase), decrease .....		(72.985)	66.354	(71.866)	65.232
Liabilities increase, (decrease) .....		406.805	(271.315)	390.272	(227.305)
<b>Net cash from operating activities</b>	18	<u>4.601.197</u>	<u>3.577.222</u>	<u>4.482.682</u>	<u>3.447.874</u>
<b>Investment activities</b>					
Purchases of fixed assets .....		(8.239.326)	(5.762.940)	(8.198.286)	(5.658.892)
Sales of fixed assets .....		429.770	6.573	429.770	6.573
Purchases of shares .....		(60.550)	(18.262)	(66.550)	(14.262)
Sales of shares .....		20.710	0	1.269	0
Installments of bonds .....		28.037	50.271	28.037	(14.751)
<b>Investment activities</b>		<u>(7.821.358)</u>	<u>(5.724.358)</u>	<u>(7.805.760)</u>	<u>(5.681.331)</u>
<b>Financing activities</b>					
Short-term loans .....		92.721	(1.225.448)	47.121	(1.226.334)
Borrowing of long-term liabilities .....		4.917.574	6.489.351	4.917.574	6.406.851
Repayments of long-term liabilities .....		(769.829)	(1.202.384)	(629.295)	(1.006.859)
Purchase of shares .....		0	(171.900)	0	(171.900)
Payments to shareholders .....		(1.441.000)	(1.361.683)	(1.441.000)	(1.361.683)
Shares issued .....		4.000	0	0	0
<b>Financing activities</b>		<u>2.803.466</u>	<u>2.527.936</u>	<u>2.894.399</u>	<u>2.640.075</u>
<b>Increase (decrease) of cash</b> .....		(416.695)	380.799	(428.678)	406.618
<b>Cash at beginning of year</b> .....		556.633	175.834	484.187	77.569
<b>Merger and sale of subsidiary</b> .....		(14.224)	0	54.779	0
<b>Cash at end of year</b> .....		<u><u>125.713</u></u>	<u><u>556.633</u></u>	<u><u>110.287</u></u>	<u><u>484.187</u></u>

# Notes

## Accounting Policies

1. The Financial Statements are prepared in accordance with the Icelandic law and generally accepted accounting principles. In all material respects the Financial Statements are consistent with the statement of the preceding year except as described in note number 2. The Financial Statements are prepared according to the costing method after taking into account the effect of price-level changes until end of year 2003.

The Financial Statements of Reykjavik Energy for the year 2004 include the Consolidated Financial Statements of Reykjavík Energy and its subsidiaries along with the Financial Statements of the Parent Company. All intercompany transactions between companies in the Group have been eliminated in the Consolidated Financial Statements. The Consolidated Financial Statements include Reykjavik Energy, the Municipal Heating Utility of Akranes and Borgarfjörður, Hrafnabjargarvirkjun hf., Lina.Net hf. for the first nine months of the year 2004 and NCI- Fjarskipti og orka ehf. Shares in subsidiaries are capitalised at the price corresponding to Reykjavik Energy's share in the book value of their equity capital after taking into account the difference between the initial purchase price, share in their equity capital at the time of purchase and other changes.

In the beginning of the year Municipal Heating Utility of Þorlákshöfn and Rafmagnslína ehf. merged into Reykjavik Energy but before that they were owned 100% by Reykjavik Energy. In the year Hrafnabjargarvirkjun hf. was established and Reykjavik Energy share's is 60%. In the fall Reykjavík Energy sold its stocks in Lina.Net hf. therefore only the first nine months are included in the Consolidated Financial Statements of Reykjavik Energy.

2. With Act no. 133/2001, amendments were made to Act no. 75/1981 on Income Tax and Net Worth Tax and to the Annual Accounts Act no. 144/1994. With these amendments, price adjustments pursuant to the Act on Income Tax and Net Worth Tax were abolished as of 1 January 2002. Also, the provisions of the Annual Accounts Act regarding price adjustments for general price-level changes in financial statements were abolished. Revaluation of assets is permitted provided that certain conditions are met. The temporary provisions of the Annual Accounts Act stipulate that companies may take account of the effects of general price-level changes in their Financial Statements for fiscal years beginning in 2002 and 2003 in accordance with the provisions valid before the amendments. Reykjavik Energy decided to continue taking into account effects of general price-level changes in the preparation of its Financial Statements for the year 2003. Had this not been done, the net profit for the year 2003 for the Parent Company without the effect of subsidiaries would have been about ISK 616.7 million less, and shareholders' equity about ISK 1,671 million less.

Assets and liabilities indexed and denominated in foreign currencies, are entered in accordance with valid index at year-end and converted to ISK at exchange-rate at year-end respectively.

Accounting principles concerning other items of the Financial Statements are listed below

## Intangible assets

3. Intangible assets, which are amortised by 12.5%-20% annually, are specified as follows:

Group	Good-will	Deferred income tax	Other	Total
Initialisation value from previous year.....	91	133	57	281
Amortisation from previous year.....	(36)	0	(10)	(46)
Book value from previous year.....	55	133	47	235
Sold and liquidated during the year.....	(41)	(133)	0	(174)
Invested during the year.....	0	0	28	28
Amortisation during the year.....	(14)	0	(7)	(20)
Book value at end of year.....	0	0	69	69

## Notes

<b>Parent Company</b>	Other intangible assets	Total
Initialisation value from previous year.....	57	57
Amortisation from previous year.....	(10)	(10)
Book value from previous year.....	47	47
Invested during the year.....	19	19
Amortisation during the year.....	(6)	(6)
Book value at end of year.....	<u>61</u>	<u>61</u>

Research and development costs are capitalised as intangible assets if it is fairly likely that the project will eventually generate revenues. The costs are written off over a period of eight years.

### Fixed tangible assets

4. Changes in fixed tangible assets were as follows in millions of ISK:

#### Group

	Power station	Heating utility systems	Electric utility systems	Water utility systems	Fiber-optic cable systems	Other assets	Total
Initialisation value from p. year.....	27.787	38.322	22.101	15.792	2.164	13.968	120.135
Previously depreciated.....	(9.149)	(22.471)	(11.993)	(7.563)	(112)	(3.114)	(54.402)
Book value from previous year.....	18.638	15.851	10.108	8.229	2.052	10.854	65.733
Additions during the year.....	3.643	1.352	940	819	1.070	940	8.763
Disposed of during the year.....	0	0	0	0	0	(589)	(589)
Depreciated during the year.....	(754)	(826)	(494)	(311)	(92)	(707)	(3.186)
Book value at end of the year.....	<u>21.527</u>	<u>16.377</u>	<u>10.553</u>	<u>8.737</u>	<u>3.030</u>	<u>10.498</u>	<u>70.721</u>
Depreciation rates.....	0-6.7%	2-10%	2-10%	2-6.7%	4%	0-33.3%	

#### Parent Company

	Power station	Heating utility systems	Electric utility systems	Water utility systems	Fiber-optic cable systems	Other assets	Total
Initialisation value from p. year.....	27.697	35.214	22.101	15.792	1.925	13.292	116.020
Previously depreciated.....	(9.097)	(20.243)	(11.993)	(7.563)	(72)	(2.906)	(51.874)
Book value from previous year.....	18.599	14.971	10.108	8.229	1.853	10.386	64.146
Change due to merger.....	38	172	0	0	200	187	597
Invested during the year.....	3.643	1.334	940	819	1.070	926	8.731
Disposed of during the year.....	0	0	0	0	0	(346)	(346)
Depreciated during the year.....	(754)	(759)	(494)	(311)	(92)	(665)	(3.077)
Book value at end of the year.....	<u>21.527</u>	<u>15.717</u>	<u>10.553</u>	<u>8.737</u>	<u>3.030</u>	<u>10.489</u>	<u>70.052</u>
Depreciation rates.....	0-6.7%	2-10%	2-10%	2-6.7%	4%	0-33.3%	

## Notes

Depreciation is calculated as a fixed annual percentage of cost, based on the ownership period during the year. No depreciation is entered for assets that have not been taken into use.

Depreciation and amortisation cost in the Income statement is as follows:

	<b>Group</b>	<b>Parent Company</b>
Depreciation of tangible assets.....	(3.186)	(3.077)
Amortisation of intangible assets.....	(20)	(6)
	(3.206)	(3.083)

During the year, the lifetime of the heating utility system, heating rights and electricity system was revaluated. The lifetime of the electricity system and heating utility system was 30 years and a decision was made that the systems which are older than from 1975 have a 30 years lifetime or 3,33% depreciation rate, systems which are from 1975 to 1980 have 35 years lifetime or 2,86% depreciation rate, systems which are from 1980 to 1989 have 40 years of lifetime or 2,5% depreciation, systems from 1990 to 1999 have 45 years of lifetime or 2,22% depreciation rate and systems from the year 2000 and later have 50 years of lifetime or 2% depreciation rate. The main reason for this revaluation of lifetime is because the materials which are now used are much better and have a longer lifetime than the older materials. Depreciation rate of the heating rights is decreased from 4% to 1% because their lifetime is much longer than was believed.

These changes have the effects that depreciation cost is lower for electricity system of ISK 113,7 million, heating utility system ISK 191,2 million and heating rights ISK 54,8 million. The total impact of these changed depreciation rates in the income statement for 2004 is ISK 359,7 million. Following the revaluation of the lifetime of these systems and heating rights, it will be examined whether it is necessary to perform a special revaluation of the book value of these assets.

5. During the year, financial cost amounting to ISK 107,8 million was capitalised due to the Hellisheidi project. In the year 2004 Reykjavík Energy sold fixed tangible assets for ISK 430 million and the gain on the sale, about 84 ISK million, is amongst operation revenues in the Income statement.

### Shares

6. Shares in subsidiaries are entered in proportion to the company's ownership share in their equity. Shares in other companies are entered at the restatement of cost to the year 2003 and after that at cost. Market price of Reykjavík Energy shares in Jarðboranir hf. at year end is about ISK 1.048 million compared to book value of ISK 343 million.

### Group

	<u>Share</u>	<u>Face value</u>	<u>Book value</u>
Shares in other companies:			
Jarðboranir hf.....	13,0%	51,9	343,2
Feyging hf.....	21,1%	28,8	52,0
Tetra Island hf.....	22,9%	50,0	50,0
Enex hf. ....	17,9%	15,9	44,0
Velamidstodin ehf.....	33,0%	128,3	39,3
Vistorka hf. ....	13,3%	11,3	17,5
Galantatarm.....	4,4%	9,9	13,1
Metan hf.....	21,3%	10,0	10,2
Other shares.....		31,1	45,8
			615,2

## Notes

### Parent Company

	Share	Face value	Book value
Shares in subsidiaries:			
Heating Utility of Akranes and Borgarfjordur (HAB).....	79,3%		218,0
Hrafnabjargarvirkjun hf.....	60,0%	24,0	24,0
NCI fjarskipti og orka ehf.....	100,0%	3,0	2,7
			244,7
Shares in other companies:			
Jarðboranir hf.....	13,0%	51,9	343,2
Feyging hf. ....	21,1%	28,8	52,0
Tetra ísland ehf.....	22,9%	50,0	50,0
Enex hf.....	17,9%	15,9	44,0
Vélamiðstöðin ehf.....	33,0%	128,3	39,3
Vistorka hf. ....	13,3%	11,3	17,5
Galantaterm.....	4,4%	9,9	13,1
Metan hf.....	21,3%	10,0	10,2
Other shares.....		31,1	45,8
			615,2

### Inventories

7. Inventories are valued at cost after taking into account obsolete and defective products and a reserve amounting ISK 23 million.

### Accounts receivable

8. Allowances are made for receivables and bonds in the Financial Statements amounting ISK 81 million for the Group and ISK 81 million for the Parent Company. This does not constitute a final write-off, but rather, a reserve fund that has been established for uncollectible receivables. Changes in the reduction of receivables and bond ownership during the year were as follows, in millions of ISK:

	<b>Group</b>	<b>Parent Company</b>
Allowances at the beginning of year.....	112	106
Addition due to merger.....	0	1
Bad debts written off during year.....	(104)	(102)
Bad debt expensed during year.....	78	76
Disposed because of subsidiary sale.....	(5)	0
	81	81

### Equity

9. Changes in Parent Company's equity account in millions of ISK:

	<b>Retained earnings</b>
Transferred from previous year .....	39.699
Profit for the year .....	3.671
Dividends.....	(1.441)
	41.929

# Notes

## Obligations

10. Reykjavik Energy has pension obligations due to former employees' membership in the State Employees Pension Fund. The company has also obligations to the Town of Akranes' Pension Fund.

Changes in long-term obligation are as follows in the Balance Sheet, in millions of ISK:

	<b>Group</b>	<b>Parent Company</b>
Pension obligation at beginning of year.....	228	201
Pension obligation due to merger.....	0	10
Paid pension during year.....	(6)	(6)
Increased pension obligation during the year.....	20	18
	<u>241</u>	<u>223</u>

11. Because of Reykjavik Energy's investment activities in the year 2004 agreements with foreign banks were made about long term financing amounting EUR 231 million or ISK 19,2 billion. At the end of the year 2004 the company has exploited EUR 56 million of this. Because of these investments an agreement was also made with Mitsubishi Heavy Industries Ltd, Mitsubishi Corporation PLC and Blacke-Durr GmbH about buying equipments. Following these investment activities, Reykjavik Energy has made two energy sale agreements with Norðural for the next 20 years to come and made an agreement with Landsnet hf. about delivering the energy.

12. Last Desember Committee of Offers made the decision that Reykjavik Energy is liability against Toshiba International because of the tender offer for Hellisheiði project. The committee made the decision that Reykjavik Energy should compensate Toshiba's cost of making the offer. Reykjavik Energy has subpoenaed Toshiba for Heraðsdom and demanded that the committee's decision is made invalid. Because of the significant uncertainty how this case will end, this cost is not included in the financial statement of Reykjavik Energy.

## Long-term liabilities

- 13 The company's long-term loans were as follows in millions of ISK:

	<b>Group</b>	<b>Parent Company</b>
Long term loans:		
Loans in USD .....	7.361	7.294
Loans in EUR.....	8.668	8.573
Loans in CHF.....	4.816	4.708
Loans in GBP.....	2.646	2.646
Loans in JPY.....	1.213	1.124
Loans in SEK.....	1.490	1.490
	<u>26.194</u>	<u>25.835</u>
Loans in ISK .....	3.264	3.264
	<u>29.458</u>	<u>29.098</u>
Current maturities.....	(2.510)	(2.273)
Long-term liabilities.....	<u>26.948</u>	<u>26.826</u>

## Notes

14. Annual maturities of long term liabilities at end of 2004 were as follows in millions of ISK:

	<b>Group</b>	<b>Parent Company</b>
In the year 2005.....	2.510	2.273
In the year 2006.....	2.570	2.449
In the year 2007.....	3.460	3.460
In the year 2008.....	2.524	2.524
In the year 2009.....	2.027	2.027
Subsequent.....	16.365	16.365
	29.458	29.098

Annual maturities of long term liabilities and obligations at end of 2004 were as follows in millions of ISK:

	<b>Group</b>	<b>Parent Company</b>
Current maturities of long term loans.....	2.510	2.273
Estimated pension obligation payment.....	6	5
	2.516	2.278

### Other matters

15. In the beginning of the year 2005 a new regulation of a new pricelist was introduced according to new regulations regarding distribution of electricity. Therefore, Reykjavík Energy aims to show separately in future Financial Statements, income statement for distribution of electricity as well as income statement for power plants that produce both hot water and electricity.

16. Payroll costs were as follows in millions of ISK:

	<b>Group</b>		<b>Parent company</b>	
	2004	2003	2004	2003
Wages .....	2.228	2.076	2.182	2.003
Wage-related expenses .....	422	353	417	343
Portion of payroll expenses capitalised under projects.....	(470)	(444)	(470)	(444)
	2.180	1.985	2.128	1.901
Number of employees.....	581	573	573	560

Wages and fees paid to the Board of Directors and three Presidents of the Parent Company in 2004 amounted to ISK 44.7 million.

## Notes

17. Interest income / (expenses) were as follows in millions of ISK:

	<b>Group</b>		<b>Parent company</b>	
	2004	2003	2004	2003
Interest income.....	172	174	169	163
Other financial income, including dividends .....	10	8	10	8
	182	181	180	171
Interest expences.....	(857)	(735)	(829)	(699)
Exchange-rate differential .....	2.533	440	2.493	422
Capital income tax.....	(33)	(2)	(33)	(2)
	1.643	(297)	1.631	(280)
Revenues from price-level changes .....	0	681	0	663
	1.825	566	1.811	554

### Cash flow

18. A five-year statement of cash flow in millions of ISK at each year's price level:

<b>Group</b>	2004	2003	2002	2001	2000
Profit (loss) for the year.....	3.671	1.279	3.006	(533)	389
Depreciation.....	3.206	3.553	3.386	2.782	2488
Calculated financial items.....	(2.518)	(1.103)	(3.070)	864	556
Other changes.....	9	1	(126)	(11)	(115)
<b>Working capital from operating activities</b>	4.367	3.730	3.196	3.101	3.318
Changes in operating assets.....	(173)	119	636	222	(1.065)
Changes in operating liabilities.....	407	(271)	(53)	(588)	1.175
<b>Net cash from operating activities</b>	4.601	3.577	3.779	2.735	3.428

Five-year statement of cash flow in millions of ISK at each year's price level:

<b>Parent Company</b>	2004	2003	2002	2001	2000
Profit (loss) for the year.....	3.671	1.279	3.006	(533)	389
Depreciation.....	3.083	3.294	2.983	2.592	2.416
Calculated financial items.....	(2.468)	(1.028)	(2.756)	785	522
Other changes.....	(16)	127	48	554	(60)
<b>Net working capital from operations</b>	4.270	3.672	3.281	3.398	3.267
Changes in operating assets.....	(178)	3	590	90	(768)
Changes in operating liabilities.....	390	(227)	76	(639)	746
<b>Net cash from operating activities</b>	4.483	3.448	3.947	2.849	3.246

## Notes

### Key figures

19. Group	2004	2003	2002	2001
Profit before depreciation/operating revenues.....	38,9%	35,7%	32,7%	32,6%
Operating profit/operating revenues.....	14,6%	6,2%	3,5%	7,1%
Working capital from operating activities /operating revenues.....	33,1%	31,1%	27,5%	28,4%
Profit for the year/operating revenues.....	27,8%	10,7%	25,9%	-4,9%
Profit before depreciation, interest and taxes (EBITDA).....	5.130	4.291	3.797	3.561
Return on equity.....	9,0%	3,3%	8,3%	-1,5%
Current ratio - current assets / current liabilities.....	0,53	1,05	0,60	1,15
Equity ratio - equity capital/total capital.....	56,5%	56,9%	58,6%	58,5%
Parent Company	2004	2003	2002	2001
Profit before depreciation/operating revenues.....	38,2%	35,0%	33,5%	35,0%
Operating profit/operating revenues.....	14,6%	7,2%	7,1%	10,3%
Working capital from operating activities /operating revenues.....	32,6%	31,1%	29,1%	32,3%
Profit for the year/operating revenues.....	28,1%	10,8%	26,7%	-5,1%
Profit before depreciation, interest and taxes (EBITDA) .....	5.000	4.140	3.781	3.679
Return on equity.....	9,0%	3,3%	8,4%	-1,5%
Current ratio - current assets / current liabilities.....	0,55	1,14	0,61	1,69
Equity ratio - equity capital/total capital.....	56,8%	57,6%	59,6%	61,4%