Orkuveita Reykjavíkur

Condensed consolidated

Interim Financial Statements

1 January to 31 March 2010

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 7.187 million. According to the statement of financial position the Company´s assets amount to ISK 292.119 million, book value of equity at the end of the period amounted to ISK 47.793 million and the Company´s equity ratio is 16.4%

At the beginning of the year and at the end of the period the Company´s shareholders were the following three

	Share
Reykjavíkurborg	93.539%
Akraneskaupstaður	5.528%
Borgarbyggð	0.933%

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 consolidated financial statements give a fair view of the Company's assets, liabilities and financial position at 31 March 2010 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 consolidated 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 consolidated financial statements for the period 1 January to 31 March 2010.

Reykjavík, 12 May 2010.

The Board of Directors:
Guðlaugur G. Sverrisson
Kjartan Magnússon
Júlíus Vífill Ingvarsson
Gunnar Sigurðsson
Sigrún Elsa Smáradóttir
Þorleifur Gunnlaugsson

Managing Director:
Hjörleifur B. Kvaran

Independent Auditor´s Review Report

To the Board of Directors and owners of Orkuveita Reykjavikur.

We have reviewed the accompanying condensed financial statements of Orkuveita Reykjavíkur, which comprise the interim statement of financial position as at 31 March 2010 and the interim statement of income, 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 2010, 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.

Reykjavík, 12 May 2010.

KPMG hf.
Hlynur Sigurðsson
Auðunn Guðjónsson

Interim Income Statement
1 January to 31 March 2010

	Notes	2010 1.1.-31.3.	2009 1.1.-31.3.
Operating revenue		7.421.500	6.541.424
Energy purchase		(1.299.216)	(1.315.663)
Salaries and salary related expenses	4	(1.061.227)	(977.038)
Other operating expenses		(828.835)	(913.275)
Depreciation and amortisation	5	(1.951.641)	(2.374.190)
Results from operating activities		2.280.582	961.258
Interest income		40.286	93.284
Interest expenses		(904.078)	(1.827.094)
Other (expenses) income on financial assets and liabilities		8.779.665	2.436.566
Total financial income and expenses	6	7.915.874	702.756
Share in (loss) profit of associated companies		(73.594)	19.494
Profit before income tax		10.122.862	1.683.508
Income tax	7	(2.936.017)	128.945
Profit for the period		7.186.844	1.812.453
Attributable to:			
Equity holders of the Company		7.186.844	1.805.500
Minority interest in subsidiaries		0	6.953
Profit for the period		7.186.844	1.812.453

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Interim Statement of Comprehensive Income for 1 January to 31 March 2010

	2010 1.1.-31.3.	2009 1.1.-31.3.
Profit for the period	7.186.844	1.812.453
Other comprehensive income		
Depreciation transferred to retained earnings (deficit)	0	0
Total comprehensive profit for the period	7.186.844	1.812.453
Total comprehensive income attributable to:		
Equity holders of the Company	7.186.844	1.805.500
Minority interest in subsidiaries	0	6.953
Total comprehensive profit for the period	7.186.844	1.812.453

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Interim Statement of Financial Position
31 March 2010

	Notes	31.3. 2010	31.12. 2009
Assets			
Property, plant and equipment	8	242.017.724	240.716.068
Intangible assets	9	1.621.270	1.648.403
Investments in associated companies		410.266	488.569
Investments in other companies		2.187.047	2.187.047
Embedded derivaties in electricity sales contracts	10	23.658.934	19.036.283
Other financial assets		8.539.334	7.656.562
Deferred tax assets	11	426.377	1.194.314
Total non-current assets		278.860.953	272.927.246
Inventories		700.051	752.353
Trade receivables		4.483.328	3.339.309
Embedded derivatives in electricity sales contracts	10	1.357.612	1.127.990
Other financial assets		64.143	82.267
Other receivables		844.788	353.240
Cash and cash equivalents		5.807.818	2.943.303
Total current assets		13.257.740	8.598.462
Total assets		292.118.693	281.525.708

Interim Financial Statements of Orkuveita Reykjavikur 31 March 2010 7 Amounts are in ISK thousand

Interim Statement of Financial Position
31 March 2010

	Notes	31.3. 2010	31.12. 2009
Equity			
Revaluation reserve		48.954.272	49.417.335
(Accumulated deficit)		(1.166.429)	(8.816.337)
Equity attributable to equity holders of the Company		47.787.843	40.600.999
Minority interest		4.946	56.487
Total equity	12	47.792.789	40.657.486
Liabilities			
Loans and borrowings	13	225.141.805	221.254.126
Retirement benefit obligation		467.911	464.547
Other financial liabilities		36.766	50.186
Deferred tax liabilities	11	2.179.044	10.963
Total non-current liabilities		227.825.525	221.779.822
Accounts payable		2.438.402	2.368.066
Loans and borrowings	13	12.165.375	15.314.040
Other financial liabilities		21.597	24.977
Other current liabilities		1.875.005	1.381.317
Total current liabilities		16.500.379	19.088.400
Total liabilities		244.325.904	240.868.222
Total equity and liabilities		292.118.693	281.525.708

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Interim Statement of changes in Equity for the period ended 31 March 2010

1.1.-31.3 2010

	Revaluation reserve	Accumulated deficit	Attributable to equity holders of the Company	Minority interest	Total equity
Equity at 1 January 2010	49.417.335	(8.816.337)	40.600.998	56.487	40.657.485
Depreciation transferred to retained earnings (deficit)	(463.063)	463.063	0		0
Profit for the period		7.186.844	7.186.844	0	7.186.844
Total comprehensive income	(463.063)	7.649.907	7.186.844	0	7.186.844
Other changes			0	(51.541)	(51.541)
Equity at 31 March 2010	48.954.272	(1.166.430)	47.787.842	4.946	47.792.788

1.1.-31.3 2009

	Revaluation reserve	Accumulated deficit	Attributable to equity holders of the Company	Minority interest	Total equity
Equity at 1 January 2009	55.842.384	(7.517.523)	48.324.861	33.770	48.358.631
Profit for the period		1.805.500	1.805.500	6.953	1.812.453
Total comprehensive income	0	1.805.500	1.805.500	6.953	1.812.453
Dividends paid		(200.000)	(200.000)		(200.000)
Equity at 31 December 2008	55.842.384	(5.912.023)	49.930.361	40.723	49.971.082

Interim Financial Statements of Orkuveita Reykjavikur 31 March 2010 9 Amounts are in ISK thousand

Interim Statement of Cash Flows
for the period ended 31 March 2010

	2010 1.1.-31.3.	2009 1.1.-31.3.
Profit for the period	7.186.844	1.812.453
Financial income and expenses	(7.915.874)	(702.756)
Other items not affecting the cash flow	4.964.616	2.213.021
Changes in operating assets and liabilities	(866.574)	(1.246.347)
Working capital from operation before interest and taxes	3.369.013	2.076.371
Received interest income	42.143	132.052
Paid interest expenses	(597.149)	(1.804.914)
Paid due to other financial income and expenses	142.511	21.971
Net cash from operating activities	2.956.518	425.480
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3.227.621)	(5.098.566)
Acquisition of intangible assets	(17.023)	(64.572)
Acquisition of associated companies	0	(450)
Acquisition of subsidiaries	(50.000)	0
Proceeds and repayment of other financial assets	(2.367)	(26.695)
Net cash used in investing activities	(3.297.010)	(5.190.283)
Cash flows from financing activities		
Proceeds from new borrowings	5.397.949	5.261.995
Repayment of borrowings	(1.151.853)	(642.805)
Dividends paid	(200.000)	(200.000)
Credit facility, change	(1.559.366)	(257.512)
Current liabilities, increase	748.005	3.578.000
Net cash from financing activities	3.234.734	7.739.678
Increase in cash and cash equivalents	2.894.242	2.974.875
Cash and cash equivalents at year beginning	2.943.303	1.243.639
Changes in the Group	0	(5.907)
Effect of currency fluctuations on cash and cash equivalents	(29.728)	493.699
Cash and cash equivalents at period end	5.807.818	4.706.306
Investments and financing without payment effects:		
Acquisition of property, plant and equipment	(970.581)	(819.947)
Proceeds from sale of other companies	0	122.416
Other financial assets, change	0	(122.416)
Current liabilities, change	970.581	819.947
Other information:		
Working capital from operation	3.775.620	1.697.153

Notes to the Interim Financial Statements

Notes

1. Reporting entity

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

The Company is an independent service company that produces and distributes electricity, distributes geothermal water for heating, cold water for consumptions, 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 2009.

The interim financial statements were approved by the Board of Directors on 12 May 2010.

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 2009. The consolidated financial statements for the Group as at and for the year ended 31 December 2009 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 property, plant and equipment have been revalued at fair value.
- Derivative agreements are stated at fair value.
- Assets held for sale are stated at fair value.
- Financial instruments at fair value through profit and loss are stated at fair value.

c. *Functional and presentation currency*

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

d. *Use of estimates and judgements*

The preparation of the interim 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 financial statements is included in the following notes:

- note 8 .... Property, plant and equipment
- note 10 .... Embedded derivatives in electricity sale contracts
- note 11 .... Deferred tax assets and liabilities

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 utilities, production and sale, and other operation. In addition, information is provided on the Group's sectors, which are electricity, hot water, cold water, sewer and fibre-optic cable systems. Organisational change was implemented in the beginning of the year 2010, where a part of production, i.e. production of cold water and hot water in low-temperature geothermal areas, was merged into distribution, forming a new segment called utilities. Comparative amounts have been changed in accordance.

Business segments - divisions

1.1.-31.3 2010	Utilities	Production and sale	Other Operation	Adjust-ments	Total
External revenue	4.538.537	2.777.636	105.327	0	7.421.500
Inter-segment revenue	56.181	594.879	92.380	(743.440)	0
Total segment revenue	4.594.718	3.372.515	197.707	(743.440)	7.421.500
Segment result	2.727.810	483.183	(6.817)	0	3.204.176
Unallocated expenses					(923.594)
Results from operating activities					2.280.582
Financial income and expenses					7.915.874
Share of loss of associated companies					(73.594)
Income tax					(2.936.018)
Profit for the period					7.186.844

1.1.-31.3 2009	Utilities	Production and sale	Other Operation	Adjust-ments	Total
External revenue	4.256.330	2.115.654	169.440	0	6.541.424
Inter-segment revenue	59.754	1.367.993	97.444	(3.063.956)	(1.538.765)
Total segment revenue	4.316.084	3.483.647	266.884	(3.063.956)	5.002.659
Segment result	1.398.849	432.365	(20.015)	0	1.811.199
Unallocated expenses					(849.941)
Results from operating activities					961.258
Financial income and expenses					702.756
Share of profit of associated companies					19.494
Income tax					128.945
Profit for the period					1.812.453

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3. Segment reporting, contd.

Business segments - divisions, contd.

1.1.-31.3 2010	**Utilities**	**Production and sale**	**Other Operation**	**Adjust-ments**	**Total**
Balance sheet (31.3. 2010)					
Property, plant and equipment	117.838.967	115.338.655	410.308	8.429.794	242.017.724
Intangible assets			254.462	1.366.808	1.621.270
Shares in associates					410.266
Other unallocated assets					48.069.433
Total assets					292.118.693
Unallocated liabilities					244.325.904
Investsments:					
Property, plant and equipment	1.819.758	1.345.005	0	44.379	3.209.142
Intangible assets	0	0	6.972	10.050	17.022
Depreciation, amortization:					
Property, plant and equipment	874.609	946.908	0	99.255	1.920.772
Intangible assets	0	0	0	30.869	30.869
1.1.-31.3 2009					
Balance sheet (31.12. 2009)					
Property, plant and equipment	100.540.291	131.293.671	419.717	8.462.389	240.716.068
Intangible assets	0	0	247.490	1.400.913	1.648.403
Shares in associates					488.569
Other unallocated assets					38.672.668
Total assets					281.525.708
Unallocated liabilities					240.868.222
Investsments:					
Property, plant and equipment	2.161.384	2.169.686	1.510	29.233	4.361.813
Intangible assets	0	0	11.069	53.502	64.571
Depreciation, amortization:					
Property, plant and equipment	1.031.688	1.196.208	0	110.216	2.338.112
Intangible assets	0	0	0	36.079	36.079

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Notes

3. Segment reporting, contd.

Business segments - sectors

1.1.-31.3 2010	Electricity	Hot water	Cold water	Sewer	Fibre-optic cable system	Adjust-ments	Total
Income							
External revenue	4.012.584	1.830.356	668.261	690.243	220.056	0	7.421.500
Inter-segment revenue	254.611	27.868	8.572	8.854	0	(299.905)	0
Total segment revenue	4.267.195	1.858.224	676.833	699.097	220.056	(299.905)	7.421.500
Balance sheet (31.3. 2010)							
Property, plant and equipment	123.860.169	56.243.568	17.243.659	36.649.381	8.020.947	0	242.017.724
Intangible assets	721.674	582.496	101.144	215.956	0	0	1.621.270
Unallocated assets							48.479.699
Total assets	124.581.843	56.826.064	17.344.803	36.865.337	8.020.947	0	292.118.693
Investments							
Property, plant and equipments	2.246.692	375.666	32.064	389.292	165.428	0	3.209.142
Intangible assets	5.315	9.385	744	1.578	0	0	17.022
Depreciation, amortization							
Property, plant and equipments	850.089	560.386	115.186	307.356	87.755	0	1.920.772
Intangible assets	11.795	9.618	2.962	6.494	0	0	30.869

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3. Segment reporting, contd.

Business segments - sectors, contd.

1.1.-31.3 2009	Electricity	Hot water	Cold water	Sewer	Fibre-optic cable system	Adjust- ments	Total
Income							
External revenue	3.259.989	1.891.350	639.824	566.859	183.402	0	6.541.424
Inter-segment revenue	290.360	93.208	9.826	8.706	0	(402.100)	0
Total segment revenue	3.550.349	1.984.558	649.650	575.565	183.402	(402.100)	6.541.424
Balance sheet (31.12. 2009)							
Property, plant and equipment	122.432.015	56.435.597	17.335.655	36.569.527	7.943.274	0	240.716.068
Intangible assets	739.683	582.308	105.068	221.344	0	0	1.648.403
Unallocated assets							39.161.236
Total assets	123.171.698	57.017.905	17.440.723	36.790.871	7.943.274	0	281.525.708
Investments							
Property, plant and equipments	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, amortization							
Property, plant and equipments	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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Notes

4. Salaries and salary related expenses

Salaries and salary related expenses are specified as follows:

	2010 1.1.-31.3.	2009 1.1.-31.3.
Salaries	972.774	963.312
Defined contribution pension expenses	118.506	121.671
Defined benefit pension expenses	5.593	(10.487)
Other salary related expenses	102.373	66.819
Total salaries and salary related expenses	1.199.245	1.141.315

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

	2010 1.1.-31.3.	2009 1.1.-31.3.
Expensed in the income statement	1.061.227	977.038
Capitalised on projects	138.018	164.276
Total salaries and salary related expenses	1.199.245	1.141.315

5. Depreciation and amortisation

Depreciation and amortisation is specified as follows:

	2010 1.1.-31.3.	2009 1.1.-31.3.
Depreciation of property, plant and equipment, cf. note 8	1.920.771	2.338.112
Amortisation of intangible assets, cf. note 9	0	36.079
Depreciation and amortisation recognised in the income statement	1.920.771	2.374.191

6. Financial income and expenses

Financial income and expenses are specified as follows:

	2010 1.1.-31.3.	2009 1.1.-31.3.
Interest income	40.286	93.284
Interest expense	(770.613)	(1.715.004)
Guarantee fee to owners	(133.465)	(112.089)
Total interest expenses	(904.078)	(1.827.093)
Fair value changes of embedded derivatives in electricity sales contracts	4.852.274	(4.403.786)
Fair value changes of assets available for sale	0	82.289
Fair value changes of financial assets and financial liabilities through P/L	868.046	307.430
Forward currency swaps	(8.954)	59.744
Foreign exchange difference	3.068.300	6.390.888
Total of other income (expenses) on financial assets and liabilities	8.779.665	2.436.565
Total financial income and expenses	7.915.874	702.756

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6. Financial income and expenses, contd.

Financing cost due to construction of a power plant to the amount of ISK 455,7 million is capitalised and has been recognised as reduction of financial expenses (1.1. to 31.3. 2009: ISK 553,9 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 a good indication of interest incurred during construction time. The average of monthly REIBOR fixings during the period 1.1. to 31.3. 2010 is used, the average is 8.99%. A margin that reflects the Group's terms from the Icelandic banks during the period 1.1. to 31.3. 2010 is added, this margin is 1.25%. In addition the Group's owners guaranty fee of 0.375% is added, in total the interest rate is 10.62%. (1.1. to 31.3. 2009: 19.62%)

	2010 1.1.-31.3.	2009 1.1.-31.3.
Interest expenses, charged in the income statement	(904.078)	(1.827.093)
Capitalised finance cost	(455.703)	(553.909)
Interest expenses	(1.359.781)	(2.381.012)

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 revenue of ISK 5.720,3 million. (1.1. to 31.3. 2009: expense ISK 4.403,8 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:	2010 1.1.-31.3.	2009 1.1.-31.3.
Change in deferred income tax	2.936.017	(128.945)
Income tax recognised in the income statement	2.936.017	(128.945)

Reconciliation of effective tax rate:		2010 1.1.-31.3.		2009 1.1.-31.3.
Profit before income tax		10.122.862		1.683.508
Income tax according to current tax ratio	32.7%	3.309.698	23.5%	395.624
Non-taxable operation of water supply and sewer	(4.1%)	(412.414)	(24.5%)	(412.585)
Effect of various tax rates in the Group	(0.0%)	(2.066)	(2.9%)	(48.865)
Other items	0.4%	40.799	(6.7%)	(63.119)
Effective income tax	29.0%	2.936.017	(7.7%)	(128.945)

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8. Property, plant and equipment

Property, plant and equipment is specified as follows:

1.1.-31.3 2010	Production system	Utility system	Other real estates	Other equipment	Total
Cost or deemed cost					
Balance at year beginning	181.419.827	189.223.393	8.338.751	5.391.704	384.373.675
Reclassification of assets				13.285	13.285
Additions during the period	2.390.558	768.220	532	49.832	3.209.142
Balance at end of period	183.810.385	189.991.613	8.339.283	5.454.821	387.596.102
Depreciation					
Balance at year beginning	49.965.530	89.853.132	1.549.340	2.289.605	143.657.607
Depreciated during the period	968.721	879.917	35.274	36.859	1.920.771
Balance at end of period	50.934.251	90.733.049	1.584.614	2.326.464	145.578.378
Carrying amounts					
At 1.1. 2010................................	131.454.297	99.370.261	6.789.411	3.102.099	240.716.068
At 31.3. 2010..............................	132.876.134	99.258.564	6.754.669	3.128.357	242.017.724
Thereof assets in construction at year end.............	27.889.775	1.701.261			29.591.036

1.1.-31.12 2009	Production system	Utility system	Other real estates	Other equipment	Total
Cost or deemed cost					
Balance at year beginning	164.856.768	184.796.025	8.283.140	4.407.876	362.343.809
Reclassification of assets	0	0	0	(809.125)	(809.125)
Additions during the year	16.563.059	3.850.561	43.454	890.125	21.347.199
Sold or disposed of	0	576.807	12.157	902.828	1.491.792
Balance at year end	181.419.827	189.223.393	8.338.751	5.391.704	384.373.675
Depreciation					
Balance at year beginning	46.181.542	85.742.803	1.391.818	2.057.215	135.373.378
Reclassification of assets	0	0	0	(887.574)	(887.574)
Depreciated during the year	3.783.988	3.533.522	145.387	217.136	7.680.033
Sold or disposed of		576.807	12.135	902.828	1.491.770
Balance at year end	49.965.530	89.853.132	1.549.340	2.289.605	143.657.607
Carrying amounts					
At 1.1. 2009................................	118.675.226	99.053.222	6.891.322	2.350.661	226.970.431
At 31.12. 2009............................	131.454.297	99.370.261	6.789.411	3.102.099	240.716.068
Thereof assets in construction at year end.............	23.772.336	1.699.301	0	0	25.471.637

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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 this year and later. The contract and other contracts regarding developments at Hellisheiði amount to ISK 40,2 billion as per exchange rate at the end of the period from 1.1. to 31.3. 2010 (31.12.2009: ISK 41.0 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 2010 is estimated at ISK 1,9 billion (31.12.2009: ISK 2.4 billion).

9. Intangible assets

Intangible assets are specified as follows:

1.1.-31.3 2010	Heating rights	Preparation cost	Software	Total
Cost				
Balance at year beginning	1.427.031	247.492	2.895.665	4.570.188
Reclassification of assets			(13.285)	(13.285)
Additions during the period		6.972	10.050	17.022
Balance at end of period	1.427.031	254.464	2.892.429	4.573.925
Amortisation				
Balance at year beginning	424.631	0	2.497.153	2.921.784
Amortisation during the period	3.592	0	27.277	30.869
Balance at end of period	428.223	0	2.524.430	2.952.653
Carrying amounts				
At 1.1. 2010	1.002.400	247.492	398.512	1.648.403
At 31.3. 2010	998.808	254.464	368.000	1.621.272
1.1.-31.12 2009				
Cost				
Balance at year beginning	1.427.031	193.620	1.746.214	3.366.865
Reclassification of assets	0	0	809.124	809.124
Additions during the year	0	53.872	126.025	179.897
Sold or disposed of	0	0	214.302	214.302
Balance at year end	1.427.031	247.492	2.895.665	4.570.188
Amortisation				
Balance at year beginning	410.674	0	1.275.497	1.686.171
Reclassification of assets	0	0	887.574	887.574
Amortisation during the year	13.957	0	119.780	133.737
Sold or disposed of	0	0	214.302	214.302
Balance at year end	424.631	0	2.497.153	2.921.784
Carrying amounts				
At 1.1. 2009	1.016.357	193.620	470.717	1.680.694
At 31.12. 2009	1.002.400	247.492	398.512	1.648.403

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10. Embedded derivatives in electricity sales contracts

Four electricity sales contracts have been made to the next 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 distribution of electricity. Orkuveita Reykjavíkur and Norðurál have also made an electricity sales contract due to sale of electricity to a pending aluminium plant in Helguvík, where delivery of electricity for the first stage is estimated to begin in the year 2011 and the contract is to the 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 provisions of IAS 39 on financial instruments, the fair value of those embedded derivatives 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 period 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 12.264 million at the end of the period 31 March 2010 (31.12. 2009: ISK 9,459 million) and is not recognised in the financial statements.

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

	31.3. 2010	**31.12. 2009**
Fair value of embedded derivatives at the beginning of the year	20.164.272	9.091.449
Fair value changes during the period	4.852.274	11.072.823
Fair value of embedded derivatives at the end of the period	25.016.546	20.164.272

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

Non-current embedded derivatives	23.658.934	19.036.283
Current embedded derivatives	1.357.612	1.127.990
Total embedded derivatives at the end of the period	25.016.546	20.164.273

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11. Deferred tax assets and liabilities

Deferred tax assets and liabilities is specified as follows:

1.1.-31.3 2010	Tax assets	Tax liabilities	Net amount
Deferred tax assets/liabilities at the beginning of the year	1.194.314	10.963	1.183.351
Calculated income tax for the year	(767.937)	2.168.080	(2.936.017)
Deferred tax assets/liabilities at year end	426.377	2.179.043	(1.752.666)

1.1.-31.12 2009	Tax assets	Tax liabilities	Net amount
Deferred tax assets/liabilities at the beginning of the year	4.169.441	0	4.169.441
Effect of change in income tax rate on evaluation	(4.385.022)	0	(4.385.022)
Calculated income tax for the year	1.409.087	10.963	1.398.124
Other changes	808	0	808
Deferred tax assets/liabilities at year end	1.194.314	10.963	1.183.352

Deferred tax assets and liabilities are attributable to the flollowing:

	31.3. 2010		31.12. 2009	
	Tax assets	Tax liabilities	Tax assets	Tax liabilities
Property, plant and equipment	(162.968)	15.723.925	(15.612.117)	13.983
Embedded derivatives	0	8.180.411	(6.593.717)	0
Other items	30.329	(1.269.131)	2.274.492	(848)
Effect of carry forward taxable loss	559.017	(20.456.161)	21.125.656	(2.172)
Deferred tax assets/liabilities at year end	426.378	2.179.044	1.194.314	10.963

12. Equity

It is the Company'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 makes the decision on dividend payments.

Equity ratio of the Group at the end of the period is 16.4% (31.12.2009: 14.4%). Return on equity was positive by 91.8% in the period from 1.1. to 31.3. 2010 (1.1. to 31.12. 2009: negative by 5.5%).

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13. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which 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. 2010	31.12. 2009
Bank loans	205.796.118	199.828.760
Credit facilities	13.760.848	14.988.936
Bond issuance	16.778.911	16.527.168
	236.335.877	231.344.864
Current portion on non-current liabilities	(11.194.072)	(10.090.738)
	225.141.805	221.254.126

Current liabilities		
Current portion on non-current liabilities	11.194.072	10.090.738
Short-term bank loans	971.303	5.223.303
	12.165.375	15.314.041
Total interest bearing loans and borrowings	237.307.180	236.568.167

Terms of interest-bearing loans and borrowings

Liabilities in foreign currencies:

		2010		2009	
	Date of maturity	Average interest rate	Carrying amount	Average interest rate	Carrying amount
Liabilities in CHF	26.6.2036	0.68%	41.374.276	0.72%	41.607.299
Liabilities in EUR	6.12.2032	1.21%	79.251.840	1.30%	84.089.942
Liabilities in USD	19.2.2030	0.88%	49.790.476	0.92%	44.716.978
Liabilities in JPY	26.6.2036	0.60%	21.577.367	0.69%	21.613.747
Liabilities in GBP	26.6.2036	1.58%	7.783.928	1.62%	8.202.315
Liabilities in SEK	5.10.2027	0.71%	14.186.483	0.81%	14.079.999
			213.964.370		214.310.280
Liabilities in Icelandic kronas:					
Indexed	10.1.2037	4.97%	22.071.506	4.88%	16.734.583
Non-indexed	15.6.2010	11.45%	1.271.303	10,50%	5.523.303
			23.342.810		22.257.886
Total interest-bearing loans and borrowings			237.307.180		236.568.166

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13. Loans and borrowings, contd.

Repayment on non-current liabilities are specified as follows on the next years:	31.3. 2010	31.12. 2009
1.4. 2010 to 31.3. 2011 / 1.1. to 31.12. 2009	11.194.072	10.090.738
1.4. 2011 to 31.3. 2012 / 1.1. to 31.12. 2010	21.851.933	17.689.392
1.4. 2012 to 31.3. 2013 / 1.1. to 31.12. 2011	8.816.307	13.307.154
1.4. 2013 to 31.3. 2014 / 1.1. to 31.12. 2012	32.312.203	30.606.873
1.4. 2014 to 31.3. 2015 / 1.1. to 31.12. 2013	13.644.343	14.904.521
Later	148.517.019	144.746.186
Total non-current liabilities, including next year's repayment	236.335.877	231.344.864

Guarantees and pledges

The owners of the parent company are responsibel, pro rata, for all of the Parent company´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 Reykjavíkur 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 interest rate.

The Group's currency risk is related to cash flow risk and risk in the balance sheet. Interest rate risk is related to the variance of variable interests and fixed interests 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 can relate both to the cash flow or the balance sheet.

The Group's currency risk is monitored both in cash flow and in the balance sheet with generally accepted calculation methods. Annual standards 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.

Financial risk is divided into:

- 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 weighs 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 a currency other than Icelandic kronas (ISK). Currencies mainly creating risk are Euro (EUR), Swiss Francs (CHF), Japanese Yens (JPY) and Swedish kronas (SEK).

Approx. 90.2% of the Group's non-current loans are in foreign currencies. The 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 a foreign currency (USD). The expected future revenues from these contracts on the accounting date amount to approx. ISK 188.259 millions. That amount is 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.

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

	1.1.-31.3 2010	1.1.-31.12 2009	31.3. 2010	31.12. 2009
	Average exchange rate		Exchange rate at year end	
CHF	120,2975	114,325	120,79	121,215
EUR	176,0133	172,665	172	179,8
USD	127,2052	123,601	127,19	124,81
JPY	1,403	1,325	1,36185	1,35075
GBP	198,2729	193,893	193,085	202,165
SEK	17,6954	16,306	17,6525	17,52
CAD	122,319	109,041	125,245	119,01
TWI	230,974	223,324	226,92	232,83

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14. Risk management and financial instruments, contd.

b. *Market risk, contd.*

i) Exposure to currency risk

The Group's exposure to currency risk based on the nominal amounts is specified as follows (in ISK thousand):

31.3. 2010	CHF	EUR	USD	JPY	GBP	CAD	SEK	DKK	Total
Loans and borrowings	(41.374.276)	(79.251.840)	(49.790.476)	(21.577.367)	(7.783.928)		(14.186.483)		(213.964.370)
Accounts payables					(102)			(2.475)	(2.577)
Trade receivables		134.256	548.503						682.759
Bank deposits	252	688.919	4.792.766	55.198	2.508	376	33	0	5.540.052
Aluminium derivatives			25.016.546						25.016.546
Balance sheet risk	(41.374.024)	(78.428.665)	(19.432.660)	(21.522.169)	(7.781.522)	376	(14.186.451)	(2.475)	(182.727.589)
Estimated sale in 2010			6.453.983						6.453.983
Estim. Purch. in 2010		(3.136.861)	(69.753)	(1.667.951)					(4.874.565)
Balance sheet risk	0	(3.136.861)	6.384.230	(1.667.951)	0	0	0	0	1.579.418
Swaps	(614.573)			556.209					(58.364)
Net risk	(41.988.597)	(81.565.526)	(13.048.430)	(22.633.910)	(7.781.522)	376	(14.186.451)	(2.475)	(181.206.535)

14. Risk management and financial instruments, contd.

b. *Market risk, contd.*

i) Exposure to currency risk, contd.

31.12. 2009	**CHF**	**EUR**	**USD**	**JPY**	**GBP**	**CAD**	**SEK**	**DKK**	**Total**
Loans and borrowings	(41.607.299)	(84.089.942)	(44.716.978)	(21.613.747)	(8.202.315)	0	(14.079.999)	0	(214.310.280)
Accounts payables	(12.374)	(18.066)	(37.368)						(67.808)
Trade receivables			530.440		12	1.426	20	1.691	533.588
Bank deposits	234	7.084	2.556.769	308	3.251	230	106	0	2.567.982
Aluminium derivatives			20.164.273						20.164.273
Balance sheet risk	(41.619.439)	(84.100.924)	(21.502.864)	(21.613.439)	(8.199.053)	1.656	(14.079.873)	1.691	(191.112.245)
Estimated sale in 2010			5.921.599						5.921.599
Estim. Purch. in 2010		(2.297.992)	(135.676)	(1.593.073)					(4.026.741)
Balance sheet risk	0	(2.297.992)	5.785.923	(1.593.073)	0	0	0	0	1.894.859
Swaps	(709.012)			633.849					(75.163)
Net risk	(42.328.451)	(86.398.916)	(15.716.941)	(22.572.663)	(8.199.053)	1.656	(14.079.873)	1.691	(189.292.550)

Sensitivity analysis

Strengthening by 10% of the Icelandic krona against the following currencies at 31 March 2010 would have increased (decreased) equity and profit or loss by the amounts shown below.

	Profit or (loss)								
	CHF	EUR	USD	JPY	GBP	CAD	SEK	DKK	Total
1.1.-31.3 2010	2.784.472	5.278.249	1.307.818	1.448.442	523.696	(25)	954.748	167	12.297.567
1.1.-31.12 2009	3.183.887	6.433.721	1.648.901	1.653.428	627.228	(127)	1.077.110	(129)	14.624.019

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009. Weakening by 10% of the Icelandic krona against the above currencies at 31 March would have had the equivalent, but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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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. 2010**	**31.12. 2009**
Financial assets	8.603.478	7.738.829
Financial liabilities	26.669.782	26.792.325
	18.066.304	19.053.496
Variable rate instruments		
Financial liabilities	210.695.762	209.851.004
	210.695.762	209.851.004

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 variable 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. Presentation has been changed from the financial statements 2009, by taking out of the calculations the effect of the embedded aluminium electric sale contract derivative. Comparative amounts have been changed in accordance.

	Profit or (loss)	
1.1.-31.3 2010	**100 p increase**	**100 p decrease**
Variable rate instruments	(2.096.995)	2.096.995
Cash flow sensitivity, net	(2.096.995)	2.096.995
1.1.-31.12 2009		
Variable rate instruments	(2.093.277)	2.093.277
Cash flow sensitivity, net	(2.093.277)	2.093.277

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14. Risk management and financial instruments, 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 world market price of aluminium. The Group has not hedged specifically against aluminium price changes. Revenue from the electricity sales contracts related to aluminium price level amounted to 20.0% in the period from 1.1. to 31.3. 2010 (1.1. to 31.12. 2009: 17.6%) of the Group's total revenue for the year.

Sensitivity analysis

A change in the 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. 2010	**31.12. 2009**
Increase by 10%	11.341.852	10.264.565
Decrease by 10%	(11.406.611)	(10.370.869)

iv) Other market risk

Other market risk is limited as investments in bonds and shares are an insubstantial 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, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Owners' guarantees for the Company's loans has enabled the Company to obtain access to loans at good terms. 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). 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.

EIB has financed half of the construction cost for the fifth phase of the power plant at Hellisheidi. Discussions are ongoing regarding the financing of the latter half. It is expected that the financing of the phase will be concluded this year.

The Group's cash and cash equivalents at the end of the period amounted to ISK 5.8 billion. Furthermore, the Group had unused loan authorisations and a open credit line to the total amount of approx. ISK 7.6 billion. The Group had thus in total ensured capital at the end of the period to the amount of approx. ISK 13.4 billion. The corresponding amount at year end 2009 amounted to ISK 16.7 billion.

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14. Risk management and financial instruments, contd.

c. *Liquidity risk, contd.*

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

31.3. 2010

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	237.307.180	304.829.625	14.619.608	26.168.769	71.763.447	192.277.801
Accounts payable	2.438.402	(2.438.402)	(2.438.402)			
Other liabilities ...	1.875.005	(1.875.005)	(1.875.005)			
Derivative financial instruments						
Currency swaps	58.364	62.241	21.421	18.549	22.271	0
	241.678.950	300.578.458	10.327.622	26.187.318	71.785.717	192.277.801

31.12. 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	236.568.166	(264.168.863)	(18.307.776)	(36.219.530)	(64.152.032)	(145.489.525)
Accounts payable	2.368.066	(2.368.066)	(2.368.066)			
Other liabilities ...	1.381.317	(1.381.317)	(1.381.317)			
Derivative financial instruments						
Currency swaps	75.163	(81.803)	(24.876)	(21.983)	(34.944)	0
	240.392.712	(268.000.049)	(22.082.035)	(36.241.513)	(64.186.976)	(145.489.525)

Non-current loans will presumably be refinanced in order to prolonge 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 instruments, 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. 2010	31.12. 2009
Trade receivable	4.483.328	3.339.309
Other current receivables	844.788	353.240
Other financial assets	8.603.478	7.738.829
Cash and cash equivalents	5.807.818	2.943.303
	19.739.411	14.374.681

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

Trade receivable, industrial consumers	715.101	682.585
Trade receivable, retail	3.768.227	2.656.724
	4.483.328	3.339.309

Impairment

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

	31.3. 2010		31.12. 2009	
	Gross balance	Allowance	Gross balance	Allowance
Non-overdue receivables	3.839.199	11.255	2.573.050	36.917
Overdue receivables	937.828	282.444	1.056.886	253.710
	4.777.027	293.699	3.629.936	290.627

e. *Fair value*

Fair values versus carrying amounts

The carrying amounts of financial assets and financial liabilities is equal to their fair value with the exeption that interest bearing loans are stated at amortised cost. The fair values of finacial assets and liabilities, together with the carrying amounts are specified as follows:

	31.3. 2010		31.12. 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing liabilities	(237.307.180)	(224.329.144)	(236.568.166)	(218.876.273)

The fair value of interest-bearing liabilities are based on the present 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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14. Risk management and financial instruments, 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. 2010	31.12. 2009
Interest-bearing liabilities	0.057% - 8.5%	0.05% - 9.0%
Embedded derivatives in electr. sales contr.	0.225% - 4.519%	0.169% - 4.537%

Fair value hierarchy

The table below analysis financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets og liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31.3. 2010	Level 2	Level 3	Total
Shares in companies		2.187.047	2.187.047
Embedded derivatives in sales contracts		25.016.546	25.016.546
Other financial assets		8.250.055	8.250.055
Other financial liabilities	(58.364)		(58.364)
	(58.364)	35.453.648	35.395.284
31.12. 2009			
Shares in companies		2.187.047	2.187.047
Embedded derivatives in sales contracts		20.164.273	20.164.273
Other financial assets		7.396.701	7.396.701
Other financial liabilities	(75.163)		(75.163)
	(75.163)	29.748.021	29.672.858

Embedded derivatives in electric sales contracts that have more than 10 year duration er classified under level 3 due to the fact that the forward market for aluminium only reaches maximum of ten years.

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14. Risk management and financial instruments, contd.

f. *Overview of financial instruments*

Financial assets and financial liabilities are specified in the following financial groups:

	31.3. 2010			31.12. 2009		
	Loans and receivables	**Financial asset/ financial liability at fair value through P/L**	**Available for sale**	**Loans and receivables**	**Financial asset/ financial liability at fair value through P/L**	**Available for sale**
Shares in other companies			2.187.047			2.187.047
Embedd. electr. sales contracts ..		25.016.546			20.164.273	
Other financial assets	8.603.478			342.128	7.396.701	
Trade receivabl. .	4.483.328			3.339.309		
Other receivabl. ..	844.788			353.240		
Cash	5.807.818			2.943.303		
Interest-bearing .. liabilities	(237.307.180)			(236.568.166)		
Other financial liabilities		(58.364)			(75.163)	
Account payabl. .	(2.438.402)			(2.368.066)		
Other current liabilities	(1.875.005)			(1.381.317)		
	(221.881.175)	24.958.182	2.187.047	(233.339.569)	27.485.811	2.187.047

15. Group entities

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

			Share	
	Main operation	**Nominal value**	**31.3. 2010**	**31.12. 2009**
Gagnaveita Reykjavíkur ehf.	Data transfer	4.736.841	100.0%	100.0%
Hitaveita Akraness og Borgarfj	Heating supplier			79.3%
Reykjavík Energy Invest ehf.	Investments	3.004.723	100.0%	100.0%
Úlfljótsvatn frítímabyggð ehf.	Preperation company	225.000	100.0%	100.0%
Hrafnabjargavirkjun	Preperation company	6.000	60.0%	60.0%

Main changes in the Group during the year

In January 2010 Reykjavik Energy purchased 20.7% share in Hitaveita Akraness og Borgarfjarðar (HAB) from the state. With the purchase Reykjavik Energy became the only owner of HAB. HAB was intergrated into Reykjavik Energy as of 1 January 2010.

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16. Other issues

Effect of fluctations in foreign exchange rates and aluminium prices on the Company´s standing

On 12 May 2010 the TWI is 220,12 but was 226,92 at the end of the accounting period 31 March 2010 and aluminium price is 2.097 USD/ton but was 2.318 USD/ton. If interest bearing loans and borrowings would be accounted for according to the TWI on 12 May 2010 they would have amounted to ISK 231.3 billion or ISK 5 billion lower than accounted for at the end of the accounting period. Embedded derivatives in sales contracts would have amounted to ISK 17.6 billion on the reporting date or 7.4 billion lower than on the accounting date. Further information about the effect of changes in the exchange rates and aluminium prices can be found in note 14.

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.