



INFORMATION MEMORANDUM

PROPOSED CONCERT HALL, CONFERENCE CENTRE AND HOTEL COMPLEX REYKJAVIK

SEPTEMBER 2003

IMPORTANT NOTICE

This Information Memorandum has been prepared for parties who may wish to express interest in the development and management of the proposed Concert Hall, Conference Centre, Hotel and related office/retail development opportunity in Reykjavik. Its purpose is to provide a brief description and specification of the complex, the markets in which it will trade and its future potential.

The opportunity will be progressed through a Private Finance Initiative with the concession being granted following discussion and negotiation in accordance with European Union Directives relating to such contracts.

The information and comments in this document do not constitute in whole or in part an offer or contract. It is supplied on the strict understanding that interested parties in receipt of this document are experienced developers and/or investors and/or facility managers. The information and comments provided are believed to be correct but they may not be relied on in any way and interested parties should undertake their own enquiries and obtain such professional advice as they consider necessary.

No representation or warranty as to the completeness or accuracy of the information contained in this memorandum is given.

No person in the employ of VSO, Artec or Hospitality Consulting International has authority to make or give any representations or warranties whatsoever in relation to this development opportunity.

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TABLE OF CONTENTS

1	THE OPPORTUNITY	7
2	INTRODUCTION	9
3	THE PROJECT	13
4	ICELAND	17
5	DEVELOPMENT OF TOURISM IN ICELAND	19
6	CITY OF REYKJAVIK	25
7	THE HOTEL MARKET	29
8	THE CONFERENCE MARKET	33
9	THE CONCERT HALL MARKET	41
10	PROJECTED TRADING PERFORMANCE	47
11	CAPITAL COSTS AND FUNDING	53
	APPENDIX I	57
	APPENDIX II	61
	APPENDIX III	63



1 THE OPPORTUNITY

It is the intention to create a major complex in central Reykjavik comprising a Concert Hall, Conference Centre and Hotel with a further opportunity to develop office or retail elements as an integral part of the scheme.

The Government of Iceland and the City of Reykjavik are fully supportive of the development and intend that this development will be progressed through a Private Finance Initiative and in compliance with the rules set out in European Community Directive No. 93/37/EEC, i.e. as implemented in Iceland with Act. No. 94/2001.

Private sector developers and/or investors wishing to express interest in this development should initially make contact with

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and be prepared to provide formal indication of the proposed or potential sources of both equity and loan finance sufficient to complete the development. Details of prior experience in undertaking a development of this scale should also be made available at the time of initial contact.

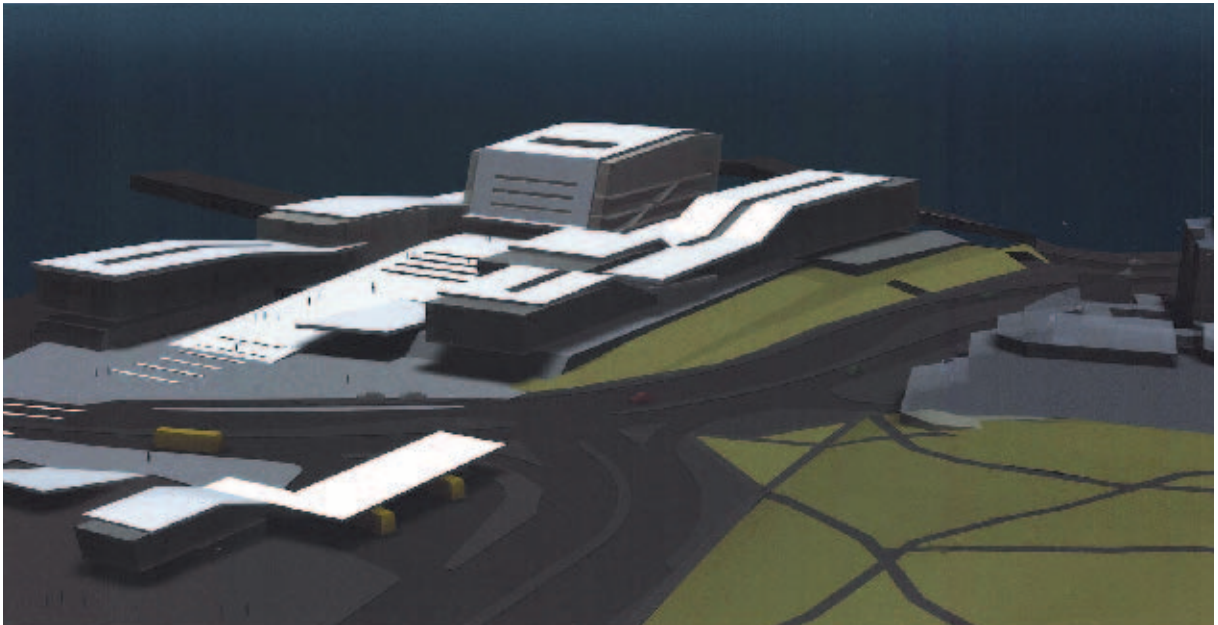
The opportunity also exists for management groups fully experienced in the management operation and marketing of such complexes elsewhere in the world to provide an Expression of Interest for the management and operation of the Concert Hall, Conference Centre and Hotel elements of the complex either in whole or specific elements thereof.

In co-operation with a committee appointed by the Icelandic State and the City of Reykjavik, the latter decided in January 2001 to initiate an international Competition for the Best Idea on the layout of the City Centre and harbour area where the Concert Hall, Conference Centre and Hotel (TRH) are to be built. A total of 44 proposals were received, many of which were of interest. The selection committee announced its conclusion on 12th January 2002, awarding one first prize, three third prizes, and in addition two proposals were purchased.

It has been decided to work towards reducing the uncertainty factors regarding the zoning of the area during the last months of this year. Once again, matters concerning traffic will be examined, including, if possible and financially feasible, the relocation of some of the traffic into an underground tunnel, and attempts will be made to find the most attractive solution to the problem of parking places. The aim of this work is to reduce the number of uncertainty factors, without unnecessarily tying the hands of a private entrepreneur or delaying the construction of the Concert Hall.

The following Information Memorandum sets out basic details of the project, the markets available to each component and the proposed financial structure.

Further information will be made available to parties expressing interest and meeting the general prequalification criteria with regard to sources of funding, development and/or on-going operational experience.



The award-winning idea in the international competition for the planning concept for a Concert Hall, Conference Centre and Hotel complex in Reykjavík.



The then Mayor of Reykjavík Ingibjörg Sólrún Gísladóttir, Minister of Education Tómas Ingi Ólrich, Minister of Transport Sturla Bødvarsson, and Minister of Finance Geir H. Haarde, sign an agreement on the building of a Concert Hall and Conference Centre in Reykjavík city centre, April 2002.

2 INTRODUCTION

2.1 The Promoters

The Government of Iceland and the City of Reykjavik intend to create a major complex in central Reykjavik comprising a Concert Hall, Conference Centre and Hotel within a designated site in Reykjavik City Centre and the Eastern Harbour area. To this end Austurhöfn-TR ehf has been established to co-ordinate efforts and progress the development as Promoter. Austurhöfn-TR ehf. is an independent legal entity owned by the State of Iceland and the City of Reykjavik.

2.2 Background

In February 1996, the Minister of Education appointed a committee on the Icelandic Concert Hall. On this committee were representatives of the City of Reykjavik and the Government. The main objective of the committee was to examine whether such a hall should be built, where it should be located, and how the building should be financed and operated.

At the beginning of 1999, the Government of Iceland and the Reykjavik City Council agreed to advocate the construction of a Concert Hall and Conference Centre in central Reykjavik. Subsequently, a joint committee of the Government and the City of Reykjavik was established for the project. A site was selected at the Eastern Harbour close to the old town centre, and it was decided to build the Concert Hall together with a Conference Centre and a Hotel, all as a Private Finance Initiative (PFI).

In January 2001, the City of Reykjavik and the Government of Iceland decided to hold an international competition on the planning concept for a Concert Hall, Conference Centre and a Hotel, to be located in the East Harbour in the City Centre of Reykjavik. The results from the competition were made public in January 2002, presented in an evaluation report. The award-winning idea indicates the authorities' preferred solution for the project and the site. However, the local planning process still needs to be studied further, including some traffic and parking studies. These issues will be addressed and clarified in the next few months so that the project can continue at the expected rate.

In April 2002, the City of Reykjavik and the Icelandic Government signed an agreement on building a Concert Hall and a Conference Centre in central Reykjavik (see **Appendix I**). The agreement assumes that the Project will be carried out in the form of a Private Finance Initiative (PFI) and includes the Concert Hall, Conference Centre, a Hotel and Parking Facilities.

2.3 Objectives

The objective of the overall project is to create a major complex in central Reykjavik comprising a Concert Hall, Conference Centre and Hotel with a further opportunity to develop office or retail elements as an integral part of the scheme. It is imperative that the proposed buildings should utilise and enhance the advantages of the area designated for the scheme. The buildings within the designated area will have high visibility from the sea, the harbour area, the central Kvos area and from Sæbraut (the main road along the shoreline). It is intended that the visual impact and the dimension of the prospective buildings will create a „beacon“ or icon symbolising Reykjavik City Centre. Therefore, the interplay of buildings and aesthetic values will be paramount and great emphasis is put on ensuring that the urban planning and conceptual architectural forms of the proposed buildings on the site, and generally within the entire area, shall be the highest standards.

2.4 Procurement

It has been decided that the part of the project involving the Concert Hall, Conference Centre, Hotel and parking spaces will be tendered in one package, including final design of the facilities and site lay-out, private finance, construction and long-term operation to meet output performance specification. Some public funding is considered necessary to enable the project and make the scheme more attractive to the private sector.

2.4.1 Planned procurement process

There has been a decision to proceed, subject to establishing the extent of market interest by means of publishing a PIN (Prior Information Notice) for obtaining expression of interest. Further information will be provided to interest parties on request. The principal purposes of the PIN are to inform the market and invite initial expression of interest and suggestions for taking the project forward. The procurement

strategy will be finalised after the market research, and the final form of proposed contract will comply with EC-contract award procedure. Subject to a call for competition, where the outcome might be a public works contract, a works concession or a service contract, it is intended to follow the process of „competitive dialogue,“ which takes place after selection with all selected parties. Once the competitive dialogue phase is completed the short-listed parties are invited to submit their bids.

2.4.1.1 Deciding on continuation

From the results of these market soundings the decision will be made on the direction in which to continue with the project. In the light of developments it may be necessary to review and, if need be, adjust the procurement strategy and therefore make changes to the following proposed procedure.

2.4.1.2 Notification of bidders' prequalification

If there is a decision to proceed, a contract notice will be despatched to the OJEU.

Prequalification materials will describe the project in more detail, as compared to the introductory material in the market sounding. Taking account of the procurement process, this will detail specifically what the response should include. The minimum standards required from bidders will be stated and the basis of the evaluation method in the selecting of bidders will be set out.

Application for participation in the bid could include the following information:

- Project management and organisation
- Applicant's experience
- Applicant's understanding of the development process

Applicants invited to participate will be asked to submit the requested information material within 60 days of despatch of the contract notice.

2.4.1.3 Selection of bidders

In order to limit the work of the procurer and the cost of bidders, the number of parties invited to compete at later stages will be limited. The evaluation of outline proposals and short-listing of bidders is expected to take approximately one month.

2.4.1.4 Tendering procedure

Further information will be provided without discrimination on matters such the proposed timetable, planning conditions, technical requirements and funding proposals.

At this stage, bidders will be required to present layouts and drawings. It is possible that bidders may also be asked to bid for a yearly contribution from the State and the City in respect of the Concert Hall and Conference Centre. Tenderers will be invited to develop technical solutions, contract terms and financial proposals in consultation with the authority where necessary. Commercial confidentiality will be maintained and ideas will not be disclosed without agreement. It is expected that formal tenders will be sought within 4 months.

2.4.1.5 Enquiries and answers

Subject to commercial confidentiality and the public interest, each relevant enquiry will be answered with the essential element of both question and response copied to all bidders.

2.4.1.6 Discussions at pre- and post-tender

It is proposed that clarification meetings between the procurer and bidders will be arranged for the purpose of developing and clarifying proposals. These clarification meetings and discussions will focus on issues which:

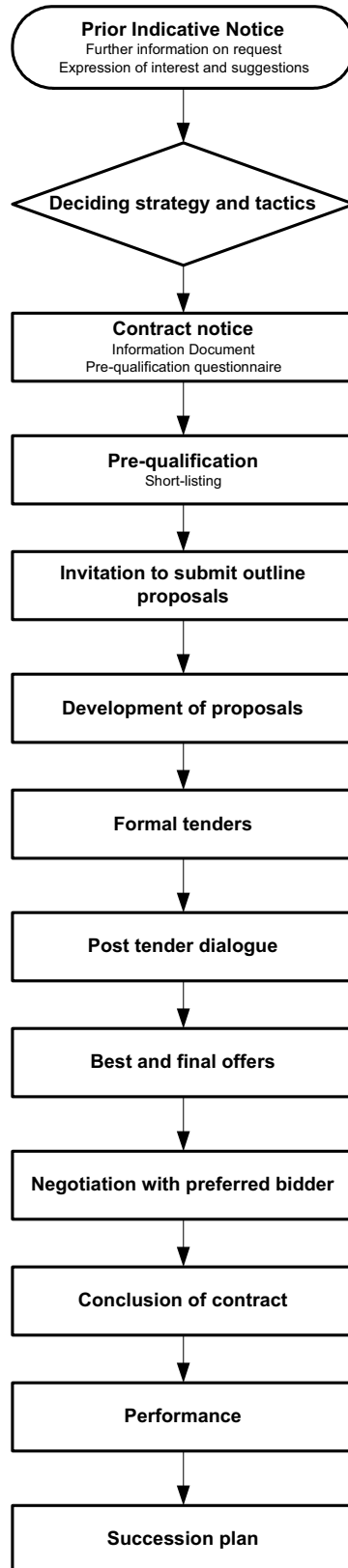
- explain the process for bidders
- ensure that requested information is provided
- correct items in the proposed solutions which do not fulfil the demands of the tender material, such as size of buildings.
- improve solutions
- provide further information on the views of the city planners.

Meetings and discussions with each bidder are confidential, unless the procurer requests changes to the service required in the bidding description.

2.4.1.7 Best and final offer

At the conclusion of discussions or the expiry of time the bidders will be requested to submit their bids for review. A preferred bidder will be selected with whom the final details of the contract will be negotiated. De-briefing will be provided on written request.

2.5 Flowchart for the process





Site boundaries for the Concert Hall, Conference Centre and Hotel complex.



The location for the proposed development is in the heart of the city centre overlooking the East Harbour.

3 THE PROJECT

The project comprises five principal elements:

- a concert hall with world standard acoustics and a seating capacity of 1500, to be the home for the Icelandic Symphony Orchestra. The seating capacity will be subject to further study.
- a rehearsal and recital hall with a seating capacity of 450
- a conference and convention complex with the main hall having a seating capacity for 750 delegates (theatre style layout) with flexible partitioning;
- a first-class international standard hotel with approximately 250 guest bedrooms and related food and beverage and recreational facilities.
- in addition, it would be permitted to construct premises of up to 15,000 square metres intended for other use

There are clear advantages of combining the building and operation of a concert hall and a conference centre. The intention is to enable the sharing of common area facilities, such as the entrance, the lobby and support facilities. The intention is to enable the sharing of use of spaces, for example the Concert Hall would be used for opening and closing plenum sessions and the Rehearsal and Recital hall would also be used for conference purposes.

An easy flow between the main and the supporting facilities is imperative, facilitating all necessary traffic flows. The adjacent diagram shows the anticipated sizes of the Concert, Conference and Hotel complex and possible connections between the various spaces. The respective scales of the units are indicative only.

The site planning and the design of buildings should take into account the possibility of large international meetings.

3.1 Location

The location for the proposed development is in the heart of the city of Reykjavik. The designated site overlooks the East Harbour adjacent to the commercial centre of the city and linking directly to the principal retail areas.

The designated site will be delivered to the project cleared of existing uses but with the principal building - a fisheries-related processing factory and distribution depot - remaining. This building is designated for integration into the overall complex (perhaps as car parking) or demolition at the option and cost of the developer.

The site intended for the Concert Hall, Conference Centre, and Hotel is in two parts; an area of approximately 7,200m² between Geirsgata and Tryggvagata, and an area approximately 20,000m² to the north of Geirsgata towards Ingólfsгарður.

It would be possible to enlarge the building area by modification to or relocation of Geirsgata. However Geirsgata is a main road with two separate lanes in each direction.

There is also the possibility of covering Geirsgata, or constructing a tunnel, or a bridge to link the two sites. Relocation of the main road would have significant cost implications and so would require substantial additional commercial advantage to result.

In co-operation with a committee appointed by the Icelandic State and the City of Reykjavik, the latter decided in January 2001 to initiate an international Competition for the Best Idea on the layout of the City Centre and harbour area where the Concert Hall, Conference Centre and Hotel (TRH) are to be built. A total of 44 proposals were received, many of which were of interest. The selection committee announced its conclusion on 12th January 2002, awarding one first prize, three third prizes, and two additional proposals were purchased.

The opinion of the selection committee on the proposal that was awarded first prize was that it showed in a straightforward manner that it would be possible to locate the TRH within the area while honouring the basic premise of the competition concerning traffic, economic considerations, and harbour activities in the area. Furthermore, the idea is to create a landscape within the city, a wave that is broken up into smaller components, forming a strong visual image of the buildings.

In the Description of the Competition a clear assumption is made about the TRH, sizes and total volume of construction. On the other hand, the designers were given a free hand regarding changes in traffic arrangements and different solutions for parking places. The proposals received were very varied and, as many designers diverged significantly from the description guidelines of the competition, the comparison between them was made more difficult.

It has been decided to work towards reducing the uncertainty factors regarding the zoning of the area during the last months of this year. Once again matters concerning traffic will be examined, including, if possible and financially feasible, the relocation of some of the traffic into an underground tunnel, and attempts will be made to find the most attractive solution to the problem of parking places. The aim of this work is to reduce the number of uncertainty factors, without unnecessarily tying the hands of a private entrepreneur or delaying the construction of the Concert Hall.

3.2 Facilities

3.2.1 Space Allocations

Provisional space allocations for the Concert Hall, Recital Hall, Conference Centre and associated support facilities are, in summary, as follows:

Concert Hall and Conference Centre	15,000 m²
Concert Hall	
Hall	3,800 m ²
Circulation, etc.	300 m ²
Rehearsal Hall	
Hall	530 m ²
Supporting space	100 m ²
Conference Hall	
Hall	850 m ²
Meeting rooms	2,500 m ²
Access, entrance, vestibules	3,700 m ²
Facilities for artists and management	1,800 m ²
Supporting and technical facilities, etc.	1,420 m ²

3.2.2 The Concert Hall

To fulfil the objectives for the Concert Hall the facility should incorporate the following qualities, features, and configurations:

- at least 1,500 seats, all with unobstructed lines of sight to the performance platform and providing roughly equal acoustical experiences;
- world-standard acoustic quality, with a high degree of flexibility which properly accommodates a wide variety of event types;
- architectural quality appropriate to national and international stature, but not achieved at a cost to acoustical quality;
- availability for use as a meeting and conference facility on a limited basis, though without interfering with the artistic and scheduling priorities of the Iceland Symphony Orchestra;
- efficiency in design for economical building operation.

It is imperative that the hall should form one continuous space so that the musicians are located within the same space as the audience. There should be no stage openings with walls between the musicians and the audience. The units that form the concert hall cover an area totalling 3,800 m², while the floorage covers 1,750 m². The concert hall is 58 m long, 35 m wide and 26 m high from the stage to the ceiling.

3.2.3 The Rehearsal / Recital Hall

The rehearsal/recital room is specified as 28 metres long and 19 metres wide with a ceiling height of 14 metres. The acoustic characteristics are to be a prime design feature as its use is intended to be primarily music performance related.

3.2.4 The Conference Hall

The proposed principal conference hall is rectangular with interior dimensions of approximately 35 metres long, 24 metres wide with a ceiling height of 8.5 metres. These dimensions provide for optimum acoustics and sight-lines in many of the anticipated settings. The hall will be sub-divisible along the transverse centre line. Additional to the main conference hall are subsidiary and breakout rooms. Current plans provide for a total of 17 further event rooms with capacities varying between 10 and 200 delegates.

The principal conference rooms are designed as multifunctional for traditional conference seating, as clear exhibition space and with banquet style table layouts.

3.2.5 The Hotel

The proposed hotel will comprise:

- 250 bedrooms
- 120-seat restaurant
- 90-seat bar and lobby area
- Indoor swimming pool and fitness area
- Business centre
- Small retail area in the reception foyer

It is proposed that the hotel will be designed constructed finished and furnished to a first class international standard.

3.2.6 Management and Operation

It is envisaged that the complex as a whole will be administered, managed and marketed through a contract with an experienced international management contractor. It is also an option that two or more operators will jointly manage the complex. At this time no arrangements for management, preliminary or otherwise have been entered into.

It is important that the management of the complex succeed well and its management structure must take into account the interests of all interested parties, users, owners and operators.

It has not been decided whether the project should be designated as a public works contract, a public works concession contract, a public service concession contract, a publicly funded works contract or some form of joint venture agreement. The outcome will depend on the proposals made in response to a call for competition but is likely to involve some form of public-private partnership.

The scale and scope of this development is such that a significant impact on overall visitor volumes to Reykjavik and Iceland is anticipated. As such the activities of the tourism authorities in Iceland are anticipated to contribute to the marketing and promotion of the facilities.



4 ICELAND

4.1 Location

Iceland is the second largest European island situated in the westernmost outpost of Europe in the North Atlantic with an area of about 103,000 km² (40,000 square miles).

4.2 Population

At the end of 2002, the population of Iceland totalled 288,471. The population is comparatively young, with 24% aged 15 years and younger, 65% aged 15- 65 years and only 11% aged 66 years and older. Infant mortality is among the lowest in the world and average life expectancy among the highest at 78.2 years for men and 82.2 years for women.

Over 89% of Iceland is uninhabited and over 62% of the population live in the capital area.

Of the total population, 6.6% were born abroad and 3.5% are foreign citizens. The national language is Icelandic but English and the Nordic languages are widely understood.

4.3 Climate

The climate in Iceland is tempered by the Gulf Stream, which means that the country enjoys a warmer climate than might be expected from its northerly location. In Reykjavik the average temperature in July is around 11°C and 0.5°C in January. From the end of April until mid-August, Iceland has almost permanent daylight.

4.4 Political Structure

Iceland became an independent republic in 1944. It has a parliamentary system of government. The legislative power is vested in the Parliament, the Althing, and the executive power in a Government headed by a Prime Minister. There are 63 Members of the Althing, each elected for a term of four years.

The head of state is the President who is elected by a popular vote for a term of four years. The present President is Mr. Ólafur Ragnar Grímsson, who has held that position since August 1996.

The present Government was formed after a general election in May 2003. It is a coalition of the Independence Party and the Progressive Party. The Prime Minister is Mr. Davíð Oddsson, who has held that office since 1991.

The day-to-day government of the country is in the hands of the Cabinet, led by the Prime Minister, supported by the majority of the Althing.

4.5 Economy

The Icelandic economy is modern and dynamic with a large exports sector based on fishing and power-intensive industries. The main natural resources are fish stocks, along with hydro and geothermal power. Owing to the country's relatively few natural resources, the Icelandic economy is open and heavily dependent on foreign trade. Its GDP per capita ranks among the 10 highest in the world. Living standards are subsequently high and the distribution of income and wealth is relatively even compared to countries at a similar level of development. Labour force participation is high by international standards (83% total) and unemployment is low, 3.3% on average in 2002.

4.6 Foreign Trade

In the period 2001-2002, exports and imports of goods and services corresponded to around 40% of GDP. The main export items are marine products and aluminium, while imports consist mainly of industrial supplies, capital goods and a wide variety of consumer goods.

Iceland has been a member of the European Free Trade Area (EFTA) since 1970 and a member of the European Economic Area (EEA) since its establishment in 1994 through an agreement between the EU member states and the EFTA countries. The EEA involves general freedom of movement of goods, services, labour and capital between all the EEA nations and this applies fully to Iceland. Of Iceland's trading partners, the EEA-countries as a whole are the most important, accounting for 75% of exports and 61% of imports in 2002. Of individual countries, the UK, Germany, USA and the Nordic countries are the largest trading partners.

4.7 Key Industries

The Icelandic economy has traditionally been based on fisheries and farming. The volatility of both fish stocks and fish export prices have resulted in the economy being prone to recurrent fluctuations in foreign exchange earnings and hence in economic growth.

During the past few decades diversification into manufacturing and services has had a stabilising impact on the economy. In 2002, the primary sector (fishing and agriculture) is estimated to have contributed some 10% to GDP, while the share of secondary industries (fish processing, manufacturing, water and power generation, construction) was 25% and that of the service sector 65%.

The main export industries are fishing and fish processing, which accounted for 63% of total merchandise exports in 2002, and manufacturing industries, which accounted for 33% of the total and of which aluminium represented over half.

Iceland has extensive hydro and geothermal resources but only a small proportion of the electric power potential from these sources has so far been harnessed.

Hot water from geothermal sources is used for space heating, with approximately 85% of all houses being heated from that source. Other uses for natural hot water include the generation of electricity, greenhouses horticulture and the heating of the country's numerous swimming pools.

4.8 Tourism

Tourism in Iceland has increased markedly in recent years. The number of foreign visitors rose from around 60,000 in 1970, to about 70,000 a decade later, climbing since then to over 140,000 in 1990 and 280,000 in 2002. While these numbers may be small when viewed from an international perspective, they become perhaps more meaningful when viewed in the context of the total number of inhabitants in the country. In 1970 and 1980, the number of foreign visitors corresponded to around 30% of Iceland's total population. By 1990, however, this figure had risen to 55%, and by 2002 the number of foreign visitors arriving in Iceland was roughly the same as the country's total population.

Visitors from Europe have formed the large majority of foreign visitors to Iceland. In 2000, 76% of visitors were European citizens, with Nordic citizens accounting for 30% of the total, visitors from the UK for 15%, those from Germany for 11% and those from France for 5%. Visitors from the USA accounted for 17% of the total, Asians for 3% and those from Oceania for less than 1%.

In 2002, the total number of overnight stays at hotels and guesthouses amounted to 1,260,000 of which 290,000 were by made by Icelanders and 970,000 by foreign visitors. Of the total number of overnight stays by foreign visitors, 582,000 were in the capital region and 388,000 elsewhere in the country. A seasonal breakdown shows that 16% of the total overnight stays made by foreigners in 2002 came during the first four months of the year, 65% from May–September, and 19% during the last 4 months of the year.

Foreign currency receipts from visitors from abroad amounted to about 4–5% of export income (goods and services) during the years 1970–1980, rising to more than 10% by 1990 and 13% in 2000.

The tourist industry has employed about 4% of Iceland's total labour force during the last few years, while the tourism's contribution to GDP has been around 4.5%.

4.9 Summary

The table below highlights some key economic indicators for Iceland.

KEY ECONOMIC INDICATORS

	1995	1997	1999	2000	2001	2002	2003
Inflation (% change)	1.7	1.8	3.4	5.0	6.7	4.8	2.0
Exchange rate (per US\$)	64.8	71.0	72.4	78.9	97.7	91.5	76.6*
Interest rate (p.a. lending rate)	11.5	12.9	13.6	16.7	18.0	15.4	12.1*
GDP (% real growth)	0.1	4.7	3.9	5.5	2.9	-0.5	2.8
GDP per capita (US\$, PPP)	22,279	24,964	26,949	28,140	28,874	28,378	
Consumption per capita (US\$, PPP)	13,268	13,966	15,936	16,654	15,920	15,371	
Population, mid year ('000)	267.4	270.9	277.2	281.2	285.0	287.6	288.2
Total exports (US\$ million)	2,488	2,689	2,930	2,936	3,108	3,359	3,865
Total imports (US\$ million)	2,233	2,644	3,335	3,532	3,145	3,207	3,777
Tourism receipts (US\$ million)	307	310	380	386	386	406	505

* Until July 25

5 DEVELOPMENT OF TOURISM IN ICELAND

5.1 Visitors to Iceland

The number of visitors to Iceland has increased steadily.

In 2001, following the adoption of the Schengen Agreement on the recording of frontier arrivals, comparable statistics for the period January 2001 to March 2002 were not recorded. In March 2002, information gathering recommenced on the basis of departures from Iceland.

VISITORS TO ICELAND FROM ABROAD BY MONTH

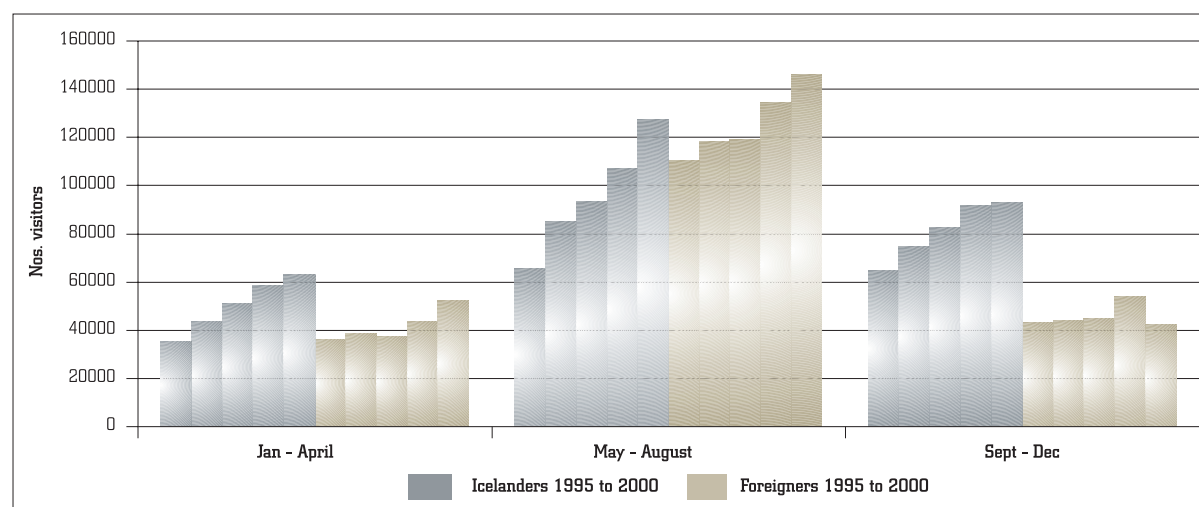
	Total visitors					Icelanders					Foreigners				
	1998	1999	2000	2002	2003	1998	1999	2000	2002	2003	1998	1999	2000	2002	2003
Jan.	15,400	20,395	19,321	-	30,556	9,031	11,253	10,092	-	17,859	6,369	9,142	9,229	-	12,697
Feb.	19,673	23,505	27,321	-	26,738	10,799	11,846	14,201	-	13,790	8,874	11,659	13,120	-	12,948
March	26,250	32,134	36,876	33,616	38,177	13,414	17,397	17,209	16,966	19,640	12,836	14,737	19,667	16,650	18,537
April	33,110	34,937	41,441	35,695	45,955	17,529	18,057	21,465	16,655	25,490	15,581	16,880	19,976	19,040	20,456
May	33,806	38,373	45,932	38,770	44,693	14,954	18,022	22,430	19,969	24,320	18,852	20,351	23,502	18,801	20,373
June	55,506	62,413	75,933	60,249	67,833	25,582	29,176	34,272	28,034	33,320	29,924	33,237	41,661	32,215	34,513
July	73,608	78,122	92,786	72,861	87,639	25,120	27,193	33,152	26,846	35,032	48,488	50,929	59,634	46,015	52,607
August	64,926	74,289	84,702	76,494	88,150	27,574	32,585	37,552	25,957	29,387	37,352	41,751	47,150	50,537	58,763
Sep.	41,337	43,997	47,832	44,754	-	22,173	22,540	24,586	20,201	-	19,164	21,457	23,246	24,553	-
Oct.	34,057	39,834	46,216	40,284	-	20,941	23,476	27,978	22,513	-	13,116	16,358	18,238	17,771	-
Nov.	35,334	38,398	37,862	30,775	-	22,958	24,587	21,944	18,369	-	12,376	13,811	15,918	12,406	-
Dec.	25,879	33,397	30,041	22,427	-	16,592	21,104	18,469	11,835	-	9,287	12,293	11,572	10,592	-
Total	458,886	519,804	586,263	455,925	429,741	225,667	257,199	283,350	207,345	198,838	232,219	262,605	302,913		

Source: Statistics Iceland (Monthly Statistics) - Iceland Tourist Board.

In 2000 foreign visitors accounted for 51.7% of total arrivals in Iceland. The summer months of June-August are the most popular for both foreign and Icelandic visitors, and contributed 43.2% of total visitor figures for the year 2000.

The following graph indicates seasonal variations in visitors to Iceland between 1995 - 2000 and the steady increase in their overall numbers.

VISITORS TO ICELAND 1995-2000



5.2 Purpose of Trip

The tables below highlight the purpose of trip of visitors to Iceland during both the summer and winter months. For the summer months, vacation is the main purpose of visits, representing over 85% of total trips. The meeting/conference and business sectors contribute a significantly higher proportion of trips to Iceland in the winter months than in the summer months.

PURPOSE OF TRIP – SUMMER (June-August)

Reason	1998	1999	2000	2002
Vacation	85.6	85.9	85.9	87
Meeting/conference/incentive	6.6	6.1	6.8	5.1
Visit	9.9	9.8	8.5	8.5
Business	6.3	5.8	3.6	2.8
Study	4	3.7	2.5	2.9
Other	2.8	1.4	3.9	5.4

PURPOSE OF TRIP – WINTER (Sept-May)

Reason	1998	1999	2000	2002
Vacation	60	57.6	58.3	76.3
Meeting/conference/incentive	14.8	17.5	20	10.4
Visit	10.5	9.5	8.5	4.8
Business	18.7	18.8	16.2	7.5
Study	6.5	5.9	6.3	4.9
Other	6.3	5.2	4.3	3.6

5.3 Source Markets

The table below shows visitor numbers to Iceland by nationality.

FOREIGN VISITORS TO ICELAND BY COUNTRY

	1998		1999		2000		2002 (march-december)	
	Number	%	Number	%	Number	%	Number	%
Total Passengers	232,219	100	262,605	100	302,913	100	248,580	100
Nordic countries	68,933	29.7	83,031	31.6	91,583	30.2	65,346	26.3
Denmark	22,875	9.9	25,138	9.6	28,456	9.4	18,643	7.5
Norway	19,591	8.4	22,579	8.6	24,280	8	19,909	8
Sweden	21,054	9.1	26,815	10.2	29,488	9.7	21,117	8.5
Finland	5,413	2.3	8,499	3.2	9,359	3.1	5,677	2.3
Europe excluding Nordic countries	110,180	47.4	121,160	46.2	140,156	46.3	110,771	44.6
Germany	32,076	13.8	31,684	12.1	32,664	10.8	29,086	11.7
UK	27,774	12	31,466	12	45,106	14.9	38,909	15.7
France	10,562	4.5	13,533	5.2	14,955	4.9	17,348	7
Other European countries	39,678	17.1	44,477	16.9	47,541	15.9	25,428	10.2
North America	43,558	18.8	47,638	18.1	57,306	18.9	42,051	16.9
United States	40,361	17.4	44,709	17	53,637	17.7	40,009	16.1
Canada	3,197	1.4	2,929	1.1	3,669	1.2	2,042	0.8
Other countries	9,548	4.1	10,776	4.1	13,824	4.6	30,412	11.1

The European market is the largest foreign segment, contributing almost 50% of the foreign visitors to the country. Within the European market, German and United Kingdom visitors contributed the largest proportions in 2000, at 10.8% and 14.9% respectively.

The Nordic countries (Denmark, Norway, Sweden and Finland) contributed in the order of 30% of foreign visitors.

In the non-European market segments, the largest single contributor has been the United States and that market has shown steady growth in recent years.

Note: Collection of this data was suspended in 2001 and the methodology for data collection changed on recommencement in March 2002.

5.4 Supply of Accommodation

With the increase in the volume of visitors to Iceland the supply of available accommodation has also increased.

The table below shows the availability of accommodation in Iceland on a seasonal basis.

AVAILABLE ACCOMMODATION IN HOTELS AND GUESTHOUSES BY SEASON 1997-2002 - WHOLE COUNTRY

	Number of hotels and guesthouses			Number of bedrooms			Number of beds		
	Total	1-59 beds	60+ beds	Total	1-59 beds	60+ beds	Total	1-59 beds	60+ beds
1997									
Jan-April	117	89	28	3,059	1,132	1,927	6,129	2,309	3,820
May-Aug	231	179	52	5,359	2,270	3,089	10,713	4,660	6,053
Sept-Dec	136	104	32	3,583	1,310	2,273	7,204	2,686	4,518
1998									
Jan-April	140	108	32	3,716	1,435	2,281	7,427	2,955	4,472
May-Aug	253	200	53	5,957	2,571	3,386	12,030	5,373	6,657
Sept-Dec	166	131	35	4,126	1,741	2,385	8,334	3,612	4,722
1999									
Jan-April	143	111	32	3,775	1,460	2,315	7,611	3,043	4,568
May-Aug	254	199	55	6,150	2,700	3,450	12,471	5,660	6,811
Sept-Dec	178	142	36	4,415	1,951	2,464	8,958	4,025	4,933
2000									
Jan-April	133	96	37	3,819	1,339	2,480	7,708	2,789	4,919
May-Aug	244	183	61	6,045	2,414	3,631	12,471	5,107	7,364
Sept-Dec	159	120	39	4,205	1,649	2,556	8,450	3,397	5,053
2001									
Jan-April	138	101	37	3,860	1,382	2,478	7,753	2,861	4,892
May-Aug	248	184	64	6,174	2,447	3,727	12,632	5,139	7,493
Sept-Dec	174	130	44	4,466	1,667	2,799	9,036	3,555	5,481
2002									
Jan-April	154	114	40	4,130	1,544	2,586	8,390	3,251	5,139
May-Aug	273	202	71	6,807	2,699	4,108	14,009	5,695	8,314
Sept-Dec	170	124	46	4,650	1,679	2,971	9,596	3,530	6,066

The table below shows available accommodation in hotels in the capital region, 1997-2003.

	Number of establishments	Number of rooms	Number of beds
1997	14	1,136	2,134
1998	14	1,389	2,631
1999	17	1,393	2,678
2000	16	1,394	2,679
2001	18	1,467	2,827
2002	19	1,516	3,153
2003	21	1,791	3,500

5.4.1 Overnight stays

The table below highlights the demand for accommodation in Iceland and the capital region, which is defined as Reykjavik and the six surrounding municipalities.

The foreign market segment represented 89.5% of total demand for overnight stays and 88.9% of demand for hotels and guesthouses in the capital region in 2002.

OVERNIGHT STAYS AT HOTELS AND GUESTHOUSES 1997-2002

	Iceland Total		Capital Region	
		% mix		% mix
1997	991,683		504,347	
Icelanders	290,177	29.30%	88,517	17.60%
Foreigners	701,506	70.70%	415,830	82.40%
1998	1,100,700		593,700	
Icelanders	309,297	28.10%	98,555	16.60%
Foreigners	791,403	71.90%	495,145	83.40%
1999	1,183,700		639,300	
Icelanders	320,782	27.10%	91,419	14.30%
Foreigners	862,917	72.90%	547,880	85.70%
2000	1,186,455		647,228	
Icelanders	291,481	24.57%	83,675	12.93%
Foreigners	894,974	75.43%	563,553	87.07%
2001	1,180,577		638,612	
Icelanders	273,548	23.17%	64,202	10.05%
Foreigners	907,029	76.83%	574,410	89.95%
2002	1,260,501		655,396	
Icelanders	290,245	23.03%	73,021	11.14%
Foreigners	970,256	76.97%	582,375	88.86%

5.5 Hotel and Guesthouse Occupancy Rates

The table below shows occupancy rates for rooms and beds in hotels and guesthouses in the capital region between 1995 and 2002.

OCCUPANCY RATES IN HOTELS & GUESTHOUSES BY SEASON 1995 – 2002 FOR CAPITAL REGION

	Room Occupancy Rate - %			Bed Occupancy Rate - %		
	Total	1-59 beds	60+beds	Total	1-59 beds	60+beds
1995						
Jan – April	48.6%	33.2%	52.5%	36.2%	23.9%	39.4%
May – Aug	76.6%	59.0%	81.8%	49.2%	49.2%	64.3%
Sept – Dec	46.7%	32.4%	49.8%	23.3%	23.3%	36.2%
Average	57.3%	41.5%	61.4%	36.2%	32.1%	46.6%
1996						
Jan – April	45.3%	36.2%	47.5%	34.7%	27.7%	36.4%
May – Aug	77.9%	61.4%	83.4%	63.7%	54.7%	66.6%
Sept – Dec	52.0%	45.0%	53.7%	39.2%	34.9%	40.3%
Average	58.4%	47.5%	61.5%	45.9%	39.1%	47.8%
1997						
Jan – April	48.0%	38.4%	50.5%	36.1%	29.0%	38.0%
May – Aug	74.8%	61.0%	78.3%	63.3%	60.2%	64.1%
Sept – Dec	50.2%	35.5%	53.1%	38.1%	28.2%	40.0%
Average	57.7%	45.0%	60.6%	45.8%	39.1%	47.4%
1998						
Jan – April	48.0%	38.1%	50.7%	36.0%	28.6%	37.3%
May – Aug	75.0%	60.8%	78.7%	63.7%	60.2%	65.0%
Sept – Dec	50.6%	34.4%	54.2%	38.5%	27.2%	44.5%
Average	57.9%	44.4%	61.2%	46.0%	38.7%	49.0%
1999						
Jan – April	53.7%	36.6%	39.2%	40.9%	29.0%	42.6%
May – Aug	78.5%	59.9%	82.0%	74.9%	55.4%	66.3%
Sept – Dec	58.1%	40.6%	61.3%	43.0%	35.4%	44.3%
Average	63.4%	45.7%	61.2%	53.0%	40.0%	51.0%
2000						
Jan – April	52.6%	31.7%	58.0%	42.6%	37.3%	43.5%
May – Aug	81.3%	63.2%	84.9%	66.8%	66.4%	66.7%
Sept – Dec	58.3%	41.4%	61.1%	43.2%	39.7%	43.8%
Average	64.0%	45.4%	68.1%	50.8%	47.8%	51.3%
2001						
Jan – April	35.2%	20.7%	41.5%	26.6%	16.8%	31.0%
May – Aug	60.0%	53.5%	63.4%	50.5%	47.2%	52.3%
Sept – Dec	34.3%	22.8%	39.2%	25.7%	18.4%	29.1%
Average	43.17%	32.33%	48.03%	34.27%	27.47%	37.47%
2002						
Jan – April	52.58%	38.28%	54.88%	39.13%	32.98%	40.33%
May – Aug	74.05%	51.68%	79.98%	60.13%	52.2%	62.18%
Sept – Dec	50.5%	28.38%	55.55%	37.68%	28.83%	39.68%
Average	58.94%	39.44%	63.47%	45.64%	38.00%	47.39%

Total room occupancy in Reykjavik in 2002 was 58.9%. The impact of terrorist activities on overseas travel is reflected in the room occupancy levels achieved in 2001, with the region as a whole suffering a 20 percentage point decline. However recovery in 2002 was swift and sharp, with room occupancy being only 5 percentage points lower than the peak year of 2000.

Seasonality is still a feature of capital region hotel demand, with the summer months between May and August in 2002 recording average occupancy in the larger units at almost 80%. With this level of average room occupancy, many of the hotels experience total capacity utilisation over long periods during these three months. The official categorisation of the statistical base - utilising a sub-category of 59 beds or more - does not reflect the performance of the larger hotel units, which experience significantly less marked seasonality of demand and so occupancy levels.

5.6 Air transport

There are frequent air services between Reykjavik (Keflavik International Airport) and major cities in Northern Europe and the United States. Icelandair and Iceland Express fly all year round but various European carriers offer seasonal flights, mainly from Central and Southern Europe.

In 2003/2004 the frequency to all year destinations is:

Scandinavia:

- Copenhagen 3-5 flights per day.
- Helsinki 3 flights per week.
- Oslo daily.
- Stockholm daily.
- Faroe Islands 2-5 flights per week.

United Kingdom:

- London 3 flights per day.
- Glasgow 4 flights per week.

Continental Europe:

- Amsterdam 4-6 flights per week
- Frankfurt 2-7 flights per week.
- Paris 3-8 flights per week

USA:

- Baltimore 6 flights per week
- Boston daily
- Minneapolis 4-6 flights per week
- New York 6 flights per week (April through October)
- Orlando 2-3 flights per week.

The lower number usually indicates winter and the higher summer.

In addition, there are regular summer flights to destinations such as Berlin, Munich, Düsseldorf, Hamburg, Milan, Zurich, Barcelona, and Madrid.



6 CITY OF REYKJAVIK

6.1 A profile of Reykjavik

A vibrant and forward looking city

Reykjavik, the capital of Iceland, is the country's largest city and the world's most northerly capital. The capital area includes seven municipalities in addition to Reykjavik itself, with a total population of about 180,000, of which over 110,000 live in Reykjavik.

Reykjavik is a dynamic international city with developed infrastructure and well educated labour force. Iceland's unique location on the Atlantic ridge, midway between the „old“ and the „new“ world explains its abundant sources of green hydro- and geothermal energy.

A centre for culture

„Reykjavik“ means „Smoky Bay“, so named by the first settler in the 9th century because of steam rising from geothermal hot springs. This geothermal energy is utilised to provide economical, non-polluting heating to the city's buildings. Hence Reykjavik is one of the cleanest capital cities in the world. Reykjavik also is a buzzing cultural city where cosmopolitan currents meet traditional trends. It held the title European City of Culture in the year 2000; a welcome recognition of the vibrant cultural life of Reykjavik with its numerous festivals and wide choice of artistic events.

Reykjavik No. 1 of 87 cities for many business operations

Reykjavik offers great opportunities for investors, skilled labour, research and education institutions, historical sites, natural beauty, museums and galleries, public parks, golf courses, excellent shopping, a wide range of leisure activities, hotels, restaurants and a remarkably lively artistic scene.

New extensive study by KPMG, comparing location-specific cost factors in 87 cities in ten countries, confirms Reykjavik's competitive status, especially in knowledge based operations such as software, research and development in biomedicine etc., server farms, pharmaceuticals, precision components and electronics assembly.

Healthy growth in tourism

Reykjavik is the gateway to Iceland and a healthy growth in tourism in the capital area illustrates the potential Reykjavik has as a whole year destination. Tourists have traditionally visited Iceland to experience unique nature but more and more come to enjoy culture and arts and improve their health by enjoying the geothermal swimming pools and baths, clean air, pure water and an exciting choice of unconventional activities. The Reykjavik area, with its natural environment, green energy, abundance of geothermal water and excellent facilities has much to offer those interested in this field.

As a destination for conferences and incentive tourism - Reykjavik is a steadily growing market with great potential for new opportunities. The city is increasingly the first choice for high profile meetings and conventions, such as the NATO Meeting of Ministers for Foreign Affairs 2002, the Nordic Council of Ministers, SITE 2003, Vest Norden Travel Fair and more.

Reykjavik listed 19th on the ICCA's list of conference cities for the year 2000.

For more information on Reykjavik: www.visitreykjavik.is / www.reykjavikresources.com

6.2 Population

Reykjavik has a population of approximately 112,000 inhabitants, which represents 39% of the total population of Iceland.

POPULATION IN REYKJAVIK

Date	Total	% of population
2002 Register of persons	112,490	39.00%

Source: National register of persons December 2002

The table below shows the Reykjavik population mix.

POPULATION MIX IN REYKJAVIK

Date	Male	Female	Total
2002 Register	55,201	57,289	112,490

Source: National register of persons December 2002

The table below shows the population in the capital region.

POPULATION IN CAPITAL REGION

Date	Male	Female	Total
2002 Register	88,540	91,094	179,634

6.3 Employment Details

The table below details the labour force in the capital region, of which Reykjavik city represents 65% of the population.

LABOUR FORCE IN CAPITAL REGION 1996-2002 MALES & FEMALES

	April	November
1996	87,200	89,600
1997	87,600	91,400
1998	90,000	95,800
1999	94,500	96,700
2000	97,400	98,200
2001	101,400	101,900
2002	100,900	99,900

The labour force increased steadily between 1996 and 2001, with a small decline in 2002. This has consequently had an impact on the level of unemployment.

UNEMPLOYMENT RATES IN CAPITAL REGION 1996-2002 - MALES & FEMALES

	April	November
1996	4.1%	4.3%
1997	4.4%	4.4%
1998	3.7%	2.7%
1999	2.3%	1.6%
2000	1.8%	2.6%
2001	1.8%	2.4%
2002	3.7%	3.4%

The table below analyses employment by industry type in the capital region.

EMPLOYED PERSONS BY ECONOMIC ACTIVITY - CAPITAL REGION 1997 TO 2002

Activity	1997		1998		1999		2000		2001		2002	
	Apr	Nov	Apr	Nov	Apr	Nov	Apr	Nov	Apr	Nov	Apr	Nov
Agriculture	500	500	300	400	400	200	500	400	300	400	200	300
Fishing	1,200	1,400	1,200	1,700	1,800	1,300	1,100	1,100	1,600	1,600	1,400	1,300
Fish Processing	900	1,100	900	800	600	700	600	500	400	800	700	500
Manufacturing	10,000	10,500	11,400	10,400	10,600	12,200	12,200	11,600	11,800	10,900	10,400	10,700
Electricity & Water	600	700	700	800	600	600	600	800	800	1,100	1,000	700
Construction	5,600	6,300	6,800	7,100	6,000	6,800	5,600	6,900	7,000	7,200	7,100	8,000
Wholesale, Retail	14,300	16,100	14,800	14,700	14,400	15,000	15,900	15,900	16,700	16,400	14,800	15,300
Hotels, Restaurants	2,800	2,800	2,900	3,500	3,400	4,400	3,900	3,700	3,900	4,400	3,600	3,600
Transport, communications	6,100	6,100	6,300	7,600	8,100	8,300	8,200	7,200	7,700	6,500	7,300	6,700
Financial intermediation	3,300	3,500	3,200	3,300	3,600	4,100	4,700	5,300	5,300	4,900	5,300	4,700
Real estate & business activity	7,400	7,600	8,000	8,300	8,900	9,700	10,400	10,900	11,800	11,000	11,400	11,400
Public administration	3,600	3,800	4,100	5,100	4,700	5,000	4,700	4,100	4,100	3,700	4,200	4,900
Education	5,300	5,700	6,000	6,500	5,900	5,500	5,400	5,600	6,300	7,800	6,900	7,400
Health services, Social work	14,700	13,900	13,800	15,000	14,700	15,400	14,300	13,500	14,000	14,900	15,400	13,400
Other Services	7,400	7,500	6,500	8,000	8,500	7,400	7,600	8,400	7,800	7,800	7,400	7,700

6.4 Communication in the capital region

Mobility in the Reykjavik area is generally quite high. Car ownership is very high or approx 600 cars per 1000 inhabitants, and the in-town traffic situation is good, with a high level of service or little delays.

Public transport is operated by a single bus company, Strætó - Greater Reykjavik Transport (bus.is) - which serves the entire region. The public transport system includes 35 routes that operate mainly at 20-minute intervals during the day, less frequently in the evenings and at weekends. Walking distances to stops are usually only about 300 metres or less.



7 THE HOTEL MARKET

7.1 Current Supply

We have identified seven hotels as primary competition for the proposed hotel development, totalling 1071 rooms in 2000.

The primary competitors are as follows:

PRIMARY COMPETITION

Hotel Name	Year Open	No. of Rooms
Hotel Nordica	1971/2003	284
Hotel Loftleidir	1966	221
Radisson SAS Saga	1962	216
Radisson SAS Hotel Island	1993	119
Grand Hotel Reykjavik	1987	100
Hotel Borg	1930	51
Hotel Holt	1965	42
Hotel 101	2003	38
Plaza Hotel	2003	80

PRIMARY COMPETITION

Hotel Name	Room Rate Ranges (ISK) January-April & October-December 2003			Room Rate Ranges (ISK) May-September 2003		
	Single	Double	Suite	Single	Double	Suite
Hotel Nordica	12,900-24,400	16,800-36,600	90,000	17,000-32,000	22,000-48,000	110,000
Hotel Loftleidir	11,800-13,600	14,600-17,500	26,800	15,100-17,400	19,700-23,600	31,900
Radisson SAS Saga	12,400-19,800	14,800-19,800	22,500	18,000-25,300	22,900-27,800	34,000
Radisson SAS Hotel Island	8,500-11,350	10,500-13,400	18,120	15,600-18,100	20,350-22,850	29,850
Grand Hotel Reykjavik	11,500	14,000	20,400	16,600	21,200	32,800
Hotel Borg	11,200-13,600	16,000	26,400-29,000	15,900-18,400	22,900	34,600-38,000
Hotel Holt	17,400	20,300	25,600-28,800	20,000	23,200	28,900-33,100
Hotel 101	17,900-20,600	22,900-24,900	26,900-47,900	19,900-22,900	24,900-26,900	29,900-47,900

During the last ten years most of the hotels have undertaken some renovation. In early 2003, Hotel Esja re-opened as Hotel Nordica, having undertaken a major extension of its facilities to include an additional 112 bedrooms, a large conference suite, and an extended leisure spa facility. All public areas have been refurbished to include a strong modern design element, as do the new bedrooms. The management now intends to implement a programme of progressive refurbishment of the original bedrooms which have been largely unchanged during the works. Hotel Nordica is operated by Icelandair Hotels.

Hotel Saga underwent some renovations and some of its facilities were reorganised following its takeover by Radisson SAS. The hotel had previously been managed directly by its owners.

Similarly, Hotel Island reclassified itself on its takeover by Radisson SAS to complement rather than compete with Hotel Saga. Hotel Island is now classified as three-star, but is included above as one of only two internationally branded hotels in the city.

Hotel 101 is located in the centre of Reykjavik and, while created from an existing building, has been completely refurbished. Hotel 101 is a designer-led unit.

7.2 Current Demand

The market segments for hotel accommodation are as follows:

- local corporate
- meeting and conference
- individual leisure
- leisure tour
- incentive groups

Overall leisure tours are the largest market segment, with local and international corporate demand an almost equally important demand generator. Meeting and conference demand is currently estimated at approximately 20% of the total.

Individual leisure and incentive groups contribute to the balance of demand.

The table below highlights the estimated market mix.

MARKET SEGMENTATION

Market Segment	
Local and International Corporate (Business)	30%
Meeting and Conference + Incentive	20%
Individual Leisure (Tourists) + Other	14%
Leisure Tour (Groups)	36%

7.3 Occupancy

The table below shows the occupancy rate for hotels in Reykjavik for 2002. Overall hotel occupancy in Reykjavik has risen steadily since 1995. The statistical categorisation of the hotels into those of less than 60 beds and those more than 60 beds shows the significantly better performance of the hotels in the over 60 bed category. However, this categorisation of the official statistics masks the even better performance of the primary competitive sample noted in the previous section.

OCCUPANCY RATES IN HOTELS AND GUESTHOUSES IN REYKJAVIK 2002

2002	Room Occupancy Rate			Bed Occupancy Rate		
	Total	< 60 beds	> 60 beds	Total	< 60 beds	> 60 beds
January	37.2	30.4	38.3	25.7	24.0	26.0
February	52.4	42.1	54.1	40.6	35.8	41.4
March	59.2	40.7	62.7	47.1	37.9	48.9
April	60.3	39.9	64.4	43.1	34.2	45.0
May	64.2	39.2	69.1	48.3	35.5	50.9
June	75.9	50.9	83.2	59.9	49.1	63.1
July	75.8	55.5	81.8	65.6	60.0	67.2
August	80.3	61.1	85.8	66.7	64.2	67.5
September	64.7	41.8	70.0	46.5	40.1	48.0
October	55.2	31.3	60.9	42.5	32.9	44.7
November	49.1	26.2	54.3	37.0	27.1	39.3
December	33.0	14.2	37.0	24.7	15.2	26.7
Average	60.3	41.8	64.5	46.9	41.0	48.3

6.4 Overnight stays

The table below shows overnight stays at hotels in the capital region on a seasonal basis between 1997 and 2002.

	1997	1998	1999	2000	2001	2002
Jan - Apr	94,733	112,916	133,529	148,223	151,350	152,450
May - Aug	181,493	209,903	219,469	229,744	227,925	245,349
Sep - Dec	122,981	146,071	153,197	156,819	159,958	149,741
Total	399,207	468,890	506,195	534,786	539,233	547,540

6.5 Future Developments

The following additions to the hotel supply are noted for Reykjavik.

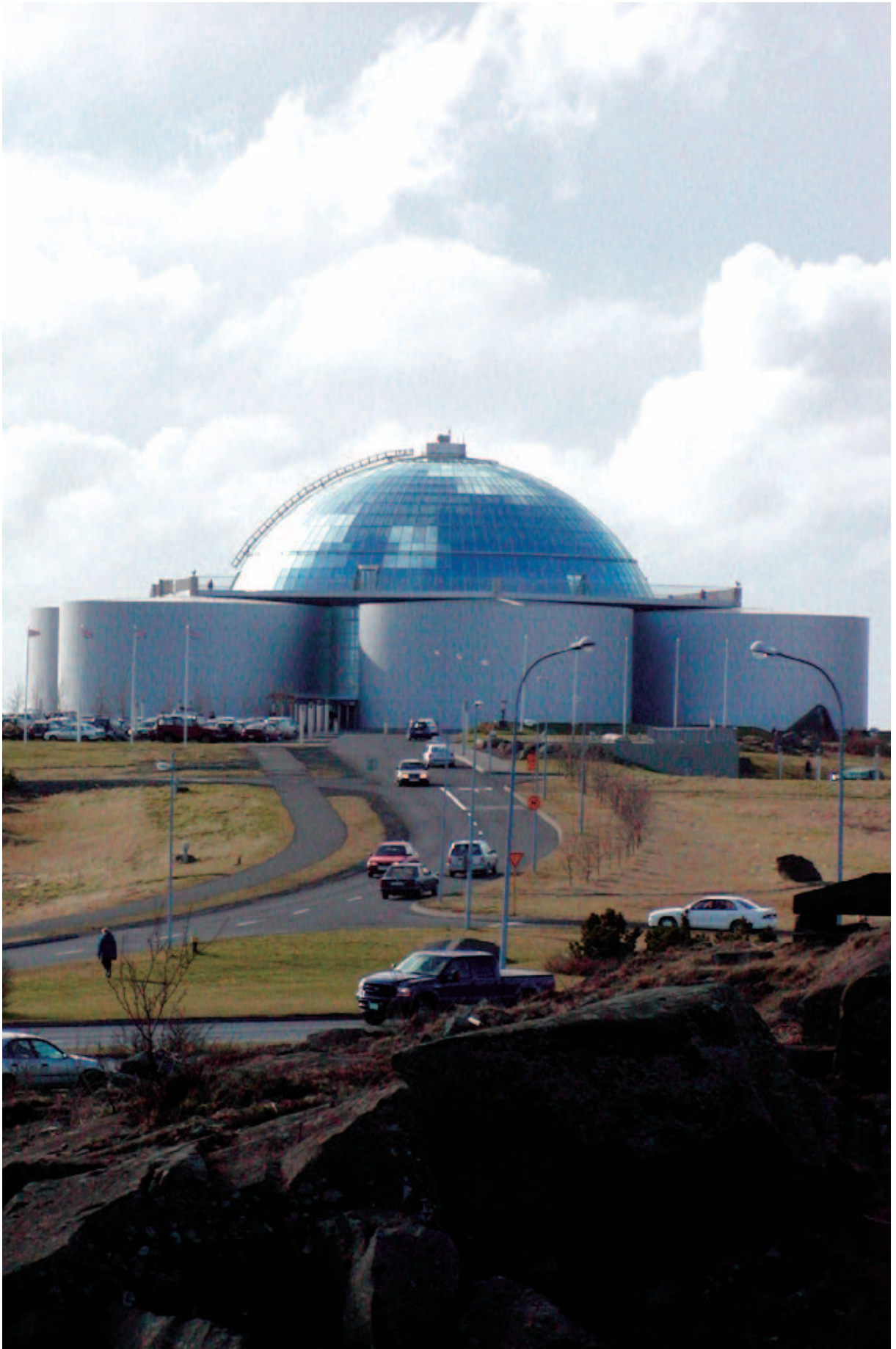
PLANNED INCREASE IN HOTEL ACCOMMODATION

Hotel	Status	Date	Addition
Aðalstræti	Under construction	April 2005	90 bedrooms
Grand Hotel	Extension	unknown	200 bedrooms
Kjorgardur (Laugavegur)	proposed	unknown	100 bedrooms

The Grand Hotel project has been publicised for many years but no works have commenced. There are suggestions that the current owners of the Grand Hotel are unable or unwilling to finance the project.

The Kjorgardur project requires the demolition of an existing small retail complex prior to commencement of construction activity.

None of the above future developments are associated with international management or brands.



Perlan (The Pearl), one of Reykjavik's non-hotel conference facilities.

8 THE CONFERENCE MARKET

8.1 Introduction

The development of a Conference/Convention Complex in Reykjavik has been the subject of a number of professional research studies carried out over the last decade.

The following section draws on the findings of those studies and the recommendations thereof adopted by the City of Reykjavik, the Icelandic Government and Austurhöfn-TR ehf, the company now charged with leading the development to completion.

8.2 Defining Operations

The meetings market comprises two distinct segments - the conference market and conventions market. This section outlines the characteristics of each.

Conference market:

- Conferences have a relatively small attendance, often with 200 delegates or less, and usually last for 2 - 5 days
- Conferences are scheduled for entire days and can take place in the evening with interaction between participants
- Work is carried out with small groups of 4 -6 people in workshops
- The objectives of meetings in the conference market is to obtain and impart information
- For convenience a hotel has to be close, preferably in the same building
- Delegate facilities such as bars, lounge areas are expected
- Conferences often end with the use of banqueting facilities

Conventions:

- Meetings attract large numbers of delegates, even up to thousands
- A convention may be comprised of several well-attended meetings in linking conference rooms that seat 200 - 500 delegates
- A convention is compromised of speeches rather than discussion
- Conventions are often held in conjunction with exhibitions
- Meetings are generally held only during the day.
- There is little consequent usage of additional food and beverage facilities
- Hotel accommodation needs to be close to the convention centre

8.3 Conference Centre Requirements

Based on the characteristics of the conference and convention markets, the Conference Centre needs to offer the following delegate facilities:

- Pleasant surroundings, comfortable chairs, good lighting, first-rate air conditioning, excellent design and a friendly environment
- State-of-the-art technical facilities, including sound and simultaneous translation systems, internet, video conferencing, computer-based presentation and television distribution systems, and central and cell based telephone systems
- Excellent acoustics suitable for public speaking to large audiences
- Exhibit space in the lobby that can be used as a meeting area, exhibit area or a subsidiary area for food and beverage facilities
- Direct connection to a hotel or adjacent to first-class international hotel accommodation, preferably within walking distance of shops, restaurants and places of entertainment
- Safe area and good medical services
- Easy access for transportation and communications, particularly to and from the airport

8.4 Description of the Conference Hall Model

Artec Consulting were commissioned to research and produce facility descriptions and a space list for the conference facilities and Concert Hall components of the development.

The conference hall that satisfies all of the desired configurations and requirements is a rectangular structure with interior dimensions of approximately 35m x 23m x 8.5m. A ratio of 2:3 for the width to the length was chosen for optimum sight-lines in many of the anticipated settings. The building contains a basement, main floor and technical gallery. The finished ceiling is set at 8.5m, but a loft of approximately 3m has been added for building services. A total of six public and two load-in sound and light locks are provided on the main floor level.

The conference hall is to be divisible, and as both of the smaller resulting rooms must perform equally well, it is symmetrically designed around a central transverse axis. All technical spaces and services are duplicated at both ends, including sound control rooms, lighting control rooms, projection rooms, follow spot rooms, sound and communication systems, simultaneous interpretation booths and wire rope grids. This is to ensure that each room has identical amenities when the hall is divided.

Recommended room capacities:

CAPACITIES

Description	Lecture theatre	Banquet	Theatre
Conference Hall	500 ¹⁾	500	750

1) Divisible into two separate rooms seating 200 & 300

Additional break-out rooms.

ADDITIONAL BREAK-OUT AREAS:

Description/Capacity	No. Rooms
220-seater meeting room	1
100-seater meeting room	2
50-seater meeting room	2
30-seater meeting room	2
10-seater meeting room	8

8.5 Supply of Current Conference Facilities

The supply of conference facilities in Iceland is predominantly based in Reykjavik. The conference facilities are based within the hotels and a number of educational and municipal venues.

8.5.1 Hotels

- **Hotel Nordica**
- formerly Hotel Esja (284 rooms). Hotel Nordica has a newly built conference and meetings suite comprising 11 rooms. The largest room has direct external access and can accommodate up to 650 delegates theatre style. However at that capacity utilisation, food and beverage provision needs to be limited.
- **Radisson SAS Hotel Saga**
(216 rooms) - Located next to the university theatre, the hotel has nine meeting rooms the largest of which can accommodate up to 400 delegates theatre style. The hotel offers basic audio-visual equipment and a conference kit.
- **Hotel Loftleidir**
(220 rooms) - Located five minutes by car from the centre of Reykjavik the hotel has 10 meeting rooms including a fixed seat auditorium. The largest meeting room can accommodate up to 400 delegates theatre style and is sub-divisible.
- **Radisson SAS Hotel Island**
(119 rooms) - The hotel has a main room that can accommodate 100 delegates theatre style is sub-divisible.
- **Grand Hotel**
(100 rooms) has a suite of 8 meeting rooms the largest of which can accommodate up to 400 delegates theatre style.

Smaller facilities are also provided at a number of other hotels.

The conference facilities within hotels in Reykjavik are of a reasonable standard in terms of quality and design. However, ergonomic facilities such as specialist lighting, air conditioning, 8 hour conference furniture and specialist technical facilities are not present in most of the rooms. The Nordica Hotel having recently built the conference suite does provide many of the facilities required.

At capacity utilisation of the largest room, most hotels would have the capacity to provide only limited food and beverage service.

8.5.2 Non-Hotel Conference Facilities

- **Háskólabíó**

(Conference & Cultural Centre) - Comprised of five meeting halls with a total capacity of 1,794 (theatre style). The maximum capacity of the largest hall is 976 (Theatre style). The total exhibition space is 1000 metres square. The rooms are restricted in that they can only offer theatre style seating as the chairs are fixed. The centre is rented by the University of Iceland during term time which is September to mid-December and mid-January to May.

- **The City Theatre**

Includes 2 auditoria and as its names suggests operates as a theatre. The total capacity of the 2 auditoria is 680 (Theatre style). The theatre can only be used as a whole unit and can only host one meeting at a time. The larger auditorium has a maximum capacity of 530 (Theatre style) and both rooms cover 1,700 metres square.

- **Perlan**

(The Pearl) - Consists of two meeting halls with a total capacity of 650 delegates theatre style. The largest hall dominates the building with a maximum capacity of 600 out of the complex total of 650. The size of the exhibition space is 1000 metres square.

- **Laugardalshöll**

A sports centre containing three meeting halls, and which offers the largest exhibition space in Reykjavik, at 3,200 square metres. The building's total capacity is 2,200 based on theatre style and the capacity of the largest hall is 1,400, again for theatre style. A 5,000 square-metre exhibition hall is currently under construction and will be opened early in 2005.

There are several major problems with the non-hotel conference facilities in Reykjavik. The centres are dual-use facilities which do not specialise solely in the conference and convention market, and as such do not offer the same scale, range or style of facilities that purpose-built venues available in Europe now offer.

At the same time, all these facilities are shared. Use, for example of Haskolabio is highly restricted due to the university renting the building for large segments of the year. Laugardalshöll is a sports centre, and as such cannot provide the prestige necessary for large conferences.

8.5.3 Summary of Conference Venues

Hotel conference facilities in Reykjavik can currently accommodate events with a maximum capacity of 650 delegates (Hotel Nordica). However, with this scale of event the opportunity for a parallel exhibition or food and beverage functions is limited. Conference facilities in other hotels are adequate for local demand but lack the state-of-the-art technical and technological services that many international conference organisers and delegates have come to expect.

The non-hotel conference facilities can accommodate more delegates. However, the facilities at the principal venue, Háskólabíó are restricted due to commitments to the university and the facilities are not geared specifically to suit the requirements of the modern conference delegate or organiser. In addition, the non-hotel conference facilities do not offer delegates accommodation on-site.

Although meetings in excess of 1,000 participants have been held in the capital, we believe that the current conference venues in Reykjavik do not allow the city to compete effectively as a main conference venue in Europe.

European conference organisers and delegates expect as standard high levels of technical equipment, flexible, well-serviced rooms with ergonomically designed furniture and fittings, close hotel accommodation and good transportation and communication routes.

8.6 Current Conference Demand

8.6.1 World Conference Market

Gathering information on meetings, conferences and conventions is difficult and such data as is available requires a detailed understanding of the definitions adopted for the inclusion or exclusion of events from each data set.

Two main bodies gather and publish data on major events. The Union of International Organisations has gathered data for over 50 years, but has well-defined criteria which EXCLUDE meetings and events of an essentially corporate or commercial nature and EXCLUDE those with strictly limited participation such as groups of experts. The International Congress and Convention Association gathers data on both association events and corporate events but data is gathered in the main through professional conference organisers, rather than the host organisation.

Other relevant criteria required for inclusion in these data sets include elements such as the percentage of overseas (non-national) delegates, a requirement for attendance of delegates from a number of different countries, the overall duration of the event and similar characteristics.

Neither data set is, therefore, fully inclusive and both would generally understate the number of events from which Iceland can be expected to draw demand.

However, the Union of International Associations ranks Iceland as a „Gold Medal Winner“ in the context of the number of international meetings hosted in 2000 in relation to national population size. In this ranking Iceland is placed third in the world, after Monaco and Luxembourg, and well ahead of the more traditional European destinations of France and United Kingdom. Iceland also ranks ahead of the Scandinavian destinations of Denmark, Finland, Norway and Sweden.

8.6.2 The European Conference Market

The table below shows the most popular European city venues for international association meetings based on ICCA data, which excludes corporate events.

For Reykjavik, currently without a purpose-built International Conference and Convention Centre, ranking 21st in Europe is a remarkable achievement. In 2000 Reykjavik ranked 14th in Europe, but as the statistics show there is little consistency in the rankings year on year.

RANKING BY NUMBER OF INTERNATIONAL MEETINGS

CITY	1998	1999	2000	2001	2002*	Ranking*
Barcelona	46	44	45	48	79	1
Copenhagen	69	55	40	72	73	2
Stockholm	56	45	47	34	64	3
Vienna	81	66	53	57	58	4
Lisbon	57	25	30	40	52	5
Budapest	38	47	40	31	48	6
Edinburgh	36	36	42	29	43	7
Helsinki	37	48	42	49	42	8
Berlin	39	48	45	39	40	9
Paris	49	42	71	51	40	10
London	42	39	62	45	35	11
Amsterdam	62	50	48	33	34	12
Brussels	32	31	29	17	28	13
Oslo	22	27	32	17	27	14
Prague	32	42	28	38	26	15
Geneva	21	8	21	11	25	16
Madrid	79	50	55	37	24	17
Istanbul	15	23	17	22	23	18
Munich	14	25	26	27	23	19
Athens	25	15	15	17	22	20
Reykjavik	7	11	29	5	22	21
Gothenburg	13	17	15	14	19	22
Bergen	9	15	21	13	18	23
Rome	32	33	23	31	18	24
Tampere	10	10	11	17	17	25

Source: ICCA data published July 2003

From the same data source, the scale of the European meetings held in 2003 in terms of number of delegates has remained relatively consistent over recent years, with somewhere in the order of 80% of meetings having fewer than 1,000 delegates and 30% of meetings having between 250 and 500. The relevant figures are as shown below.

PROPORTION OF MEETINGS BY NUMBER OF PARTICIPANTS

	50-249	250-499	500-999	1000+
2000	23%	30%	24%	23%
2001	24%	30%	25%	21%
2002	26%	31%	25%	18%

Source: ICCA data published July 2003

The average duration of these events has also been relatively consistent at 4.2 to 4.3 days.

Interestingly, analysis of the type of supplier used by these international meetings has shown an increasing preference for congress centres, increasing from 32.9% to 35.7% since 1999. By comparison, hotels recorded at 16%-21% over the same period.

The total number of participants at international association meetings is also recorded by ICCA, as shown below:

TOTAL NUMBER OF PARTICIPANTS

Rank	Country	1999	2000	2001	2002
1	Spain	80,534	40,416	37,014	133,615
2	France	57,273	96,604	41,660	102,456
3	Germany	70,672	61,028	52,119	97,447
4	United Kingdom	43,932	72,235	46,629	65,249
5	Italy	41,677	81,214	31,622	62,717
6	Sweden	19,571	27,077	34,186	62,239
7	Switzerland	11,927	22,189	24,261	48,422
8	Austria	18,305	31,558	13,933	48,019
9	Denmark	10,258	11,254	7,757	37,238
10	Portugal	10,636	22,237	16,460	36,238
11	Netherlands	33,381	71,369	45,943	36,001
12	Finland	18,845	15,422	13,771	29,400
13	Hungary	6,600	5,547	4,074	26,603
14	Czech Republic	7,433	6,109	17,473	26,248
15	Norway	15,451	14,180	7,512	25,548
16	Belgium	21,070	41,863	7,317	21,459
17	Turkey	4,913	9,970	13,172	17,315
18	Greece	7,390	8,057	6,604	16,735
19	Poland	7,677	8,098	5,033	7,730
20	Iceland	1,350	3,267	217	6,098
21	Romania	600	0	968	5,300
22	Ireland	5,202	10,993	8,445	5,276
23	Croatia	703	2,050	4,425	5,192
24	Slovenia	1,891	3,141	1,370	4,330
25	Monaco	1,500	1,639	0	3,503
26	Russia	1,196	990	1,780	3,471

8.7 Number of Conferences and Delegates in Iceland

The table below shows the number of conferences and delegates attending conferences in Iceland that were registered with the Iceland Convention & Incentive Bureau (IC&IB). The figures include only those conferences registered with the IC&IB.

NUMBER OF CONFERENCES AND DELEGATES RECORDED IN ICELAND BY ICELAND CONVENTION & INCENTIVE BUREAU

Year	Conferences	Delegates	Average no. of delegates	Increase between years	Total no. of foreign visitors	Delegates as proportion of total visitors
1993	64	5,416	85		157,326	3.5%
1994	49	8,710	177	61%	179,241	4.8%
1995	65	9,579	147	10%	189,796	5.0%
1996	85	12,023	141	26%	200,835	6.0%
1997	84	10,184	121	-15%	201,654	5.0%
1998	118	10,487	80	3%	232,219	4.5%
1999	118	12,836	109	22%	262,605	4.89%
2000	139	17,109	123	33%	302,900	5.65%
2001	79	4,915	62	-71%	295,000	1.67%
2002	90	13,675	152	178%	277,800	4.92%
2003	80	12,075	151	-12%		

The increase in the number of events, number of delegates and average event size is a very positive indicator of demand for Iceland and Reykjavik as a destination. This success has been achieved without the benefit of a purpose-built conference and convention centre which places Reykjavik at a competitive disadvantage and limits the number of delegates which can be hosted in appropriate facilities.

The following table lists the events organised through the Iceland Convention & Incentive Bureau. Events organised directly through hotels are not included.

2003		Conference	Category	Del.
January	22-27	Royal Bank of Scotland	European	100
	22-23	Meeting of Nordic Capitals	Nordic	100
	23-26	Respiratorial Meeting	Nordic	30
February	13-15	Educational Boards Meeting; The School in a New Century	International	450
March	6-9	Board Meeting at the Opera	Nordic	30
April	23-26	Making Hydrogen Available to the Public	International	150
	24-27	Nordiska Alzheimerföreningen	International	50
	27-29	Prevention in Brain Ageing:NorAge The 8th Congress of NorAge	Nordic	300
May	30-5	The Women Gynaecologists' Visiting Club	International	30
	3-7	Marie Curie (Young Scientists)	International	50
	8-10	Orðabók Háskólans	Nordic	25
	9-10	The Nordic Culture Politic	Nordic	60
	21-23	Nordic Prison Buildings	Nordic	40
	27-31	General Cable	European	80
	28-31	34th Nordic Haematological Meeting	International	300
June	29-2	Datalingvistik	International	90
	1-5	Nordic Meeting of Lawyers	Nordic	30
	4-7	Forverðir	Icelandic	100
	4-7	XLI Nordic Lung Congress	Nordic	800
	4-7	NKF Nordic Conservators Union	Nordic	100
	7-10	International Courses of Continuous Medical Training-meeting	International	40
	8-12	Rannsóknarstofnun Fiskiðnaðarins	Icelandic	250
	10-15	Infrastructure of the Modern Hydrogen Society	International	100
	10-15	TAFT Trans Atlantic Fisheries Technology Conference	International	250
	11-15	Nordic Law Libraries	Nordic	80
	11-15	Public Roads Administration	International	50
	11-15	Arlis Norden, Art Librarys	Nordic	100
	14-18	Legal and Scientific Aspects of Continental Shelf Limits	International	100
	14-18	International Courses of Continuous Training-Meeting 2	International	40
	25-29	IEEE-The Institute of Electrical and Electronics Engineers-	International	120
	25-29	International Meeting on Angiogenesis in Cancer-IMAC	Icelandic	300
	26-30	Nordic Coin Collection	Nordic	40
	26-29	NVF 34 Útskottsmöte	Nordic	70
	28-1	NVF-33	Nordic	110
	July	31-4	ORF -Genetics	Nordic
August	7-11	Vinnuvistfræði	Icelandic	175
	7-10	XX Nordiske Arkivedage	Nordic	425
	7-9	Nordisk Kongress for Landskapsarkitekter	Nordic	100
	9-14	Nordic Ergonomics Society	Nordic	200
	9-14	CORONA- Coordinating Research on the North Atlantic	International	60
	13-16	29th Nordic Psychiatric Congress	Nordic	800
	13-14	IBRI: Rhealogy Course-particle suspension	International	50
	13-17	National Centre of Educational Material	International	90
	14-16	NFF 2003	Nordic	500
	15-16	CBI: Self-Compacting Concrete-Mix and production	International	40
	17-22	ISRIUM	International	65
	17-20	3rd International Symposium on Self-Compacting Concrete	International	400
	20-24	NAF:s Allmänna möte	Nordic	110
	20-24	Land Degradation	International	50
	24-27	The Scandinavian Society for Immunology	Nordic	300
25-27	National Land Survey of Iceland	Nordic	40	
25-26	5th Nordic Environmental Assessment Conference	Nordic	150	
25-27	NORDUnet	Nordic	350	
28-1	Nordiska barnavårdskongressen	Nordic	450	

2003		Conference	Category	Del.
Sept	3-6	ANCR/NCU Meeting	International	60
	4-8	NVF 41 Útskottsmöte	Nordic	70
	7-14	PIRLS	International	80
	10-15	NSCP Nordic Science Park Conference	Nordic	200
	10-12	Nordiske Nyredager	Nordic	250
	14-17	International Geothermal Conference 2003	International	250
	19-21	Vinge-Lawyers	Nordic	400
	20-25	International Courses of Continuous Training-Meeting 3	International	40
	23-25	Second International Rodding Conference	International	225
	25-26	Creating Knowledge	International	120
October	3-5	Children of Today: 3rd Nordic Conference of NoSB	Nordic	350
	7-9	AcNielsen	International	230
2004				
May	19-23	Nordisk Jordmor Kongres	Nordic	500
June	5-8	40.Nordiske Meierikongress-N.M.K	Nordic	400
	13-15	Den X Nordiska Kommunalkonferensen	Nordic	350
	26-29	Ráðstefna um hrossasjúkdóma	International	100
July	24-31	LEK-Golf	European	100

8.8 Future Developments

The Icelandic Tourist Board has confirmed that it is not aware of any proposed future developments adding to the current supply of facilities available to the conference and convention market.



The Flying Dutchman, by Richard Wagner, staged by The Icelandic Symphony Orchestra, Icelandic Opera and The National Theatre at the Reykjavík Arts Festival 2002.

9 THE CONCERT HALL MARKET

The goal of the concert hall development is to build a permanent home for the Iceland Symphony Orchestra (ISO) which can compete with the best music halls in the world in terms of performance and rehearsal facilities, recording facilities, and world standard acoustics. The Concert Hall will also be the venue for all types of concerts, classical as well as pop-concerts. The Concert Hall will have a capacity of 1,500 seats.

In support of the Concert hall a separate Rehearsal and recital hall is planned with full acoustic characteristics and a seating capacity for 450.

9.1 Concert and Recital Hall Requirements

The Scanticom Comwell report (January 1998) sets out the location requirements of the proposed concert hall from the perspective of those involved in the decision-making process and its eventual use.

Summarised below are the principal location requirements of the audience, performers, the host city (Reykjavik), the city planners, and the building's role as a marketing tool for the promotion of the city as a destination.

9.1.1 Audience Requirements

- easy access to entertainment
- easy access to restaurants
- easy access to shopping
- easy transportation access
- easy to meet with friends/relations before and after shows
- interesting areas for guests at the complex to explore
- easy access to different hotels
- an attractive, prominent location

9.1.2 Performers' Requirements

- all the above points are important to the musicians
- a nearby music scene in clubs, restaurants, discos etc. serves to popularise the role of the musician and provides performers with employment opportunities related to their work with the Symphony Orchestra
- the Symphony is integrated into the cultural activities of the city and is promoted directly to all the guests of the city, national or international

9.1.3 The Host City Requirements

- a new complex will add to the international profile of Reykjavik and Iceland in general, will strengthen awareness of the country's cultural focus throughout Europe and North America.

9.1.4 The Planner's Requirements

- as a major building complex, the architectural form must create a strong identity which adds to the city's international reputation for both culture and trade.

9.1.5 As a Marketing Tool

- the location must be attractive and accessible to international convention/conference delegates utilising the Conference Complex facilities
- the Concert Hall must add to the profile and perception of Reykjavik as an attractive destination and venue
- the facilities must be capable of hosting not only music orientated events but also technical, commercial and political meetings, thereby adding to the prestige of the event (an example being the UN Assembly Hall in New York)

9.2 Current Concert Hall Facilities

9.2.1 Háskólabíó (University Cinema Auditorium)

Háskólabíó is currently the home of the ISO, and is located at the University of Iceland. Háskólabíó is multi-purpose and is used by different organisations for activities such as school concerts, university lectures and conferencing. There are five auditoria in total and a large lobby area with a total size of 1000 square metres. Háskólabíó is suitable for events of between 50 to 950 participants. The building is situated near Hotel Saga, the University of Iceland, the National Library and Reykjavik domestic airport.

The main organisational constraint of Háskólabíó is that the facilities are heavily utilised as lecture theatres during university term time and its availability to the ISO for rehearsals is therefore very limited.

Háskólabíó was originally primarily designed for the viewing of films and for listening to amplified recorded sound. Whilst acoustic improvements have been made to the building to make it more suitable for classical music these still do not correct the fundamental design issues which prevent it being a world-class classical music venue.

9.2.2 Salurinn

Salurinn is located in Kopavogur, just outside Reykjavik.

Salurinn was built in 1998 and accommodates 300 people theatre style. Designed with high quality acoustic characteristics, the building is the first and only one of its kind in Iceland.

9.2.3 Hallgrímskirkja (church)

Many performances take place in churches in and around Reykjavík, both by choice and due to lack of other appropriate space.

Hallgrímskirkja has become an international centre for top organists from all over the world. It is the largest church in Iceland, with a seating capacity of 1,200 in the nave. In December 1992 a grand organ of 72 stops commissioned from Johannes Klais in Bonn was inaugurated. The organ, by far the largest in Iceland, has four manuals and pedals, 5,275 pipes and mechanical fracture.

9.3 The Icelandic Symphony Orchestra

The Concert Hall and Rehearsal Room will be home to the Icelandic Symphony Orchestra, which in a typical season gives approximately 60 concerts. The concert season runs from September-June, and the 2003-2004 season comprises:

2003-2004 Season	Conductor	Programme
September 4th Gala Opening Concert	Conductor: Rumon Gamba	Soloist: Maxim Vengerov Victor Urbancic: Comic Overture Emmanuel Chabrier: Espana William Walton: Siesta Nikolaj Rimsky-Korsakov: Capriccio Espagnol Edouard Lalo: Symphonie Espagnole Maurice Ravel: Tzigane
September 18th & 19th	Conductor: David Charles Abell	Soloist: Sigrún Hjálmtýsdóttir Music by: Aron Copland & Leonard Bernstein
September 25th	Conductor: Olari Elts	Soloist: Víkingur Heiðar Ólafsson Magnus Lindberg: Feria Jón Nordal: Piano Concerto Sergej Prokofiev: Piano Concerto no. 1 Erkki-Sven Tüür: Symphony no. 3
October 2nd	Conductor: Lawrence Foster	Soloist: Erling Blöndal Bengtsson Georges Enescu: Romanian Rhapsody no. 2 Aram Khatsjaturjan: Cello Concerto Johannes Brahms: Symphony nr. 3
October 9th	Conductor: Rumon Gamba	Conductor: Rumon Gamba Soloist: Truls Mørk Ralph Vaughan Williams: Fantasia on a Theme by Thomas Tallis Hafliði Hallgrímsson: Cello Concerto Ludwig van Beethoven: Symphony no. 2
October 16th	Conductor: Rumon Gamba	Choir: Söngsveitin Filharmónía Dimitri Shostakovich: Symphonies no. 1, 2 & 3
October 23rd	Conductor: Philippe Entremont	Soloist: Philippe Entremont Wolfgang Amadeus Mozart: Piano Concerto no. 21 Sergei Prokofiev: Symphony nr. 5

2003-2004 Season	Conductor	Programme
October 30th	Conductor: Philippe Entremont	Soloist: Ginora Ortega Juan Arriaga: Symphony in d minor Enrique Granados/Guimovart: Goyescas suite Jesus Guridi: Diez Melodias Vascas Manuel De Falla: El Amor Brujo
November 6th Film Concert	Conductor: Rick Benjamin	Edwin S. Porter: The great train robbery Buster Keaton: The General
November 8th Film Concert	Conductor: Rick Benjamin	American Classics: Charles Chaplin, Buster Keaton & Harold Lloyd
November 13th	Conductor: Bernharður Wilkinson	Soloist: Lukás Vondráček Todmobile Sergei Rachmaninoff: Piano Concerto no. 2 Music by Todmobile
November 20th The 50th anniversary of Kór Langhóltskirkju	Conductor: Jón Stefánsson	Soloists: To be announced at a later date Choir: Kór Langhóltskirkju George Friedrich Händel: Messiah
November 27th	Conductor: Rumon Gamba	Soloist: Lev Vinocour Áskell Mátsson: Frón Sergei Rachmaninoff: Piano Concerto no. 2 Jean Sibelius: Symphony no. 5
December 20th	Family Christmas Concert	Conductor: Bernharður Wilkinson
January 7th, 8th, 9th & 10th Vienna Concert January 15th	Conductor: Ernst Kovacic Conductor: Susanna Mälkki	Program: To be announced at a later date Soloists: Hávarður Tryggvason and Valur Pálsson Wolfgang Amadeus Mozart: Symphony no. 41 Haukur Tómass.: Concerto for 2 contrabasses and orchestra Béla Bartók: The Miraculous Mandarin, Suite, op. 19
January 22th & 23rd	Conductor: Guðmundur Óli Gunnarsson	Soloist: Sigurgeir Agnarsson Johannes Brahms: Variations on a Theme by Joseph Haydn Josep Haydn: Cello Conserto Modest Mussorski: Nigth on Bear Mountain Pjotr Tchaikovsky: 1812, overture
January 29th	Conductor: Rumon Gamba	Soloist: Pekka Kuusisto Ludwig van Beethoven: Violin Concerto Dimitri Shostakovich: Symphonie no. 4
February 5th Icelandic Composers' Music Festival	Conductor: Niklas Willén	Þuríður Jónsdóttir: Flow and Fusion Finnur Torfi Stefánsson: Hjólmsveitarverk VI Jón Leifs: Endurskin úr norðri, op. 40 Þórður Magnússon: Sinfonietta
February 12th Iceland Academy of the Arts	Graduation Concert	Soloists: : Gyða Valtýsdóttir, Helga Þóra Björgvinsdóttir, Ingrid Karlsdóttir og Melkorka Ólafsdóttir Program: To be announced at a later date
February 19th February 26th	Conductor: Petri Sakari Conductor: Stefan Solyom	Gustav Mahler: Symphony no. 7 Soloisti: Arnaldur Arnarson Heitor Villa-Lobos: Introduction to Choros Karólína Eiríksdóttir: Guitar Concerto
March 4th The 30th anniversary of Söngskólinn í Reykjavík March 12th & 13th, Laugardalshöll March 18th	Conductor: : Garðar Cortes Conductor: Martin Yates Conductor: Rumon Gamba	Soloists: To be announced at a later date Music of the Beatles as arranged by Martin Yates Soloist: Joseph Ognibene Soloist: To be announced at a later date Wolfgang Amadeus Mozart: Divertimento Kv. 136 (125a) Benjamin Britten: Serenade for Tenor, Horn and Strings Henry Purcell/Benjamin Britten: Chaconne in g minor Wolfgang Amadeus Mozart: Symphony no. 29
March 25th	Conductor: Arvo Volmer	Soloist: Denis Matsuev Dimitri Shostakovich: Festive Overture Piotr Tchaikovsky: Piano Concerto no. 1 Igor Stravinsky: Petrushka

2003-2004 Season	Conductor	Programme
April 15th	Conductor: Christian Lindberg	Soloist: Christian Lindberg Jan Sandström: Ocean child Christian Lindberg Halikon Wasp
April 23rd	Conductor: Bernharður Wilkinson	Soloists: Póra Einarsdóttir, Hulda Björk Garðarsdóttir Langholts-Cathedral's Graduale Choir Narrator: To be announced at a later date Arnold Schönberg: Verklärte Nacht Felix Mendelssohn: A Midsummer Night's Dream
April 29th	Conductor: Rumon Gamba	Soloists: To be announced at a later date
May 6th & 7th	Conductor: Thomas Kalb	Soloist: Ute Lemper
May 13th	Conductor: Bernharður Wilkinson	Soloists: To be announced at a later date Choir: Karlakórinn Fóstbræður Wolfgang Amadeus Mozart: Symphony no. 39 Igor Stravinsky: Oedipus Rex
May 19th & 22nd Reykjavik Art Festival	Conductor: Alexander Vedernikov	Soloist: Olga Borodina Program: To be announced at a later date Piotr Tchaikovsky: Symphony no. 5 Choir: Kór Íslensku óperunnar Richard Strauss: Metamorphosen Ludwig van Beethoven: Symphony no. 9
June 10th	Conductor: Vladimir Ashkenazy	Igor Stravinsky: Pulcinella Igor Stravinsky: Firebird (1919) Igor Stravinsky: Ripe of Spring

The performances of the Icelandic Symphony Orchestra are supplemented by a number of smaller ensembles, ranging from traditional folk music through chamber orchestras to modern groups.

Performance schedules are currently restricted by the lack of suitable (or best available) facilities which are shared with other organisations and used for other purposes, an example being Háskólabíó (the University Cinema Auditorium), which, as its name suggests, has a very multi-functional role.

9.4 Reykjavik Events

Many of the events held in Reykjavik currently are hosted in ill-suited existing facilities. A purpose-built centre with a variety of exhibition and performance spaces will attract many of these events away from existing venues. The following paragraphs provide an indication of the volume, frequency and style of the events currently held.

One of the major events in Reykjavik is the **Arts Festival**, which from 2004 will become an annual, as opposed to bi-annual, event.

The purpose of the Festival is to promote Icelandic and international culture through concerts, theatre, visual arts, exhibitions, dance and opera performances. The Festival has hosted many outstanding international artists and performers including Pavarotti, Yehudi Menuin, Daniel Barenboim, James Galway, Björk, Gideon Kremer, Katia Ricciarelli and Stephan Grappelli.

Vladimir Ashkenazy, one of the founders of the Festival, has been its honorary president since its inception in 1970. The Festival is financed by the Icelandic Government and Reykjavik City Council, box office income and private sponsorship. A listing of international artists who have performed at the festival is attached as **Appendix II** to this document.

As well as the Arts Festival, Reykjavik hosts a wide range of cultural events, national and international, every year. Along with a colourful selection of exhibitions, concerts and shows, the city is also home to festivals such as Iceland Airwaves, the Reykjavik Jazz Festival, Winter Lights, Food and Fun and the Reykjavik Marathon, to name but a few. For a full list of events for 2003-04 as they appear on the city's web site, see **Appendix III**.

9.5 A Selection of Annual and Biannual Events and Festivals in Reykjavík

January - Þrettándinn - Twelfth Night - January 6th

January - Thorriinn - Mid Winter Feast

February - Dark Music Days

February - Winter Lights Festival

February - Food and Fun

May - June - Reykjavik Art Festival

May Sacred Arts Festival

June- Festival of the Sea

June - The Viking Festival

June 17 - Independence day

June 19 - Women's Run

June 21- Summer Solstice Festival

June - Midsummer Night and Iceland Open - International Golf Tournament

July - Visa Rey Cup - Reykjavik International Football Match

August - Gay Pride

August - Reykjavik Cultural Night

August - Reykjavik Marathon

September - Reykjavik Dance Festival

September - International Literary Festival

September - Reykjavik Shorts and Docs Film Festival

October - Iceland Airwaves Music Festival

October - Unglist - Young Art Festival

November - Reykjavik International Jazz Festival

December - Advent and Christmas Events - New Year's Eve Celebrations

9.6 Sample of International Trade Shows and Exhibitions - annual /bi-annual

- AGORA - Technology and Computers (October)
- The Home and Islandica Horse Show (September)
- The Icelandic Fisheries Exhibition (September)
- Construct North - Building and construction (March)
- Printing and Media Exhibition and Convention
- Food Expo (September)
- Vest Norden Design Expo

9.7 Future Potential

A clear opportunity exists to increase the number and frequency of impresario events held in Reykjavik with international performers of a wide range of music. Classical, jazz, modern and folk music all have strong followings in Iceland with most currently staged events being played to capacity audiences.



10 PROJECTED TRADING PERFORMANCE

10.1 Introduction

Artec Consultants, VSO and Hospitality Consulting International worked in close co-operation to combine the research carried out by each company into a single consolidated analysis of the projected trading results of the complex as a whole.

Work in connection with the Concert Hall and conference facility has been in the main carried out by Artec Consultants with input from VSO. Work in connection with the hotel facilities has in the main been carried out by Hospitality Consulting International with input from Artec Consulting.

The consolidation of these pieces of work, which serves to eliminate any duplication of revenues and expenses, particularly those relating to food and beverage provision, has been mainly undertaken by Hospitality Consulting International.

The expectation is that the complex as a whole will be fully developed and operational during 2008, with the calendar year 2009 being its first full year of trading operations.

10.2 The Concert Hall and Recital Hall - Revenues

The following summarises the work of Artec in projecting the levels of utilisation and revenues deriving from the operation of the Concert Hall and Recital Hall. It is assumed that a special rental agreement will be concluded with the Iceland Symphony Orchestra guaranteeing it the use of the Concert Hall for rehearsals and concerts. The orchestra would pay a fixed rent, irrespective of audience figures.

10.3 Concert Hall, Recital Hall and Conference Centre - Revenues

The base-year revenue projections have been developed from utilisation patterns, along with rental and pricing levels appropriate to each element of the facility and the market, and are divided as follows:

REVENUES AT 2003 VALUES

Performance Revenues	Days Utilisation	Delegates/ Attendees	ISK 000s
Iceland Symphony Orchestra, Total Rental Revenues	147	63,600	33,439
Performance Rental Revenues	302	174,510	94,250
Impresario Presentations	90	50,400	120,682
Concession Sales Revenues			36,066
Per-performance Technical Staff Cost Chargebacks			48,058
Performance Revenues, subtotal			<u>332,495</u>
Conference and Meeting Revenues			
Conference Hall Rentals	71	21,000	34,426
Meeting Room Rentals			38,723
Concert Hall Conference Rentals	9	13,500	3,795
Per-event Variable Staff Cost Chargebacks to Conferences			6,498
Conference and Meeting Revenues, subtotal			<u>83,443</u>
TOTAL REVENUES			415,937

Revenue Summary

The following table summarises the anticipated development of trading in the conference and meetings market over the initial five years of operation.

DEVELOPMENT OF UTILISATION

	2009	2010	2011	2012	2013
Conference Hall Conference Rentals	Number of rentals:				
1-day rentals	4	4	4	4	4
2-day rentals	32	34	36	38	40
3-day rentals	22	24	26	28	30
4-day rentals	12	13	14	15	16
5-day rentals	1	1	1	1	1
Total Conference Rentals	71	76	81	86	91
Concert Hall Conference Rentals					
1-day rentals	4	4	4	4	4
5-day rentals	1	1	1	1	1
Total Concert Hall Conference Rentals	5	5	5	5	5
Meeting Room Rentals					
1-day rentals	4	4	4	4	4
2-day rentals	64	68	72	76	80
3-day rentals	66	72	78	84	90
4-day rentals	48	52	56	60	64
5-day rentals	5	5	5	5	5
Total Conference Days	187	201	215	229	243

The utilisation development shown above results in the following revenues over the initial 5 operating years:

SUMMARY 5-YEAR REVENUES AT 2003 VALUES - ISK 000

	2009	2010	2011	2012	2013
Conference and Meeting Room Rental Revenues					
Conference Hall Rentals	34,426	36,990	39,553	42,116	44,679
Meeting Room Rentals	38,723	47,819	51,132	54,444	57,756
Concert Hall Conference Rentals	3,795	4,587	4,587	4,587	4,587
Variable Staff Cost Chargebacks to Conferences	6,498	6,985	7,471	7,958	8,444
subtotal	83,443	96,380	102,742	109,104	115,466
Performance Rental and Impresario Ticket Revenues					
Iceland Symphony Orchestra, Total Rental Revenues	33,439	33,439	33,439	33,439	33,439
Performance Rental Revenues	94,250	94,250	94,250	94,250	94,250
Impresario Presentations	120,682	120,682	120,682	120,682	120,682
Concession Sales Revenues	36,066	36,066	36,066	36,066	36,066
Variable Staff Cost Chargebacks to Performances	48,058	48,058	48,058	48,058	48,058
subtotal	332,495	332,495	332,495	332,495	332,495
Total Revenues	415,938	428,875	435,237	441,599	447,961

10.4 Concert Hall and Conference Centre - Operating Expenses

Artec has prepared detailed schedules of staff requirements and estimates of other costs and overhead expenses. These are summarised below.

EXPENSE SUMMARY AT 2003 VALUES - ISK 000S

	Base year 2009
Conferences:	
Salaries & Related Expenses	17,087
Variable Cost Personnel	5,651
subtotal	22,738
Performances:	
Salaries & Related Expenses	46,936
Variable Cost Personnel - Iceland Symphony	12,268
Variable Cost Personnel - Other Performances	41,790
Impresario Productions	89,649
subtotal	190,643
Total Allocated Expenses	213,381
Admin and Overheads:	
Salaries & Related Expenses	37,403
Overheads	133,817
subtotal	171,221
Total Expenses	384,602

OVERHEAD EXPENSES AT 2003 VALUES

	Base year 2009
Legal/Accounting	2,304
Marketing, Advertising & Public Relations	2,304
Travel & Entertainment	3,456
Telephone	2,765
Office Supplies	1,382
Printing	1,659
Postage, Shipping	1,382
Computer System Maintenance--Box Office	806
Computer System Maintenance--Administration	806
Utilities	10,189
Cleaning	18,067
Maintenance of house and technical equipment	29,682
Capital Reserve Fund	8,064
Insurance	9,283
Security surveillance	278
Taxes	41,390
Total, Overhead	133,817

10.5 Concert Hall and Conference Centre - Profitability**OVERALL SUMMARY AT 2003 VALUES - ISK'000S**

	2009	2010	2011	2012	2013
Total Revenues	415,937	428,875	435,237	441,599	447,960
Total Expenses	384,602	384,602	384,602	384,602	384,602
Profit	31,335	44,273	50,635	56,997	63,358

10.6 Hotel Demand

The projected trading results of the proposed hotel reflect the anticipated market positioning of the property as the leading hotel in Reykjavik. As such, the hotel is expected to trade in the wider hotel market, capturing demand not only associated with the concert hall and conference centre but also from the corporate and leisure markets.

It is also anticipated that, once operational, the Concert Hall and Conference Centre complex will create demand for all hotels in Reykjavik at times of major events.

10.7 Revenues - Hotel

Following detailed analysis by Hospitality Consulting International, the table below summarises the demand and resultant revenues projected for the hotel component of the complex at constant 2003 year values.

CONSTANT 2003 YEAR VALUES

	2009	2010	2011	2012	2013
Rooms Available	250	250	250	250	250
Occupancy	63%	66%	74%	77%	77%
Average Rate ISK	13,600	14,700	14,900	14,900	14,900
	ISK000	ISK000	ISK000	ISK000	ISK000
Revenue					
Rooms	781,830	885,308	1,006,123	1,046,911	1,046,911
Food	342,642	364,979	419,978	436,355	436,355
Beverage	113,110	118,107	134,107	139,346	139,346
Telephone	45,990	48,180	54,020	56,210	56,210
Rental - Health Club	6,000	9,600	14,400	14,400	14,400
Other Income	33,055	34,629	38,827	40,401	40,401
Total Revenues	1,322,627	1,460,803	1,667,455	1,733,623	1,733,623

The above revenues incorporate the following key statistics.

KEY STATISTICS 2003 VALUES

	2009	2010	2011	2012	2013
Occupancy					
Summer (May – September)	84%	85%	88%	92%	92%
Winter (Jan – April & Oct - Dec)	48%	52%	63%	66%	66%
ADR - ISK					
Summer (May – September)	15,237	16,445	16,945	16,953	16,953
Winter (Jan – April & Oct - Dec)	11,611	12,538	12,846	12,847	12,847

MARKET SEGMENTATION

	2009	2010	2011	2012	2013
Room Nights					
Local Corporate	15,897	16,379	16,870	17,377	17,377
Meeting & Conference	14,194	15,320	20,548	22,310	22,310
Individual Leisure	7,171	8,966	10,004	10,205	10,205
Leisure Tour	18,823	17,449	17,797	17,975	17,975
Incentive Group	1,474	1,946	2,129	2,150	2,150
Total	57,559	60,060	67,350	70,017	70,017
Bed nights					
Local Corporate	15,897	16,379	16,870	17,377	17,377
Meeting & Conference	17,032	18,384	24,658	26,772	26,772
Individual Leisure	12,908	16,139	18,008	18,368	18,368
Leisure Tour	33,881	31,407	32,035	32,356	32,356
Incentive Group	2,654	3,503	3,832	3,870	3,870
Total	82,372	85,812	95,404	98,743	98,743
Double Occupancy Factor	1.43	1.43	1.42	1.41	1.41

The projections of revenues for the Conference Centre exclude revenues from food and beverages which are incorporated into the revenues of the hotel. These projections incorporate revenues from both residential conference delegates and non-residential delegates at events in the complex.

The following meeting, conference and other event food covers are incorporated into the food and beverage projections for the Hotel.

EVENT ONLY FOOD COVERS

	2009	2010	2011	2012	2013
Total event covers	60,644	71,313	94,009	100,140	100,140

10.8 Profitability - Hotel

The following Statement of Estimated Profit for the hotel derives from the research and analysis carried out by Hospitality Consulting International. All figures are shown at 2003 year value.

INCOME AND EXPENSE PROJECTION AT 2003 YEAR VALUES

Constant 2003 Year Values	2009		2010		2011		2012	
Calendar Year								
Rooms Available	250		250		250		250	
Days Open	365		365		366		356	
Occupancy	63%		66%		74%		77%	
Average Rate	13,600		14,700		14,900		14,900	
	ISK000s %		ISK000s %		ISK000s %		ISK000s %	
REVENUE								
Rooms	781,830	59.1%	885,308	60.6%	1,006,123	59.1%	1,046,911	60.4%
Food	342,642	25.9%	364,979	25.0%	419,978	25.2%	436,355	25.2%
Beverage	113,110	8.6%	118,107	8.1%	134,107	8.0%	139,346	8.0%
Telephone	45,990	3.5%	48,180	3.3%	54,020	3.2%	56,210	3.2%
Rental - Health Club	6,000	0.5%	9,600	0.7%	14,400	0.9%	14,400	0.8%
Other Income	33,055	2.5%	34,629	2.4%	38,827	2.3%	40,401	2.3%
TOTAL REVENUES	1,322,627	100.0%	1,460,803	100.0%	1,667,455	100.0%	1,733,623	100.0%
DEPT OP EXPENSES								
Rooms	173,843	22.2%	176,219	19.9%	183,499	18.2%	187,425	17.9%
Food & Beverage	338,415	74.3%	334,881	69.3%	374,278	67.5%	385,562	67.0%
Telephone	30,584	66.5%	31,788	66.0%	35,000	64.8%	36,205	64.4%
Other Income	26,804	81.1%	26,662	77.0%	28,047	72.2%	28,566	70.7%
Total	569,645	43.1%	569,549	39.0%	620,824	37.2%	637,758	36.8%
DEPT OP. PROFIT	752,982	56.9%	891,254	61.0%	1,046,631	62.8%	1,095,865	63.2%
UNDISTRIBUTED OPERATIONAL EXPENSES								
Payroll & Related Exps								
Admin & General	84,000	6.4%	84,000	5.8%	84,000	5.0%	84,000	4.8%
Sales & Marketing	5,600	0.4%	5,600	0.4%	5,600	0.3%	5,600	0.3%
Repairs & Maintenance	19,500	1.5%	19,500	1.3%	19,500	1.2%	19,500	1.1%
Sub-Total	109,100	8.2%	109,100	7.5%	109,100	6.5%	109,100	6.3%
Other Expenses								
Admin & General	79,358	6.0%	81,805	5.6%	88,375	5.3%	91,882	5.3%
Sales & Marketing	52,905	4.0%	44,000	3.0%	44,000	2.6%	44,000	2.5%
Repairs & Maintenance	39,679	3.0%	51,128	3.5%	58,361	3.5%	60,677	3.5%
Energy	39,679	3.0%	40,902	2.8%	41,686	2.5%	43,341	2.5%
	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Sub-Total	211,620	16.0%	217,836	14.9%	232,422	13.9%	239,899	13.8%
GROSS OP. PROFIT	432,262	32.7%	564,318	38.6%	705,108	42.3%	746,866	43.1%

10.9 Aggregated Trading Results - Complex

The aggregated trading results of the complex as a whole (Concert Hall Conference Centre and Hotel) are as follows:

PROJECTED TRADING RESULTS

	2009	2010	2011	2012	2013
	ISK000s	ISK000s	ISK000s	ISK000s	ISK000s
Concert Hall Complex	31,335	44,273	50,635	56,997	63,358
Hotel	432,262	564,318	705,108	746,866	746,866
Combined profits	463,597	608,591	755,743	803,863	810,224
Property tax and insurance	81,218	81,218	81,218	81,218	81,218
Management fees	100,000	100,000	100,000	100,000	100,000
Replacement reserves	18,350	36,700	55,050	55,050	55,050
Available for Debt service	264,029	390,674	519,476	567,595	573,956



11 CAPITAL COSTS AND FUNDING

11.1 Cash Flow

A statement of estimated cash flow appears at the end of this section, based on the estimated trading results set out above and incorporating the following estimates of development costs and required investment.

11.2 Development Costs

Based on VSO preliminary estimates and assumed construction volumes and areas, the total development costs including net site value are estimated at ISK 10,760 million at 2003 values. Architectural designs and facility configurations have not been as yet agreed.

DEVELOPMENT COST ESTIMATES AT 2003 VALUES

	Concert Hall and Conference Centre	Hotel	Complex
	ISK'000	ISK'000	ISK'000
Land Cost	350,000	570,000	920,000
Concert Hall and Conference Centre			
Hard construction	3,200,000		
Equipment	1,000,000		
Total	4,200,000		4,200,000
Hotel			
Hard construction		3,625,000	
FFE		835,000	
Total		4,460,000	4,460,000
Car parking	900,000	280,000	1,180,000
Total construction	5,450,000	5,310,000	10,760,000

11.3 Investment required

The anticipated opening date of the complex is for 2009 to be the first full trading year. The resultant investment requirement, based on the above costs together with the cost of funding during construction at constant 2003 values, is:

INVESTMENT REQUIRED AT 2003 VALUES

	Concert Hall and Conference Centre	Hotel	Complex
	ISK'000	ISK'000	ISK'000
Construction Cost (ex land)	5,100,000	4,740,000	9,840,000
Interest during construction	450,000	740,000	1,190,000
Land Costs	350,000	570,000	920,000
Pre-opening costs and unforeseen	500,000		500,000
Total investment	6,400,000	6,050,000	12,450,000

11.3.1 Funding

It is assumed that funding will be in three parts as at the date of opening, with construction period funding being replaced by:

FUNDING

			ISK'000s
Equity	10.0%		1,250,000
Loans	38.6%		4,800,000
Loan1		2,400,000	
Loan2		1,920,000	
Loan3		480,000	
Contribution from Government/City	51.4%		6,400,000
TOTAL FUNDING	100.0%		12,450,000

11.3.2 Loans

The envisaged loans are as set out below. Commercial loans amortize the principal in equal annual amounts. Annuity loans amortise through equal annual payments of capital and interest.

LOAN FUNDING ASSUMPTIONS

Loan 1	2,400,000
Interest	6.65%
Term	25
Moratorium	15
Repayment period	10
Type	Commercial
Loan2	1,920,000
Interest	5.75%
Term	15
Moratorium	4
Repayment period	11
Type	Annuity
Loan3	480,000
Interest rate	8.50%
Term	15
Moratorium	3
Repayment period	12
Type	Commercial

11.3.3 Government and City Support

It is anticipated that this contribution will be in an amount equivalent to a capital sum at 2003 values of ISK 6,400,000 and will be contributed to the project on the basis that it will be cash-flow neutral.

The Icelandic Government and the City of Reykjavik would pay a sum annually in accordance with a contract extending over 25 years. Alternatively, the Government and the City would partly finance the Concert Hall and Conference Centre during the construction period.

STATEMENT OF ESTIMATED CASHFLOW

Year	Combined profits	Property tax and insurance	Management fees	Replacement reserves	Available for Debt service	Loan 1	Loan 2	Loan 3	Available	Cumulative
2009	463,597	81,218	100,000	18,350	264,029	159,600	110,400	40,800	-46,771	-46,771
2010	608,591	81,218	100,000	36,700	390,674	159,600	110,400	40,800	79,874	33,103
2011	755,743	81,218	100,000	55,050	519,476	159,600	110,400	40,800	208,676	241,779
2012	803,863	81,218	100,000	55,050	567,595	159,600	110,400	80,800	216,795	458,574
2013	810,224	81,218	100,000	55,050	573,956	159,600	240,339	77,400	96,617	555,192
2014	810,224	81,218	100,000	55,050	573,956	159,600	240,339	74,000	100,017	655,209
2015	810,224	81,218	100,000	55,050	573,956	159,600	240,339	70,600	103,417	758,626
2016	810,224	81,218	100,000	55,050	573,956	159,600	240,339	67,200	106,817	865,444
2017	810,224	81,218	100,000	55,050	573,956	159,600	240,339	63,800	110,217	975,661
2018	810,224	81,218	100,000	55,050	573,956	159,600	240,339	60,400	113,617	1,089,279
2019	810,224	81,218	100,000	55,050	573,956	159,600	240,339	57,000	117,017	1,206,296
2020	810,224	81,218	100,000	55,050	573,956	159,600	240,339	53,600	120,417	1,326,713
2021	810,224	81,218	100,000	55,050	573,956	159,600	240,339	50,200	123,817	1,450,531
2022	810,224	81,218	100,000	55,050	573,956	159,600	240,339	46,800	127,217	1,577,748
2023	810,224	81,218	100,000	55,050	573,956	159,600	240,339	43,400	130,617	1,708,366
2024	810,224	81,218	100,000	55,050	573,956	399,600	0	0	174,356	1,882,722
2025	810,224	81,218	100,000	55,050	573,956	383,640			190,316	2,073,039
2026	810,224	81,218	100,000	55,050	573,956	367,680			206,276	2,279,315
2027	810,224	81,218	100,000	55,050	573,956	351,720			222,236	2,501,551
2028	810,224	81,218	100,000	55,050	573,956	335,760			238,196	2,739,748
2029	810,224	81,218	100,000	55,050	573,956	319,800			254,156	2,993,904
2030	810,224	81,218	100,000	55,050	573,956	303,840			270,116	3,264,021
2031	810,224	81,218	100,000	55,050	573,956	287,880			286,076	3,550,097
2032	810,224	81,218	100,000	55,050	573,956	271,920			302,036	3,852,133
2033	810,224	81,218	100,000	55,050	573,956	255,960			317,996	4,170,130



APPENDIX I

AGREEMENT

between the City of Reykjavik and the Icelandic government on the construction of a concert hall and conference centre in Reykjavik.

Art. 1

Terms of the agreement.

The parties to this agreement have agreed to construct a concert hall and conference centre (TR) in the Eastern Reykjavik Harbour (Austurhöfn).

This agreement is based on preparatory work already made which indicates that it would be advantageous to operate a concert hall connected to a conference centre and a hotel. It is expected that the construction and operation of the TR would be tendered out as a private project. The project involves the construction of a concert hall, a conference centre and a hotel (TRH) along with the appurtenant car parking facilities. Furthermore, the entrepreneur would be permitted to construct premises of up to 15,000 m² intended for other use. Furthermore, covered parking places intended for the City Centre could be connected to this project.

For further definition of the prerequisites of the TR, please refer to appendices No. 1-5 which form part of this agreement.

The design involves that the concert hall and conference centre would accommodate the following:

- a) A specially-designed concert hall of a high quality for an audience of about 1,500 people, including 200 behind the stage, in a space which could also be used for a choir, thereby allowing the hall to accommodate 1,300 people.
- b) A specially-designed hall for conferences, accommodating about 500 people in a classroom-style line-up or about 750 people in a cinema-style line-up. It shall be possible to divide the hall into two smaller halls.
- c) Rehearsal and concert hall accommodating rehearsals for a large symphony orchestra and a choir, a total of about 240 people. This hall should accommodate about 450 people at chamber music recitals. It should also be suitable for conference purposes.
- d) Facilities for the artists, and the offices of the Icelandic Symphony Orchestra.
- e) About 16 smaller meeting and conference rooms, seating about 400-500 people.
- f) Service, support and technical facilities which are appurtenant to a concert hall and conference centre of this size.

The total size of the concert hall and conference centre is expected to be about 15,000 m².

Art. 2

A hotel.

The parties aim to find an operator and investor for a hotel which would be built in connection with the conference centre and concert hall.

The hotel is expected to be designed, built and furnished according to first-class international standard and marketed and operated accordingly. The hotel will contain 250 rooms and is to be expandable by up to 200 rooms. The expected size of the rooms, on the average, will be 32 m², including a bathroom, exclusive of halls and common areas.

The expected total size of a 250-room hotel will be about 20,000 m², and a 200-room extension would be about 7,000 m².

Art. 3

Demarcation of the lot.

The City of Reykjavik has demarcated a 20,000-m² lot (Lot A) for a concert hall, conference centre and hotel to the north of Geirsgata.

The lot would be delivered in the present condition, except for the petrol station at Geirsgata which will be removed at the cost of the City of Reykjavik. Other costs involved in the preparation of the lot within the demarcation of the lot would be at the cost of the project, while the City of Reykjavik and Reykjavik Harbour would defray any cost outside the demarcation. Currently, the lot contains Faxaskáli, a

14,000-m² building which will become the possession of the holder of the ground rights. The entrepreneur would be able to utilize the Faxaskáli building or remove it at his own cost.

The City of Reykjavík has also demarcated a 7,200-m² lot between Geirsgata and Tryggvagata (Lot B) on which an office block and a commercial building and/or covered parking spaces and a bus depot could be constructed

The two lots could be connected by a construction covering Geirsgata or by a tunnel under it. Any cost due to necessary changes in conduits, pavements and roadways due to a possible tunnel would be added to the cost of the project, and the lot would be enlarged to that extent. The contract on the rented lot would contain encumbrances concerning conduits and traffic through the street. There is thought to be no need to make any changes to main roads Kalkofnsvegur and Geirsgata. Changes made to the general street system, if any are required, along with driveways up to the lot will be the responsibility and made at the cost of the City of Reykjavík.

Art. 4

Utilization of the lots.

The premises for the plan of Lot A to the north of Geirsgata are as follows: in addition to a concert hall and a conference centre, which are expected to cover about 15,000 m², a 250-room hotel estimated to cover 20,000 m² will be built. Furthermore, provisions are made for a possible extension of the hotel by up to 200 rooms, or about 7,000 m². Also, it will be permitted to build premises covering 5,000 m² for other facilities, the layout allowing. Thus, it is expected that it will be possible to construct buildings covering 47,000 m², including the extension of the hotel.

While on Lot B, between Tryggvagata and Geirsgata, a bus terminal is planned, the buses would be parked within the lot or along the kerb of Tryggvagata to the south. Furthermore, other premises could be built on the lot, e.g. for shops and offices, or facilities connected to the TRH, and an underground garage or covered parking spaces in part. It is expected that the construction volume might reach 10,000-15,000 m², in addition parking spaces, depending on the construction volume on Lot A. The total construction volume on the lot will be limited by the maximum height of buildings, 20 m from street level.

The total volume of buildings on both lots might reach 57,000 m², in addition to parking spaces, including 7,000 m² for the possibility of an extension to the hotel.

Art. 5

Parking spaces.

It is estimated that the need for parking spaces due to activities of the TRH amounts to about 870 parking spaces at night and 370 during the day. Furthermore, parking spaces for the City Centre are considered to be scarce. The Reykjavík Parking Service will defray the cost of constructing 250 parking places for the City Centre, either as part of this project or as an independent project. However, as there will be parking spaces in the vicinity of the TRH which may be utilized better in the evening, and due to the sharing of parking spaces for the TRH and the City Centre, it is expected that it will be sufficient if the TRH defrays the cost of 550 parking spaces, exclusive of the possibility of an enlargement of the hotel, and otherwise 600 parking spaces if the hotel is extended by 200 rooms. The parking places might be located on the lots, as covered parking spaces or in an underground garage.

It is assumed that parking spaces for which the TRH will defray the cost would be constructed within Lot A. Should the construction volume on Lot A exceed that which is specified in the instructions, i.e. 43,000 m², including the hotel extension, one parking place would have to be constructed for each 50 m².

On Lot B the entrepreneur would have to construct parking spaces for the use of the premises built on the lot, one parking space for each 25-75 m², depending on the possibility of sharing their use.

Furthermore, on the lot, or in the immediate vicinity, some 250 parking places, paid for by the Reykjavík Parking Service, would have to be located. It is necessary that their location ensures that they can be utilized for the TRH in the evening. Should they be located outside the two lots, their location will have to depend on a special approval by the City of Reykjavík.

Should the entrepreneur choose to use Lot B, he will have to demonstrate the arrangement and location of such parking places.

Ways should be sought to minimize the cost of constructing parking spaces by finding an advantageous solution without compromising the quality of the total solution. The budget expects that the most expensive parking places would cost ISK 3,7 million each, and the least expensive about ISK 0.5 million, amounting to an average of ISK 2.0 million per parking place.

Art. 6

Cost of the lots.

For the right of construction of the buildings and the parking places, covered and uncovered, which will be put up under this agreement, in addition to the buildings located on the lot to the north of Geirsgata when it will be delivered, the following payments are to be made (at price levels as of January 2002):

On Lot A to the north of Geirsgata:	ISK million
Concert hall and conference centre	320
Hotel site other facilities	530
	850
On Lot B to the south of Geirsgata:	400
Total:	1,250

The charge for municipal street construction with regard to the concert hall, the conference centre and the hotel, along with a building of no more than 5,000 m² intended to house unspecified facilities, will be included in the amount to be paid for the construction rights on Lot A. This assumes that the construction on Lot A will be up to 40,000 m². The charge for municipal street construction, due to the enlargement of the hotel of up to 7,000 m², will be added according to the scale of rates valid when implemented. Should the private entrepreneur decide not to utilize the lot to the south of Geirsgata, the cost of Lot A would amount to ISK 850 million.

Should the entrepreneur decide to utilize both lots, the cost of the lot would amount to ISK 1,250 million. Then the charge for municipal street construction of 50,000 m² for both lots would be included in the payment for the construction rights, while the charge for municipal street construction concerning the enlargement of the hotel would be added if and when it occurs.

Should the entrepreneur wish to utilize Lot B in part, a special assessment would be made as to what effect this would have on the utilization of this lot, and the value of the building right on this lot would be calculated accordingly.

The bus terminal would defray part of the cost of the lot in proportion to the size of the premises and the parking spaces for the buses within the lot. The City of Reykjavík, on behalf of (the bus company) Straeto bs., will pay all direct costs for its development, and its operation would be outside this project.

No charge will be made for municipal street construction or for parking spaces in this project.

Other public levies will be paid according to current rates of charges.

Art. 7

Competition for the best idea for the layout of the lot.

The competition for the best idea for the layout of the lot and the immediate surroundings in the area of the city centre and the harbour area, which was implemented in co-operation with the committee for the concert hall and conference centre, constitutes part of this project. It is expected that the ideas that are recognized will accompany the tender documents issued for the private-entrepreneur tender so as to give indications of the intention of the city authorities regarding the layout and the development of the area. These proposals, however, are not binding.

Art. 8

Private project.

The intention is to tender the TR as a private project. This means that a private party would be responsible for the design, construction, financing and operation of the installations. With a view to the amounts involved, this project will be tendered out within the EEA.

Prior to the tender being made, a decision on the ownership of the installations, and the encumbrances laid on the lot, e.g. regarding activities and utilization, shall be available. A special agreement on these points will be made between the parties to this agreement.

Should the private-entrepreneur method not prove feasible, the parties to this agreement would take the initiative of solving the problem by other means.

Art. 9

Project management.

The parties to this agreement will issue a letter of appointment for a special project management board consisting of three representatives from either party.

The remit of the project management board will be to arrange and prepare for the tender of the project, oversee the tender, assess the offers received, arrange for the making of a contract with a private entrepreneur, and supervise the discharge and implementation of the contract.

The project management board will be responsible for consultation and co-operation with the zoning and housing authorities of the City of Reykjavík during the preparation for, and the implementation of, the project.

The project management board shall be authorized to appoint sub-committees to work on specific aspects under its auspices.

The project management board shall be active until the concert hall and conference centre have been operating for one year.

Art. 10**Initial capital expenditure.**

The parties to this agreement agree to present, as the basis of this agreement, the following budget regarding initial capital expenditure covering the concert hall and conference centre, in addition to a hotel, the lot and parking places. (Price levels as of January 2002).

	TR	Hotel
	ISK million	ISK million
Buildings		
Concert hall and conference centre	3,900	
250-room hotel		4,300
Parking spaces:		
Concert hall and conference centre, 420 parking spaces	840	
Hotel, 130 parking spaces		260
Lot	320	530
Capital costs during construction	400	400
Unforeseen (preparation for opening, etc.)	500	
Total	5,960	5,490

According to the aforesaid, the estimated capital cost of the concert hall and conference centre comes to about ISK 5,960. Should Lot B be utilized for the project, in part or in its entirety, the cost of this would have to be added. In assessing the total cost of the private development of the TR, in addition to initial capital expenditure, capital cost during the term of validity of the agreement, after operations have started, should be taken into account. This would be offset by that part of the rental income which could be utilized for the recovery of capital cost.

Art. 11**Division of costs.**

The parties to this agreement have agreed on the following division of cost with regard to their participation in the project:

Share of the State Treasury	54%
Share of the City of Reykjavík	46%

Should any changes be made to the assumptions stated in Art. 1, due to a unilateral decision taken by one of the parties, or should decisions be made in another manner due to requests made by one of the parties which would lead to increased cost, that party shall defray such cost specifically. Furthermore, the aforementioned division of cost should be reviewed according to the best estimates available when such a decision is taken.

Art. 12**Various provisions.**

This agreement shall be reviewed by the parties if significant changes are made to its premises.

In the event of a disagreement on the implementation or interpretation of this agreement, each party shall appoint one party who will then attempt to solve the disagreement. If the parties are unable to come to a conclusion, a referee shall be appointed by the Reykjavík District Court. In other respects, such court of arbitration shall be implemented under the Contractual Arbitration Act, No. 53/1989.

The intention is to make a private-entrepreneur tender at the end of this year, and that developments can be started in the beginning of 2004.

Reykjavík [Iceland], 11th April 2002

On behalf of the State Treasury
Tómas Ingi Olrich, Minister of Education
Sturla Bödvarsson, Minister of Transport
Geir H. Haarde, Minister of Finance

On behalf of the Reykjavík Municipal Treasury
Ingibjörg Sólrún Gísladóttir, Mayor

The following documents shall be considered as appendices to, and part of, this agreement

1. **Concert Hall and Conference centre. Utilization and Feasibility Assessment.** VSÓ Consultants. 28th December 1998.
2. **Facility Description and Revised Space List - 2001.** ARTEC Consulting, Inc. 2nd April 2001.
3. **Capital Cost Estimate.** VSÓ Consultants, 8th April 2002.
4. **Information Memorandum - Draft.** Hospitality Consulting International September 2001.
5. **Aerial photograph showing the demarcation of Lots A and B.**

APPENDIX II

INTERNATIONAL ARTISTS AT THE REYKJAVIK ARTS FESTIVAL

Classical Music

Alan Lombard (1974)
 Alfred Walter (1994)
 Alicia de Larrocha (1980)
 Andreas Schiff (1996)
 Andrej Gavrilov (1990)
 André Previn (1970, 1972, 1974)
 André Watts (1972)
 Anna Guðný Guðmundsdóttir (1998, 2002)
 Arve Tellefsen (1972)
 Áskell Másson (1974, 1986, 2002)
 Bodham Wodiczko (1970)
 Chilingirion String Quartet (1998)
 Claudio Arrau (1986)
 Colin Andrews (1986)
 Daniel Barenboim (1970, 1974)
 Dansk Radiokoret (1998)
 David Meashaw (1992)
 Deutsches Symphony Orchestra Berlin (1996)
 Erik Werba (1984)
 Erling Blöndal Bengtsson (1994)
 Evgeny Kissin (1996)
 France Clidat (1978)
 Gidon Kremer (1982)
 Gilbert Levine (1982, 1988)
 Giorgio Croci
 Gregor Bühl (2002)
 Guarneri Stringquartett (1988)
 Gunther Schuller (1990)
 Igor Oistrakh (1994)
 Itzhak Perlmann (1970, 1978)
 Jacqueline du Pré (1970)
 James Galway (1982, 1992)
 Jean-Pierre Jacquillat (1984, 1986)
 Jeff Cohen (2002)
 John Barker (1992)
 John Cage (1980)
 John Lill (1972)

John Williams (1972, 1976)
 Jón Nordal (1972, 1986, 1992, 2002)
 Jordi Savall (1998)
 Judith Ingólfsson (2000)
 Karsten Andersen (1972)
 Klauspeter Seibel (1996)
 Kocian Quartett I Salonisti (1990)
 Kronos Quartet (2002)
 Krzysztof Penderecki (1988)
 Kurt Herbert Adler (1980)
 London Sinfonietta (1982)
 London Symphony Orchestra (1974)
 Manuela Wiesler (1978)
 Mats Liljefors (1992)
 Maurizio Dini Ciacci (2002)
 Maxim Vengerov (2002)
 Mstislav Rostropovich (1978)
 Natalia Zertsalova (1994)
 Ny Dans Saxofonkvartet (1994)
 Olli Mustonen (2000)
 Osmo Vänskä (1994)
 Pascal Rogé (1976)
 Percadu (2002)
 Petri Sakari (1988)
 Philharmonia Quartett Berlin (1996)
 Phillip Moll (1992)
 Rafael Frühbeck de Burgos (1980)
 Robert Levin (1970, 1972)
 Roger Vignoles (1988)
 Royal Philharmonia (1984)
 Shura Cherkassky (1992)
 Sixten Erling (1972)
 Swedish Radio Orchestra (1972)
 Teruhisa Fukuda (2002)
 Viviane Hagner (1998)
 Vladimir Ashkenazy (1970, 1972, 1974, 1978, 1984, 1988, 1994, 1996)
 Vovka Ashkenazy (1984, 1994)

Wiener Sängerknaben (1990)
 Wiener Stringquartett (1986)
 Wojciech Michriewski (1988)
 World Festival Choir (1996)
 Yehudi Menuhin (1972)
 Yuuko Shiokawa (1996)
 Yuzuko Horigome (1990)
 Zoltán Kocsis (1982)
 Þorgerður Ingólfssdóttir (1980, 1984, 1988)

Vocalists

Anneliese Rothenberger (1976)
 Birgit Nilsson (1978)
 Boris Christoff (1982)
 Christa Ludwig (1984)
 Debra Vanderlinde (1988)
 Dmitri Hvorostovsky (1996)
 Edith Guillaume (1972)
 Elisabeth Söderström (1978)
 Esa Ruuttunen (2002)
 Fiamma Izzo d'Amico (1990)
 Galina Gorchakova (1998)
 Gisela May
 Grace Bumbry (1992)
 Gösta Winbergh (1992)
 Jorma Hynninen (1988)
 June Anderson (2002)
 Katia Ricciarelli (1986)
 Keith Ikaia-Purdy (1996)
 Kim Borg (1972)
 Kristinn Sigmundsson (1992, 1994, 2000)
 Kristjan Johannsson (1994, 2000)
 Lucia Valentini-Terrani (1984)
 Luciano Pavarotti (1980)
 Margret Price
 Martti Talvela (1974)
 Olga Romanko (1996)
 Paata Burchuladze (1986)

Rannveig Braga (1994, 1996, 2000)
 Renata Tebaldi (1974)
 Sarah Walker (1988)
 Sigrún Hjálmtýsdóttir (1992, 1994, 2000)
 Thomas Lander (1986)
 Victoria de los Angeles (1970)
 William Walker (1976)

Theatre and Dance

Archana Joglekar (1998)
 Artibus (1992)
 CaféTeatret (2000)
 Circot 2 (1990)
 Circus Ronaldo (1996)
 Com-teatteri (1980)
 Cullberg Ballet (1970)
 Det Norske Teatret
 DRAK theatre (1988)
 Dramaten (1974)
 El Escote (2002)
 Els Comediants (1980)
 Erik Mörk (1972)
 Grenland Fritheatre (1992)
 Helgi Tomasson (1976, 1990, 2000)
 Hlíf Svavarsdóttir (1998)
 Ingmar Bergman (1986)
 Javier Agra (1986)
 Jean-Baptiste Thierrée (1998)
 Jiri Kylián (1998)
 Jochen Ulrich (1998)
 Jorma Uotinen (1992, 1998)
 Le Cercle Invisible (1998)
 Lilla Teatern (1972, 1990)
 Lone Hertz (1974)
 Maguy Marin (1992)
 Maureen Fleming (1996)
 Michael Meschke (1970, 1976)
 Min Tanaka (1980)
 Mobile Homme (2002)
 Naródní divadlo marionet (2000)
 National Ballet of Togo (1998)
 Nederlands Dans Teater II-III (1998)
 Niall Toibin (1984)
 Orion Theate (1992)
 Paolo Nani (2000)
 Pep Bou (2002)
 Peter Washinsky (1988)
 Rosa Duran (1986)
 Roxana Grinstein (2002)
 Royal Danish Ballet (1972)
 San Francisco Ballet (1990, 2000)
 Stockholms Stadstheatre (1984)
 Tadeusz Kantor (1990)
 Theatre de Complicité (1994)
 Theatre de l'Arbre (1988)
 Theatre Pero (1992)
 Théâtre de l'Unité (1992)
 Unga Klara (1998)

Victoria Chaplin (1998)
 Yves Lebreton (1976, 1988)

World Music / Pop

Abdel Gadir Salim (1992)
 Arje Saijonmaa (1984)
 Åse Kleveland (1972)
 Aziza Mustafa Zadeh (2000)
 Björk (1994, 1996, 1998)
 Blow Monkeys (1998)
 Bob Kerr's Whoopee Band (1984)
 Cesaria Evora (2000)
 David Bowie (1996)
 Dubliners (1978)
 Fine Young Cannibals (1986)
 Fred Åkerström (1984)
 Gipsy Kings (1992)
 Human League (1982)
 Ladysmith Black Mambazo (2000)
 Led Zeppelin (1970)
 Leonard Cohen (1988)
 Les Negresse Vertes (1990)
 Lloyd Cole and the Commotions (1986)
 Madness (1986)
 Pulp (1996)z
 Salif Keita (1990)
 Sigur Rós (2002)
 Simply Red
 Smokie (1978)
 Stranglers (1986)
 Taraf de Haidouks (2002)
 The Chieftains
 The Christians (1988)
 The Shadows (1986)
 Vocal Sampling (2002)
 William Clauson (1972)
 Wolf Bierman (1980)

Jazz

Árni Egilsson (1974)
 Benny Goodman (1976)
 Cleo Laine (1974, 1976)
 Dave Brubeck (1986)
 Gerry Mulligan (1994)
 Herbie Hancock (1986)
 John Dankworth (1974, 1976)
 Kristian Jörgensen (2002)
 Lester Bowie (1996)
 Lester Bowie's Brass Fantasy (1996)
 Martial Solal (1984)
 Niels-Henning Ørsted Petersen (1978)
 Nina Simone (1992)
 Oscar Peterson (1978)
 Quintetten (1984)
 Stan Getz Quintet (1980)
 Stephane Grappelli (1988)
 The Modern Jazzquartet (1984)

Visual Arts Exhibitions

Aernout Mik (2002)
 Andres Serrano (1996)
 André Masson (1990)
 Angus Fairhurst (2000)
 Antonio Saura (1980)
 Arnulf Rainer (1996)
 Barbara Kruger
 Carlota Duarte (1998)
 Chissano (1998)
 Dieter Roth (1994)
 Donald Judd (1988)
 Edward Munch (1970)
 Egon Schiele (1996)
 Erro (1978, 1984, 1998)
 Finnbogi Pétursson (2002)
 Francisco Goya (1980)
 Gillian Wearing (2000)
 Howard Hodgkin (1988)
 Hreinn Friðfinnsson (1988, 1990, 1996)
 HRH Queen Margarethe II of Denmark (1998)
 Hundertwasser (1976)
 Ilya Kabakov (1994)
 Kjarval (1972, 1982, 1992)
 Kristján Guðmundsson (1988)
 Lawrence Weiner (2000)
 Lena Cronquist (1988)
 Louise Bourgeois (1998)
 Lousia Matthíasdóttir (1994)
 Magnús Pálsson (1984)
 Malangatana (1998)
 Marc Chagall (1988)
 Mary Ellen Mark (2002)
 Matthew Barney (1998)
 Max Ernst (1998)
 Michael Landy (2000)
 Miro (1992)
 Mucavele (1998)
 Orlan (1998)
 Ólafur Eliasson (2002)
 Pablo Picasso (1986)
 Richard Long (1988)
 Richard Serra (1990)
 Sarah Lucas (2000)
 Sigurður Guðmundsson (1984, 1994, 2002)
 Steina Vasulka (2000)
 Tony Cragg (2000)

APPENDIX III

CALENDAR OF EVENTS, REYKJAVIK, 2003-2004

(Source: Reykjavik City)

September 6 - October 12 Reykjavik Art Museum - Kjarvalsstaðir - Sæmundur Valdimarsson

A solo exhibition with the works of Sæmundur Valdimarsson (1918). Sæmundur's sculptures made from driftwood have become very popular with Icelanders because of their unique style. The sculptures often portray beings and creatures which are known to Icelanders through folklore and fairy tales.

September 7 - 13 Literary Festival in the Nordic House and Iðnó

The sixth Literary Festival to be held in Reykjavik hosts almost thirty authors from 17 countries. The guest list is both diverse and impressive with such names as José Saramago, winner of the Nobel Prize in Literature in 1998, Yann Martel, winner of the Booker Prize in 2002, the well known British author Hanif Kureishi and the Swedish thriller writer Henning Mankell.

September 13 - October 26 National Gallery of Iceland - Júlíana Sveinsdóttir (1889-1966) - Retrospective

Comprising paintings and tapestries, this exhibition spans the entire career of Júlíana Sveinsdóttir. She was one of the pioneers of Icelandic visual art and one of the first women to make a career in this field. The Icelandic landscape, in particular her childhood haunts in the Westman Islands, dominate her works. Her oil paintings are characterized by warm colours and simple forms, linking the land and the sea, while in her tapestries she tackled ever-changing abstract forms. A book about the art of Júlíana Sveinsdóttir will be published in Icelandic and English in connection with the exhibition.

September 27 - October 26 National Gallery of Iceland - Viewpoint Spessi and Sara

The Icelandic photographer Spessi (b. 1956) will exhibit his photographs and an installation, all of them made during this year, of popular tourist spots seen in a new way with his very different point of view. At the same time Sara Björnsdóttir (b. 1962) will present an installation specially produced for this exhibition. Sara doesn't bring her art into the exhibition room but creates it inside the room with video technology to influence the viewer in a new and different way.

October 15 - 19 Iceland Airwaves

What started as a showcase for local DJs has evolved into a full-blown, international music festival that presents the hottest new bands from the USA, Europe and Iceland. Since its debut in 1999, Iceland Airwaves has hosted Sigur Ros, Quarashi, Suede, Citizen Cope, Fat Boy Slim and the Hives, to name a few. Numerous concerts take place in the down town Reykjavik from Hardcore Metal to R'n'B; Hip Hop, Lo-Fi and Jazz to Indie-Rock. In the evenings bars are jam packed with Iceland's very own super-star DJs. Referred to as „probably one of the top 10 musical experiences of my entire life..“ by Elektra Records director Leigh Lust, Iceland Airwaves will continue to deliver the best weekend away in Europe. As The New York Times has asked „How did Reykjavik become a pop laboratory?“

Mid October- Unglist - Young Art Festival

Unglist, the art festival of young people, has been a yearly event in Reykjavik since 1992. The festival has gone on a week each time with a multitude of performers and spectators. The program consists of music, design, fashion, photography, paintings and theatre just to mention a few. The festival has reflected the major trends that have been current in young people's art. Young art's main purpose is to give all culture's dark corners a chance to shine and get their art into the public spotlight.

November 5 - 9 - Reykjavik Jazz Festival

The annual Reykjavik Jazz Festival is an increasingly prestigious event on the international jazz scene. It features many acclaimed international Jazz players as well as the majority of Iceland's leading Jazz musicians. Over the period of 5 days the concerts are held all over Reykjavik city. The performances on the agenda are various, ranging from new compositions in Latin beat to pure Gospel, avant-

garde music to children's jazz. The highlight of this year is a concert with the very popular New York Voices who will be performing with the excellent Reykjavík Big Band at the finale concert of the festival. The Canadian vocalist Martha Brooks will be featured with pianist David Restivo along with Icelandic bass and drums and the jazz piano virtuoso Thomas Clausen will be the Danish contribution to the festival this year, featuring bassist Jesper Lundgaard and drummer. Other interesting events in this year's line up will be made public in full around mid-July.

November 8 - December 21 Reykjavik Art Museum - Kjarvalsstaðir. - Dominique Perrault - Architecture

An exhibition dedicated to the works of the renowned architect Dominique Perrault who is one of the leading architects of today and has created many well known buildings all over the world.

November 15 Kiri Te Kanawa in Háskólabíó.

The renowned soprano visits Iceland for the first time and sings with accompanist in Háskólabíó.

November - National Gallery of Iceland - Icelandic Art 1960-1980

A retrospective highlighting the artists who emerged during these 20 years. The exhibition aims to shed light on this exciting period of turmoil in Icelandic art and forms a kind of sequel to the exhibition Icelandic Art 1980-2000 which was held at the National Gallery in 2002. Works at the exhibition are from the National Gallery's collection or on loan from other Icelandic art museums and private collections.

November - Ásgrímur Jónsson Collection Studio home, Bergstaðastræti 74 - Lily in the painter's garden

Watercolours by Lena Anderson from the popular Swedish children's book Lily in the Painter's Garden (Linnea i målarens trädgård). The exhibition is held in conjunction with a Swedish culture week starting November 1. On Saturdays a special programme will be offered for children aged 4-8.

December - Advent and Christmas

It is a good idea to come to Iceland even some time before the Christmas as Icelanders begin celebrating from December 12th when 13 Yuletide Lads (Door-slammer, Spoon-licker, Meat Hook, Candle Beggar, and others) arrive bearing food and gifts.

Christmas in Iceland is very important and is celebrated in the workplace as well as in families. Having Christmas parties, baking cookies and drinking Jolaglogg are among Icelandic traditions. Decorating homes, windows, balconies and gardens with electric lights is very popular making the whole city look like a giant Christmas tree! People can enjoy the Icelandic Christmas dinner at the best restaurants of Reykjavik offering Hangikjot (smoked lamb served with potatoes, vegetables and a white sauce) or Þjupa (Icelandic Ptarmigan). Exhibitions, concerts, theatre and opera performances on Christmas theme take place all over the city.

December - Hallgrímskirkja

Iceland's largest church by far, Hallgrímskirkja (Hallgríms Church) overlooks the centre of Reykjavík, the capital of Iceland. Built as a parish church it is also a memorial church for one of Iceland's great sons, the 17th century poet and clergy, the Rev. Hallgrímur Pétursson.

Alongside traditional parish life with services, christenings, burials and alike, the arts flourish in the church. Throughout the ecclesiastical year, starting on the first Sunday in Advent the Hallgrímskirkja Friends of the Arts Society arranges concerts, exhibitions and lectures with the great Klais organ, the Hallgrímskirkja Motet Choir and the Schola cantorum chamber choir having a central role in the society's programme.

During Advent there are one or more concerts every week and in January to June there are usually one or two events every month including concerts.

In July and August the concert series Summer Evening at the Organ offers organ recitals all Sunday evenings and lunchtime recitals on Thursdays and Saturdays.

New Year's Eve

New Year's Eve in Iceland, is a spectacular celebration. Celebrations start with a dinner, followed by going to bonfires where people sing traditional Icelandic folk songs accompanied by trolls, elves and other beings. At midnight all hell breaks loose with a spectacular display of fireworks as well as bonfire parties in many communities. This is an amazing moment for those who spend this special evening in the capital Reykjavik, something to remember for the rest of their lives. But this is only a start of the night. Parties, club outings and fireworks make everyone happy to the early morning hours welcoming the New Year the Icelandic way.

January - Prettándinn - Twelfth Night - January 6th

The last day of Yule, celebrated in latter years with bonfires and Elfin dances. Many of the magical happenings associated with New Year's Eve are also supposed to occur on Prettándinn.

January 17 - March 14

Reykjavik Art Museum Ólafur Eliásson

The Icelandic artist Olafur Eliasson has become one of the biggest names in the contemporary art world. He has become known for his installations and sculptures featuring natural materials such as light, steam, water, fire, wind and ice. In 2001 he had a major exhibition at the Musée d'Art Moderne de la Ville de Paris, The Tate Modern Gallery in London and he represented Denmark in the Venice Biennale in 2003. Olafur Eliasson's work considers the boundaries of human perception and the relationship between nature, architecture and technology. The physical environment which surrounds Eliasson is also evident in the work. He has used steam to render the phenomena of natural geysers, created geodesic dome-like installations referencing utopian architecture and imported lava from Iceland's volcanic landscape to present new terrain within gallery spaces.

January - Thorriinn

Every winter at the end of January, Icelanders celebrate the old feast of Thorriablot. This is a very lively and joyful festivity with a lot of singing, dancing, and of course the consumption of traditional Viking food: smoked lamb, singed sheep heads (for most the eye is the best part), stockfish, rye bread steamed in the hot ground, delicious „skyr“ (Icelandic yogurt made with rennet), and topped off with „brennivín“ (Icelandic spirit).

February 1 - March 15 National Gallery of Iceland - Fluxus

With Fluxus the objective part of a work of art became increasingly less important at the same time as there was increased emphasis on the concept, the act of creation and the attitude of the artist and the spectator to what was created. This we can see in artwork from artists as Joseph Beuys, Bazooka Brock, Charlotte, Moorman, Wolf Vostell and many others at this exhibition.

February 27 - 29 Winter Lights Festival

The Winter Lights Festival is programmed to be an every year happening to stimulate and enliven the city life in mid winter. The Winter Lights Festival will celebrate both winter and the growing light after a long period of darkness and the events will provide entertainment for both inhabitants and guests of Reykjavík. The Winter Lights Festival is an event to be enjoyed by all. The program reflects the many faces of Reykjavík and its inhabitants. All the major institutions of culture and education will participate in the Festival. Sports clubs, galleries, artists, shops, restaurants and many more will join in the fun. The festival is celebrated all over the city with various activities.

February - Food and Fun

International Chefs' Competition in Reykjavik, the Iceland Naturally Food & Fun Festival. Reykjavik fills with enthusiastic visitors who enjoy life and really fantastic food. Selected restaurants turn into exclusive gourmet clubs, where international chefs and visitors from all over the world chat with each other like old friends! Iceland is a heaven for fresh and naturally grown products, creative preparation of fine seafood and tender meat, particularly the Icelandic Lamb, the country's most delicious gastronomic product. That has made the food-part of the festival a great success. Along with the clear Icelandic drinking water (with the lowest level of minerals on record), - the naturally grown vegetables, and the many dairy products prepared in the good, old-fashioned way, the term „sustainable“ is a way of life.

April - National Gallery of Iceland - Icelandic Art 1900 - 1930

The main preoccupation of Icelandic painters during the first decades of the 20th century, was Icelandic nature. It symbolized all that was quintessentially Icelandic: the light and wide-open spaces of Icelandic nature were what these artists considered most beautiful of all. During this period, painting evolved from depicting an idealized romantic vision of the countryside to conveying a more modern understanding. This can be seen in Thórarinn B. Thórláksson and Ásgrímur Jónsson's works, two pioneers in Icelandic art history. Their unprompted were followed by young men and women who gave rise to new art movements in Iceland.

May 14 - 31 Reykjavik Art Festival

This is Iceland's premier cultural festival since 1970 bringing together the best in local and international theatre, dance, music and visual art. The festival's program offers a variety of selected exhibitions, concerts, dance, theatre and opera performances. Along with its focus on Icelandic culture past and present, the festival hosts many outstanding international artists and performers. From 2004 Reykjavik Art Festival will be held annually.

Among international artists and events:

- Opening Ceremony in the National Museum in Reykjavík The Male Choir of Saint Basil Cathedral in Moscow.
- The Iceland Dance Company, Les gens d'R - The Canadian Aerial group directed by André Simard (May 14 and 15)
- Rustaveli National Theater Twelfth Night. Director Robert Sturua (May 14 and 15)
- Marc-André Hamelin, the famous Canadian pianist -(May 16)
- The Russian mezzo-soprano from The Kirov Opera Olga Borodina and The Iceland Symphony Orchestra. Conductor Alexander Vederenikov (May 19 and 22)
- Brodsky - String Quartet. The Brodsky Song Show and a classical concert (May 26 and 28)
- The Peruvian Grammy Award Winner Susana Baca two Concerts - (May 30 and 31)
- The Irish poet and Nobel Laureate Seamus Heaney and Leam O'Flynn With their performance „The Poet and the Piper“ (May 29)

June 5 - 6 - Festival of the Sea

The first weekend in June is a very special day in Iceland reminding how important the sea and its sailors are to Icelandic history economy and people. It's the only day when every ship in Iceland is in harbour, and all the sailors have a day off. Boats and ships of all sizes come into port carrying sailors eager to try their hands at strongman competitions and rowing competitions between ship crews and companies. Sailor's day is a light hearted occasion with lots of fun for the whole family. The Festival of the Sea will be held for the sixth time on June 5th and 6th on the wharf by Reykjavik Harbour. The festival consists of the Harbour Day on the Saturday and the traditional Seamen's Day on the Sunday. The Festival's goal is to highlight culture and education connected to the sea along with fun and games for people of all ages.

June 17 - Independence day

17th of June is the National Day of Iceland when the country declared full independence from Denmark in 1944. The greatest celebrations are in Reykjavik with colourful parades, street theatres and music, side shows and dancing.

June 21- Summer Solstice Festival

In olden times Vikings divided the year into summer and winter halves celebrating the beginning of each new season. On June 21st the summer solstice was celebrated marking the longest day of the year. As time passed the calendar, however, changed, emphasising different dates for the beginning and the end of the seasons and leaving the summer solstice less important and thus not celebrated to a great extent.

In later years increasing number of people has started to celebrate this date with various gatherings, song, dance and midnight walks. Today Solstice Festivals are carefully organized to make them as authentic of ancient Viking age as possible with authentic Viking clothing, instruments, jewellery, crafts, and of course food and drinks.

July - Visa Rey Cup - Reykjavik International Football Festival for boys and girls from age 13 to 16.

Football and Fun! Located at Laugardalur Sports Centre in Reykjavik in two stadiums including the National Stadium plus five soccer fields. Every team plays a minimum of four matches. Awards for final teams and trophy are for winners and Best visiting club.

August 6 - 7 - Gay Pride

This colourful event brings thousands of people to City Centre every year to show solidarity and have fun with the gay community in Reykjavik. Gays and lesbians come out in force and style to parade and party. The grand open air stage show down town features various entertainers, artists and bands. A huge, merry and colourful Gay Parade through the centre of town and a grand outdoor concert attended by close to thirty thousand people last year - lesbians and gay men, friends, relatives, fellow citizens and numerous foreign visitors - showing solidarity with the gay cause on the second weekend of August.

August 21- Cultural night

The Cultural Night in Reykjavik has become an essential part of cultural life in Iceland with thousands of people strolling the streets of the city on this exciting and eventful night. The Cultural Night offers the chance to enjoy a variety of activities ranging from traditional shows and exhibitions to more unusual happenings. Number of cultural institutes such as galleries, ateliers, shops, cafes, churches, restaurants and bars in downtown of Reykjavik stay open until late. The immensely popular Reykjavik Marathon takes place on the same day.

August 21 - Reykjavik Marathon

This annual event involves thousands of participants from Iceland and abroad. Marathon proper, half marathon and a so called fun run (4.3 miles). The official program starts at noon and ends in the late evening, with many functions continuing into the early morning hours.