

Reykjavík, 13. febrúar 2024
ES/bkp

Til eigenda Orkuveitu Reykjavíkur

Erindi: Ósk um samþykki fyrir skilmálabreytingu lánasamnings 85.062 á milli EIB (evrópska fjárfestingabankans) og Orkuveitu Reykjavíkur.

Í kjölfar þess að USD LIBOR vaxtarviðmið er liðið undir lok á alþjóðlegum fjármálamörkuðum hefur Evrópski fjárfestingabankinn (EIB) óskað eftir skilmálabreytingu á lánasamningi sem var samið um árið 2016 sbr. meðfylgjandi viðauka (amendment letter bls 6 og áfram). Skilmálabreyting felur í sér breytingar á vaxtarviðmiðum frá LIBOR yfir í SOFR vaxtarviðmið (Secure Overnight Financing Rate) og varðar skilgreiningar þar að lútandi í samningi, ásamt klausu um dráttarvaxtaviðmið (Interest on overdue sums). Dregið var á fyrrgreint lán á föstum USD vöxtum út líftíma lánsins þ.a. skilmálabreyting á ekki við um vaxtakjör samnings heldur einungis í tilviki dráttarvaxtagreiðslna ef til þeirra kæmi.

Fyrrgreind lántaka er sú síðasta sem hefur verið tekin með samþykki og ábyrgð eigendasveitarfélaga og var dregið á lánið í nóvember 2018 . Vegna eigendaábyrgðar óskar EIB staðfestingar ábyrgðaraðila á viðauka láns (frá prókúruhafa) í þrítili í samræmi við skilmála lánasamnings.

Orkuveitunni er kunnugt um að umsögn fjármála- og áhættustýringarsviðs borgarinnar um málið liggur fyrir.

Meðfylgjandi er afrit af skilmálabreytingu lánasamnings dagsett 27. desember 2023.

Virðingarfyllst,



Yfirlögfræðingur Orkuveitunnar



Европейска инвестиционна банка
Evropská investiční banka
Den Europæiske Investeringsbank
Europäische Investitionsbank
Euroopa Investeeringispank
Ευρωπαϊκή Τράπεζα Επενδύσεων
European Investment Bank
Banco Europeo de Inversiones
Banque européenne d'investissement
An Banc Eorpach Infheistíochta
Europska investicijska banka
Banca europea per gli investimenti

Eiropas Investīciju banka
Europos investicijų bankas
Európai Beruházási Bank
Bank Ewropew tal-Investment
Europese Investeringsbank
Europejski Bank Inwestycyjny
Banco Europeu de Investimento
Banca Europeană de Investiții
Európska investičná banka
Eiropaska investīcijas banka
Euroopan investointipankki
Europeiska investeringsbanken

BY E-MAIL and BY COURIER

Orkuveita Reykjavíkur

Bæjarhalsi 1
110 Reykjavík
Iceland

For the attention of: Brynja Kolbrún Pétursdóttir, Head of Treasury - Planning and Analysis

The City of Reykjavík

Tjarnargata 11
101 Reykjavík
Iceland

The Municipality of Akranes

Tjarnargata 11
101 Reykjavík
Iceland

The Municipality of Borgarbyggð

Borgarbraut 14
310 Borgarnes
Iceland

EXP BEI - EIB
C 008170 27.DEC 23

Luxembourg, 7 December 2023

JU/OPS-EU/NE/THH/ab N° 2023-16841

Subject: REYKJAVIK ENERGY GEOTHERMAL (SERAPIS 2015-0480; FI 85.062)

Finance contract between the European Investment Bank (the "**Bank**") and Orkuveita Reykjavíkur (the "**Borrower**") dated 15 December 2016, as amended (the "**Finance Contract**")

Guarantee agreement between the Bank, the City of Reykjavík, the Municipality of Akranes and the Municipality of Borgarbyggð (each a "**Guarantor**" and collectively, the "**Guarantors**") dated 31 August 2018 (the "**Guarantee**")

Amendment Letter N° 2

Dear Brynja,



1. INTERPRETATION

- 1.1. We refer to the Original Contract and the Guarantee. Unless the context otherwise requires or unless otherwise defined in this amendment letter (the "**Letter**"), terms defined in the Original Contract and expressions used in the Original Contract have the same meaning when used in this Letter.
- 1.2. The principles of interpretation set out in the Original Contract shall have effect as if set out in full in this Letter and as if references in those principles of interpretation to "this Contract" were references to this Letter.
- 1.3. Unless a contrary indication appears, where a term is capitalised but is not otherwise defined in this Letter, it is intended to refer to any identical or substantially equivalent term or concept used in the Original Contract, regardless of whether that term or concept has itself been defined in the Original Contract.
- 1.4. To the extent that there is any inconsistency between the terms of this Letter and the terms of the Original Contract, the terms of this Letter shall prevail.
- 1.5. A reference to a "provision" of the Original Contract concerning a concept, term or set of terms shall be interpreted as a reference to the relevant article(s) and/or section(s) addressing any such concept, term or set of terms in the Original Contract.
- 1.6. Schedule A to this Letter forms an integral part of this Letter.
- 1.7. A reference in this Letter and in the Amended Contract (as defined below) to a page or screen of an information service displaying a rate shall include:
 - (a) any replacement page of that information service which displays that rate; and
 - (b) the appropriate page of such other information service which displays that rate from time to time in place of that information service,and, if such page or service ceases to be available, shall include any other page or service displaying that rate specified by the Bank.

2. AMENDMENTS TO THE ORIGINAL CONTRACT

With effect from the Effective Date, the Original Contract shall be amended as set out in Schedule A to this Letter. The Original Contract as amended by this Letter shall be referred to as the "**Amended Contract**".

3. REPRESENTATIONS

- 3.1. To the extent that the Original Contract contains representations and warranties that are deemed repeated by the Borrower after the date of the Original Contract, such representations and warranties are deemed to be made by the Borrower (by reference to the facts and circumstances then existing) (i) on the date of this Letter and (ii) on the Effective Date, and references to "this Contract" (or similar references) in the representations and warranties that are deemed repeated under the Original Contract should be construed as references to this Letter and to the Original Contract and, on the Effective Date, to the Amended Contract.
- 3.2. Each of the Guarantor represents and warrants to the Bank that:
 - (a) it is duly incorporated and validly existing as a Municipality under the laws of Iceland and it has power to carry on its business as it is now being conducted and to own its property and other assets;
 - (b) it has the power to execute, deliver and perform its obligations under this Letter and all necessary corporate, shareholder and other action has been taken to authorise the execution, delivery and performance of the same by it;
 - (c) this Letter and the Guarantee constitute its legally valid, binding and enforceable obligations;



- (d) the execution and delivery of, the performance of its obligations under and compliance with the provisions of this Letter and the Guarantee do not and will not contravene or conflict with:
 - (i) any applicable law, statute, rule or regulation, or any judgement, decree or permit to which it is subject;
 - (ii) any agreement or other instrument binding upon it which might reasonably be expected to have a material adverse effect on its ability to perform its obligations under this Letter and the Guarantee; or
 - (iii) any provision of its statutes/by-laws; and
- (e) it has obtained all necessary Authorisations in connection with this Letter and in order to lawfully comply with its obligations thereunder and all such Authorisations are in full force and effect and admissible in evidence.

The representations and warranties set out above are deemed to be made by the Guarantor (by reference to the facts and circumstances then existing) (i) on the date of this Letter and (ii) on the Effective Date.

4. CONTINUITY AND FURTHER ASSURANCE

- 4.1. The Guarantor confirms that it acknowledges and agrees to the amendments pursuant to Section 2 (Amendments to the Original Contract) of this Letter in relation to the Original Contract and further acknowledges and agrees to any consequential amendments to the Guarantee as a result of the amendments pursuant to Section 2 (Amendments to the Original Contract) of this Letter in relation to the Original Contract. The Guarantor confirms, for the benefit of the Bank, that all obligations owed or which may be owed by it under the Guarantee shall (i) remain in full force and effect notwithstanding the amendments pursuant to Section 2 (Amendments to the Original Contract) of this Letter and (ii) extend to any new obligations assumed by the Borrower under the Amended Contract as a result of this Letter.

5. MISCELLANEOUS

- 5.1. Each party to this Letter confirms to each other party that it has made (and shall continue to make) its own independent investigation and assessment of the merits of the amendments contemplated pursuant to this Letter, including, without limitation, their impact on the payments to be made under the Amended Contract or the Guarantee.
- 5.2. Each party to this Letter (other than the Bank) confirms that it has not relied on any information provided to it by the Bank or any other party in connection with this Letter or the amendments contemplated hereby.
- 5.3. Other than pursuant to Section 2 (Amendments to the Original Contract) of this Letter, no provision of this Letter shall restrict, limit, or in any other way amend any rights of the Bank under the Original Contract or Guarantee.
- 5.4. This Letter is not (and shall not be deemed to be) a consent, agreement, amendment or waiver in respect of any terms, provisions or conditions of the Original Contract or the Guarantee, except as expressly agreed herein, and the provisions of the Original Contract and Guarantee shall, save as amended by this Letter, continue in full force and effect.
- 5.5. Any relevant provisions of the Original Contract concerning notices, charges and expenses amendments and/or enforcement (including any choice of jurisdiction or arbitration) (as applicable) shall be incorporated into this Letter as if set out in full in this Letter and as if references in those provisions to "this Contract" are references to this Letter.
- 5.6. A person who is not a party to this Letter has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Letter.
- 5.7. This Letter may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.
- 5.8. This Letter and any non-contractual obligations arising out of or in connection with it shall be governed by the laws of Grand Duchy of Luxembourg.



6. EFFECTIVE DATE

6.1. This Letter shall take effect on the date (the "**Effective Date**") when the Bank shall have confirmed to the Borrower in writing that it has received in form and substance satisfactory to it:

- (a) 2 (two) originals of this Letter duly signed by the Borrower together with evidence that the execution of this Letter by the Borrower has been duly authorised and that the person or persons signing this Letter on behalf of the Borrower is duly authorised to do so. Such evidence must be provided by the Borrower together with this duly signed Letter, unless it has been previously delivered to the Bank, or the Borrower confirms in writing that no change has occurred in relation to the authority of the person or persons authorised to sign this Letter on behalf of the Borrower, respectively; and
- (b) a copy of any other authorisation or other document, opinion or assurance which the Bank considers to be necessary or desirable (if it has notified the Borrower accordingly prior to the date of this Letter) in connection with the entry into and performance of the transactions contemplated by this Letter or for the validity and enforceability of this Letter,

provided that the documents and evidence referred to in this Section 6.1 will have been received by the Bank no later than 6 November 2023 (or any later date if in its sole discretion such later date is acceptable to the Bank).

6.2. Notwithstanding the terms of the Original Contract, the confirmation from the Bank to the Borrower referred to in Section 6.1 of this Letter may be made by electronic mail.

6.3. From the Effective Date, the references in the Original Contract to:

- (a) "this Contract" and similar references shall be read and construed as references to the Amended Contract; and
- (b) "the Guarantee" and similar references shall be read and construed as references to the Guarantee as amended by this Letter.

We kindly ask you to initial each page, date and duly sign each of the 3 (three) originals of this Letter and return to the Bank, to the attention of Mr Thomas Høgh Hyllested, Legal Department, 2 (two) duly signed originals by registered mail or courier.

Yours faithfully,

EUROPEAN INVESTMENT BANK

Julia Nienhaus
Head of Division

Archontia Diamanti
Portfolio Management Officer



Agreed and accepted for and on behalf of the Borrower:

Orkuveita Reykjavíkur

Sæundur Freyr Þráinsson

Name: *Sæundur Freyr Þráinsson*
Title: *CEO*
Date: *28.12.2023*

Name:
Title:
Date:

Agreed and accepted for and on behalf of **the City of Reykjavik:**

Name:
Title:
Date:

Name:
Title:
Date:

Agreed and accepted for and on behalf of **the Municipality of Akranes:**

Name:
Title:
Date:

Name:
Title:
Date:

Agreed and accepted for and on behalf of **the Municipality of Borgarbyggð:**

Name:
Title:
Date:

Name:
Title:
Date:



SCHEDULE A

EIB MFC - SCHEDULE OF USD LIBOR AMENDMENTS FIXED RATE LOAN

1. DEFINITIONS

In this Schedule and in the Amended Contract:

"**Central Bank Rate**" has the meaning given to that term in Annex I (*USD*).

"**Central Bank Rate Adjustment**" has the meaning given to that term in Annex I. (*USD*).

"**Daily Rate**" means the rate specified as such in Annex I. (*USD*).

"**Interest Replacement Date**" means the Effective Date.

"**RFR**" means the rate specified as such in Annex I (*USD*).

"**RFR Business Day**" means any day specified as such in Annex I (*USD*).

2. OVERRIDE

If there is any inconsistency between the terms of this Schedule and the terms of the Original Contract, the terms of this Schedule shall prevail and shall override anything in the Original Contract to the contrary.

3. INTEREST ON OVERDUE SUMS

(a) With effect from the Interest Replacement Date, in connection with:

- (i) any provision under the Original Contract in respect of interest on overdue sums which relate to a Fixed Rate Tranche payable under the terms of the Amended Contract; and
- (ii) any provision under the Original Contract in respect of interest on overdue sums in USD which do not relate to Fixed Rate Tranches payable under the terms of the Amended Contract,

any reference to LIBOR and / or the Relevant Interbank Rate shall, notwithstanding anything to the contrary in the Original Contract, be deemed to be a reference to the Daily Rate as at the date falling two RFR Business Days prior to the due date for the relevant overdue sum plus 0.11448% per annum, **provided that**, if the relevant sum remains overdue for more than one month, the Daily Rate shall be reset as at the date falling two RFR Business Days prior to each date falling monthly after the due date for the relevant overdue sum.



- (b) Any reference to the "relevant interbank rate" in any existing provisions in the Original Contract concerning the calculation of interest on overdue sums where the overdue sum is in a currency other than the currency of the Loan shall, with effect from the Interest Replacement Date, be deleted and replaced with:

"the relevant interbank rate or, as determined by the Bank, the relevant risk-free rate".

4. REDEPLOYMENT RATE

With effect from the Interest Replacement Date, the following definition of Redeployment Rate shall apply (in place of the existing definition in the Original Contract):

"Redeployment Rate" means the Fixed Rate excluding the Margin in effect on the day of the indemnity calculation for fixed-rate loans denominated in the same currency and which shall have the same terms for the payment of interest and the same repayment profile to the Interest Revision/Conversion Date, if any, or the Maturity Date as the Tranche in respect of which a prepayment is proposed or requested to be made. For those cases where the period is shorter than 48 months (or 36 months in the absence of a repayment of principal during that period), the rate at the time of the calculation (as published by Reuters or any other data provider as reasonably selected by the Bank) for the RFR overnight index swap with the closest available term to the relevant period will be used, as follows: (i) for periods of up to 12 months, the RFR overnight index swap bid rate minus 0.125% (12.5 basis points) will apply and (ii) for periods falling between 12 and 36/48 months, as the case may be, the RFR overnight index swap bid rate will apply."



ANNEX 1 USD

Definitions

Central Bank Rate:

- (a) The short-term interest rate target set by the US Federal Open Market Committee as published by the Federal Reserve Bank of New York from time to time; or
- (b) if that target is not a single figure, the arithmetic mean of:
 - (i) the upper bound of the short-term interest rate target range set by the US Federal Open Market Committee and published by the Federal Reserve Bank of New York; and
 - (ii) the lower bound of that target range

which shall include any successor rate to, or replacement rate for, that rate, as reasonably determined by the Bank.

Central Bank Rate Adjustment:

In relation to the Central Bank Rate prevailing at close of business on any RFR Business Day, the 20 per cent trimmed arithmetic mean (calculated by the Bank) of the Central Bank Rate Spreads for the five most immediately preceding RFR Business Days for which the RFR is available.

Central Bank Rate Spread:

In relation to any RFR Business Day, the difference (expressed as a percentage rate per annum) calculated by the Bank between:

- (a) the RFR for that RFR Business Day; and
- (b) the Central Bank Rate prevailing at close of business on that RFR Business Day.

Daily Rate:

The "**Daily Rate**" for any RFR Business Day is:

- (a) the RFR for that RFR Business Day;
- (b) if the RFR is not available for that RFR Business Day, the percentage rate per annum which is the aggregate of:
 - (i) the Central Bank Rate for that RFR Business Day; and



- (ii) the applicable Central Bank Rate Adjustment; or
- (c) if paragraph (b) above applies but the Central Bank Rate for that RFR Business Day is not available, the percentage rate per annum which is the aggregate of:
 - (i) the most recently available Central Bank Rate for that RFR Business Day; and
 - (ii) the applicable Central Bank Rate Adjustment,

rounded, in each case, to five decimal places.

RFR:

The secured overnight financing rate (SOFR) administered by the Federal Reserve Bank of New York (or any other person which takes over the administration of that rate) published by the Federal Reserve Bank of New York (or any other person which takes over the publication of that rate).

RFR Business Day:

Any day other than:

- (a) a Saturday or Sunday; and
- (b) a day on which the Securities Industry and Financial Markets Association (or any successor organisation) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in US Government securities.

FI N° 85.062

Serapis N° 2015-0480

REYKJAVIK ENERGY GEOTHERMAL

Finance Contract

between the

European Investment Bank

and

Orkuveita Reykjavíkur (Reykjavik Energy)

Reykjavik, 14 December 2016
Luxembourg, 15 December 2016





WHEREAS: 6

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HR





THIS CONTRACT IS MADE BETWEEN:

The European Investment Bank having its seat at 100 blvd Konrad Adenauer, Luxembourg, L-2950 Luxembourg, represented by Mr Eric Gällstad, Head of Division and Ms Hanna Karczewska, Head of Division,

(the "**Bank**")

of the first part, and

Orkuveita Reykjavíkur (Reykjavik Energy), a municipal partnership under the laws of Iceland, with the Icelandic identification number 551298-3029, and principal address at Bæjarháls 1, 110 Reykjavík represented by Mr Bjarni Bjarnason, CEO,

(the "**Borrower**")

of the second part.

HR





WHEREAS:

- (a) The Borrower has stated that it is undertaking a project consisting of extension works on two geothermal power plants outside Reykjavík and refurbishments of the district heating system and electricity distribution system in Reykjavík, as more particularly described in the technical description (the "**Technical Description**") set out in Schedule A (the "**Project**").
- (b) The total cost of the Project, as estimated by the Bank, is EUR 143,690,000 (one hundred and forty-three million six hundred and ninety thousand euros) and the Borrower has stated that it intends to finance the Project as follows:

Source	Amount (EUR m)
Own funds	73.69
Credit from the Bank	70.00
TOTAL	143.69

- (c) In order to fulfil the financing plan set out in Recital (b), the Borrower has requested from the Bank a credit equivalent to EUR 70,000,000 (seventy million euros).
- (d) The Bank considering that the financing of the Project falls within the scope of its functions, and having regard to the statements and facts cited in these Recitals, has decided to give effect to the Borrower's request providing to it a credit in an amount equivalent to EUR 70,000,000 (seventy million euros) under this Finance Contract (the "**Contract**"); provided that the amount of the Bank loan shall not, in any case, exceed 50% (fifty per cent) of the total cost of the Project set out in Recital (b).
- (e) The Board of Directors of the Borrower has authorised the borrowing of the sum of EUR 70,000,000 (seventy million euros) represented by this credit on the terms and conditions set out in this Contract in the form set out in Annex I.
- (f) The Borrower is a municipal partnership subject to a partnership agreement dated 25 April 2014 (the "**Partnership Agreement**") and owned by the City of Reykjavík (93.54%), the Municipality of Akranes (5.53%) and the Municipality of Borgarbyggð (0.93%) (collectively, the "**Partners**" and each a "**Partner**").
- (g) The financial obligations of the Borrower under this Contract are to be fully guaranteed pursuant to Article 3 of the Act on Orkuveita Reykjavíkur (No. 136/2013) (the "**OR Act**") by a statutory guarantee of collection by the Partners (*pro rata* to their ownership in the Borrower) on the terms and conditions of the guarantee agreements between the Bank and each of the Partners in the form and substance satisfactory to the Bank (each, the "**Guarantee Agreement**" and jointly, the "**Guarantee Agreements**").
- (h) The Statute of the Bank provides that the Bank shall ensure that its funds are used as rationally as possible in the interests of the European Union; and, accordingly, the terms and conditions of the Bank's loan operations must be consistent with relevant policies of the European Union.
- (i) The financing of the Project does not include state subsidies or grants.
- (j) The Bank considers that access to information plays an essential role in the reduction of environmental and social risks, including human rights violations, linked to the projects it finances and has therefore established its transparency policy, the purpose of which is to enhance the accountability of the Bank's group companies towards its stakeholders and the citizens of the European Union in general.
- (k) The processing of personal data shall be carried out by the Bank in accordance with applicable European Union legislation on the protection of individuals with regard to the processing of personal data by the EC institutions and bodies and on the free movement of such data.



NOW THEREFORE it is hereby agreed as follows:

INTERPRETATION AND DEFINITIONS

Interpretation

In this Contract references to:

- (a) Articles, Recitals, Schedules and Annexes are, save if explicitly stipulated otherwise, references respectively to articles of, and recitals, schedules and annexes to this Contract;
- (b) a provision of law are references to that provision as amended or re-enacted; and
- (c) any other agreement or instrument are references to that other agreement or instrument as amended, novated, supplemented, extended or restated.

Definitions

In this Contract:

"Acceptance Deadline" for a notice means:

- (a) 16h00 Luxembourg time on the day of delivery, if the notice is delivered by 14h00 Luxembourg time on a Business Day; or
- (b) 11h00 Luxembourg time on the next following day which is a Business Day, if the notice is delivered after 14h00 Luxembourg time on any such day or is delivered on a day which is not a Business Day.

"Accepted Tranche" means a Tranche in respect of which a Disbursement Offer has been duly accepted by the Borrower in accordance with its terms on or before the Disbursement Acceptance Deadline.

"Authorisation" means an authorisation, permit, consent, approval, resolution, licence, exemption, filing, notarisisation or registration.

"Business Day" means a day (other than a Saturday or Sunday) on which the Bank and commercial banks are open for general business in Luxembourg.

"Calculation Period" has the meaning given to it in Article 6.11.A.

"Change-of-Control Event" has the meaning given to it in Article 4.3.A(3).

"Change-of-Law Event" has the meaning given to it in Article 4.3.A(4).

"Compliance Certificate" means a certificate substantially in the form set out in Schedule F.2.

"Contract" has the meaning given to it in Recital (d).

"Credit" has the meaning given to it in Article 1.1.

"Criminal Offence" means any of the following criminal offences as applicable: fraud, corruption, coercion, collusion, obstruction, money laundering, financing of terrorism.

"Deferment Indemnity" means an indemnity calculated on the amount of disbursement deferred or suspended at the percentage rate (if higher than zero) by which:

- (a) the interest rate net of the Margin that would have been applicable to such amount had it been disbursed to the Borrower on the Scheduled Disbursement Date, exceeds
- (b) the Relevant Interbank Rate (one month rate) less 0.125% (12.5 basis points), unless this value is less than zero, in which case it will be set at zero.

Such indemnity shall accrue from the Scheduled Disbursement Date to the Disbursement Date or, as the case may be, until the date of cancellation of the Accepted Tranche in accordance with this Contract.

"Disbursement Acceptance" means a copy of the Disbursement Offer duly countersigned by the Borrower.

"Disbursement Acceptance Deadline" means the date and time of expiry of a Disbursement Offer as specified therein.



"**Disbursement Date**" means the date on which actual disbursement of a Tranche is made by the Bank.

"**Disbursement Offer**" means a letter substantially in the form set out in Schedule C.1.

"**Disruption Event**" means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with this Contract; or
- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of either the Bank or the Borrower, preventing that party:
 - (i) from performing its payment obligations under this Contract; or
 - (ii) from communicating with other parties,

and which disruption (in either such case as per (a) or (b) above) is not caused by, and is beyond the control of, the party whose operations are disrupted.

"**EBITDA**" has the meaning given to it in Article 6.11.A.

"**Environment**" means the following, in so far as they affect human health and social well-being:

- (a) fauna and flora;
- (b) soil, water, air, climate and the landscape; and
- (c) cultural heritage and the built environment,

and includes, without limitation, occupational and community health and safety.

"**Environmental Approval**" means any Authorisation required by Environmental Law.

"**Environmental Claim**" means any claim, proceeding, formal notice or investigation by any person in respect of any Environmental Law.

"**Environmental Law**" means:

- (a) EU law, including principles and standards;
- (b) laws and regulations of the Republic of Iceland; and
- (c) applicable international treaties,

of which a principal objective is the preservation, protection or improvement of the Environment.

"**EURIBOR**" has the meaning given to it in Schedule B.

"**EUR**" or "**euro**" means the lawful currency of the Member States of the European Union which adopt or have adopted it as their currency in accordance with the relevant provisions of the Treaty on European Union and the Treaty on the Functioning of the European Union or their succeeding treaties.

"**Event of Default**" means any of the circumstances, events or occurrences specified in Article 10.1.

"**Final Availability Date**" means 18 (eighteen) months from the date of signature of this Contract.

"**Fixed Rate**" means an annual interest rate determined by the Bank in accordance with the applicable principles from time to time laid down by the governing bodies of the Bank for loans made at a fixed rate of interest, denominated in the currency of the Tranche and bearing equivalent terms for the repayment of capital and the payment of interest. Fixed Rate shall include the Margin.

"**Fixed Rate Tranche**" means a Tranche on which Fixed Rate is applied.

"**Floating Rate**" means an annual fixed-spread floating interest rate determined by the Bank for each successive Floating Rate Reference Period equal to the Relevant Interbank Rate plus the Spread.





"**Floating Rate Reference Period**" means each period from one Payment Date to the next relevant Payment Date; the first Floating Rate Reference Period shall commence on the date of disbursement of the Tranche.

"**Floating Rate Tranche**" means a Tranche on which Floating Rate is applied.

"**GAAP**" means generally accepted accounting principles in the Republic of Iceland, including IFRS.

"**GBP**" means the lawful currency of the United Kingdom.

"**Group**" means the Borrower and its Subsidiaries.

"**IFRS**" means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

"**Indemnifiable Prepayment Event**" means a Prepayment Event other than those specified in paragraphs 4.3.A(2) or 4.3.A(5).

"**Interest Bearing Debt**" has the meaning given to it in Article 6.11.A.

"**Interest Revision/Conversion**" means the determination of new financial conditions relative to the interest rate, specifically the same interest rate basis ("**revision**") or a different interest rate basis ("**conversion**") which can be offered for the remaining term of a Tranche or until a next Interest Revision/Conversion Date, if any, for an amount which, at the proposed Interest Revision/Conversion Date, is not less than EUR 10,000,000 (ten million euros) or the equivalent thereof.

"**Interest Revision/Conversion Date**" means the date, which shall be a Payment Date, specified by the Bank pursuant to Article 1.2.B in the Disbursement Offer or pursuant to Article 3 and Schedule D.

"**Interest Revision/Conversion Proposal**" means a proposal made by the Bank under Schedule D.

"**Interest Revision/Conversion Request**" means a written notice from the Borrower, delivered at least 75 (seventy-five) days before an Interest Revision/Conversion Date, requesting the Bank to submit to it an Interest Revision/Conversion Proposal. The Interest Revision/Conversion Request shall also specify:

- (a) Payment Dates chosen in accordance with the provisions of Article 3.1;
- (b) the preferred repayment schedule chosen in accordance with Article 4.1; and
- (c) any further Interest Revision/Conversion Date chosen in accordance with Article 3.1.

"**LIBOR**" has the meaning given to it in Schedule B.

"**Loan**" means the aggregate amount of Tranches disbursed from time to time by the Bank under this Contract.

"**Margin**" means the component of the rate of interest quantified in Article 3.1.

"**Market Disruption Event**" means any of the following circumstances:

- (a) there are, in the reasonable opinion of the Bank, events or circumstances adversely affecting the Bank's access to its sources of funding;
- (b) in the opinion of the Bank, funds are not available from its ordinary sources of funding in order to adequately fund a Tranche in the relevant currency and/or for the relevant maturity and/or in relation to the reimbursement profile of such Tranche; or
- (c) in relation to a Tranche in respect of which interest is or would be payable at Floating Rate:
 - (i) the cost to the Bank of obtaining funds from its sources of funding, as determined by the Bank, for a period equal to the Floating Rate Reference Period of such Tranche (i.e. in the money market) would be in excess of the applicable Relevant Interbank Rate; or



- (ii) the Bank determines that adequate and fair means do not exist for ascertaining the applicable Relevant Interbank Rate for the relevant currency of such Tranche or it is not possible to determine the Relevant Interbank Rate in accordance with the definition contained in Schedule B.

"Material Adverse Change" means, any event or change of condition (including without limitation any modification of any act or other legal prescription directly relating to the constitutional position, territory, responsibilities, budget or financing of a Partner), which, in the reasonable opinion of the Bank has a material adverse effect on:

- (a) the ability of the Borrower to perform its obligations under this Contract;
- (b) the business, operations, property, condition (financial or otherwise) or prospects of the Borrower or the Group as a whole;
- (c) the legality, validity or enforceability of, or the effectiveness or ranking of or the rights or remedies of the Bank under this Contract;
- (d) the operations, condition (financial or otherwise) or prospects of a Partner or the ability of a Partner to fulfil the obligations under a respective Guarantee Agreement; or
- (e) the legality, validity or enforceability of, or the effectiveness or ranking of, or the value of any Guarantee Agreement.

"Maturity Date" means the last repayment date of a Tranche specified pursuant to Article 4.1(b)(iv).

"Modification/Loss-of-Licence Event" has the meaning given to it in Article 4.3.A(7).

"Net Interest" has the meaning given to it in Article 6.11.A.

"Net Interest Paid" has the meaning given to it in Article 6.11.A.

"OR Act" has the meaning given to it in Recital (g).

"Partner" has the meaning given to it in Recital (f).

"Payment Date" means: the annual, semi-annual or quarterly dates specified in the Disbursement Offer until the Interest Revision/Conversion Date, if any, or the Maturity Date, save that, in case any such date is not a Relevant Business Day, it means:

- (a) for a Fixed Rate Tranche, the following Relevant Business Day, without adjustment to the interest due under Article 3.1; and
- (b) for a Floating Rate Tranche, the next day, if any, of that calendar month that is a Relevant Business Day or, failing that, the nearest preceding day that is a Relevant Business Day, in all cases with corresponding adjustment to the interest due under Article 3.1.

"Prepayment Amount" means the amount of a Tranche to be prepaid by the Borrower in accordance with Article 4.2.A.

"Prepayment Date" means the date, which shall be a Payment Date, on which the Borrower proposes to effect prepayment of a Prepayment Amount.

"Prepayment Event" means any of the events described in Article 4.3.A.

"Prepayment Indemnity" means in respect of any principal amount to be prepaid or cancelled, the amount communicated by the Bank to the Borrower as the present value (as of the Prepayment Date) of the excess, if any, of:

- (a) the interest net of the Margin that would accrue thereafter on the Prepayment Amount over the period from the Prepayment Date to the Interest Revision/Conversion Date, if any, or the Maturity Date, if it were not prepaid; over
- (b) the interest that would so accrue over that period, if it were calculated at the Redeployment Rate, less 0.15% (fifteen basis points).

The said present value shall be calculated at a discount rate equal to the Redeployment Rate, applied as of each relevant Payment Date.

"**Prepayment Notice**" means a written notice from the Bank to the Borrower in accordance with Article 4.2.C.

"**Prepayment Request**" means a written request from the Borrower to the Bank to prepay all or part of the Loan, in accordance with Article 4.2.A.

"**Project**" has the meaning given to it in Recital (a).

"**Redeployment Rate**" means the Fixed Rate excluding the Margin in effect on the day of the indemnity calculation for fixed-rate loans denominated in the same currency and which shall have the same terms for the payment of interest and the same repayment profile to the Interest Revision/Conversion Date, if any, or the Maturity Date as the Tranche in respect of which a prepayment is proposed or requested to be made. For those cases where the period is shorter than 48 months (or 36 months in the absence of a repayment of principal during that period) the most closely corresponding money market rate equivalent will be used, that is the Relevant Interbank Rate minus 0.125% (12.5 basis points) for periods of up to 12 (twelve) months. For periods falling between 12 and 36/48 months, the bid point on the swap rates as published by Reuters for the related currency and observed by the Bank at the time of calculation will apply.

"**Relevant Business Day**" means:

- (a) for EUR, a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 (TARGET2) is open for the settlement of payments in EUR; and
- (b) for any other currency, a day on which banks are open for general business in the principal domestic financial centre of the relevant currency.

"**Relevant Interbank Rate**" means:

- (a) EURIBOR for a Tranche denominated in EUR; and
- (b) LIBOR for a Tranche denominated in GBP or USD.

"**Scheduled Disbursement Date**" means the date on which a Tranche is scheduled to be disbursed in accordance with Article 1.2.B.

"**Security**" means any mortgage, pledge, lien, charge, assignment, hypothecation, or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Spread**" means the fixed spread to the Relevant Interbank Rate (being either plus or minus) determined by the Bank including the Margin and notified to the Borrower in the relevant Disbursement Offer or Interest Revision/Conversion Proposal.


"**Subsidiary**" means an entity of which more than 50% is directly or indirectly owned by or which is controlled by another entity. For the purposes of this definition the "control" has the same meaning given to that term in Article 4.3.A(3).

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"**Technical Description**" has the meaning given to it in Recital (a).

"**Tranche**" means each disbursement made or to be made under this Contract. In case no Disbursement Offer has been received, Tranche shall mean a Tranche as offered under Article 1.2.B.

"**USD**" means the lawful currency of the United States of America.



ARTICLE 1
Credit and Disbursements

1.1 Amount of Credit

By this Contract the Bank establishes in favour of the Borrower, and the Borrower accepts, a credit in an amount equivalent to EUR 70,000,000 (seventy million euros) for the financing of the Project (the "Credit").

1.2 Disbursement procedure

1.2.A Tranches

The Bank shall disburse the Credit in up to 3 (three) Tranches. The amount of each Tranche, if not being the undrawn balance of the Credit, shall be in a minimum amount of the equivalent to EUR 20,000,000 (twenty million euros).

1.2.B Disbursement Offer

Upon request by the Borrower, provided that no event mentioned in Article 1.6.B has occurred and is continuing, the Bank shall send to the Borrower a Disbursement Offer for the disbursement of a Tranche. The latest time for receipt by the Borrower of a Disbursement Offer is 10 (ten) days before the Final Availability Date. The Disbursement Offer shall specify:

- (a) the currency, amount and EUR equivalent of the Tranche;
- (b) the Scheduled Disbursement Date, which shall be a Relevant Business Day, falling at least 10 (ten) days after the date of the Disbursement Offer and on or before the Final Availability Date;
- (c) the interest rate basis of the Tranche, being: (i) a Fixed Rate Tranche; or (ii) a Floating Rate Tranche, in each case, pursuant to the relevant provisions of Article 3.1;
- (d) the interest payment periodicity for the Tranche, in accordance with the provisions of Article 3.1;
- (e) the first Payment Date for the Tranche;
- (f) the terms for repayment of principal for the Tranche, in accordance with the provisions of Article 4.1;
- (g) the first and last repayment dates of principal for the Tranche;
- (h) the Interest Revision/Conversion Date, if requested by the Borrower, for the Tranche;
- (i) for a Fixed Rate Tranche, the Fixed Rate and for a Floating Rate Tranche the Spread, applicable until the Interest Revision/Conversion Date, if any or until the Maturity Date; and
- (j) the Disbursement Acceptance Deadline.

1.2.C Disbursement Acceptance

The Borrower may accept a Disbursement Offer by delivering a Disbursement Acceptance to the Bank no later than the Disbursement Acceptance Deadline. The Disbursement Acceptance shall be accompanied:

- (a) by the IBAN code (or appropriate format in line with local banking practice) and SWIFT BIC of the bank account to which disbursement of the Tranche should be made in accordance with Article 1.2.D; and
- (b) by evidence of the authority of the person or persons authorised to sign the Disbursement Acceptance and the specimen signature of such person or persons or a declaration by the Borrower that no change has occurred in relation to the authority of the person or persons authorised to sign Disbursement Acceptances under this Contract.

If a Disbursement Offer is duly accepted by the Borrower in accordance with its terms on or before the Disbursement Acceptance Deadline, the Bank shall make the Accepted Tranche available to the Borrower in accordance with the relevant Disbursement Offer and subject to the terms and conditions of this Contract.

The Borrower shall be deemed to have refused any Disbursement Offer which has not been duly accepted in accordance with its terms on or before the Disbursement Acceptance Deadline.

1.2.D Disbursement Account

Disbursement shall be made to such account of the Borrower as the Borrower shall, unless already confirmed in the Disbursement Acceptance, notify in writing to the Bank not later than 10 (ten) days before the Scheduled Disbursement Date (with IBAN code or with the appropriate format in line with local banking practice).

Only one account may be specified for each Tranche.

1.3 Currency of disbursement

Subject to availability, disbursement of each Tranche shall be made in EUR, USD or GBP.



For the calculation of the sums available to be disbursed in currencies other than EUR, and to determine their equivalent in EUR, the Bank shall apply the rate published by the European Central Bank in Frankfurt, available on or shortly before submission of the Disbursement Offer as the Bank shall decide.

1.4 Conditions of disbursement

1.4.A First Tranche

The disbursement of the first Tranche under Article 1.2 is conditional upon receipt by the Bank, in form and substance satisfactory to it, on or before the date falling 5 (five) Business Days before the Scheduled Disbursement Date, of the following documents or evidence:

- (a) evidence that the execution of this Contract by the Borrower has been duly authorised and that the person or persons signing this Contract on behalf of the Borrower is/are duly authorised to do so together with the specimen signature of each such person or persons;
- (b) evidence that the Borrower has obtained all necessary Authorisations, required in connection with this Contract and the Project;
- (c) duly executed Guarantee Agreement with each Partner;
- (d) evidence that the execution of the Guarantee Agreement by each Partner has been duly approved by a resolution of each municipal council of each Partner at a relevant meeting of such council and that the person or persons signing the Guarantee Agreement on behalf of each Partner is/are duly authorised to do so together with the specimen signature of each such person or persons;
- (e) evidence that the Partner Liability does not exceed 80% (eighty per cent.) of the financial need (*Ice. fjárförf*) of the Project together with:
 - (i) a confirmation from the Borrower that according to its best knowledge, no formal or informal state aid procedure is on-going or pending before the EFTA Surveillance Authority with respect to a potential state aid received or to be received by the Borrower for the Project or in relation to any Guarantee Agreement; and/or
 - (ii) in case the Borrower has knowledge of an on-going formal or informal State aid procedure before the EFTA Surveillance Authority evidence that the EFTA Surveillance Authority will not adopt any negative state aid decision with respect to the Project, or evidence that the implementation of the Project and any guarantee under each of the Guarantee Agreements is in compliance with the EEA state aid rules, and in particular that neither the Project nor any Guarantee Agreement give rise to a grant of incompatible state aid to the Borrower;
- (f) a favourable legal opinion from an external counsel of the Bank in English confirming, among other things, that:

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- (i) the Borrower is a municipal partnership duly established and validly existing under the laws of Iceland and that this Contract has been duly authorised and executed by the Borrower;
 - (ii) the application of Luxembourg law as the proper law governing this Contract and the submission by the Borrower to the jurisdiction of competent courts of Luxembourg is valid and enforceable and any decision of these courts shall be recognised by the relevant Icelandic court or authority for the purposes of enforcement of this Contract and/or the Guarantee Agreement;
 - (iii) entering by the Borrower into this Contract and making of drawings under it do not breach the OR Act or the Partnership Agreement and all necessary consents and Authorisations have been obtained for the purposes of this Contract and the Guarantee Agreement;
 - (iv) the Guarantee Agreement in relation to this Contract has been duly authorised and executed by each Partner and such Guarantee Agreement is legal, valid, binding and enforceable and fully covers the liabilities of the Borrower under this Contract;
 - (v) the Partners are, in accordance with the OR Act, severally liable in proportion to their respective ownership of the Borrower for the fulfilment of the obligations entered into by the Borrower pursuant to this Contract;
 - (vi) no taxes, duties, fees or other charges, including, without limitation, any registration or transfer tax, stamp duty, withholding tax or similar levy, imposed by the Republic of Iceland or any political subdivision or taxing authority therefor or therein are payable in connection with the execution and delivery of this Contract or the Guarantee Agreement nor in connection with any payment to be made by the Borrower to the Bank pursuant to this Contract or the Guarantee Agreement; and
 - (vii) the implementation of the Project and delivery of the Guarantee Agreement is in compliance with state aid rules set out under the terms of the EEA Agreement, as provided for in the OR Act, and in particular that the said implementation does not give rise to the grant of incompatible state aid to the Borrower;
- (g) evidence of the contents of the Partnership Agreement and the owner's dividend policy as in force on the date of this Contract;
 - (h) evidence of compliance by the Borrower with the financial covenants pursuant to Article 6.11 in the form of the Compliance Certificate duly signed by the Borrower;
 - (i) evidence that any exchange control consents or other conditions as may be indicated in the legal opinion delivered under paragraph (f), above as necessary or otherwise required by law have been obtained or granted to permit (1) the Borrower to receive disbursements as provided in this Contract, to repay the Loan and to pay interest and all other amounts due hereunder, (2) each Partner to enter into and meet its obligations under the Guarantee Agreement, and (3) the Bank to enforce any and all of its rights hereunder and under the Guarantee Agreement, such consents, including but not limited to an exemption from the Central Bank of Iceland permitting the following:
 - (i) the Borrower to make any prepayments of a Tranche pursuant to Article 4.2 or 4.3, as well as payments of Taxes, fees, costs, charges, expenses and indemnities hereunder;
 - (ii) the Borrower to meet its obligations under Article 10; and
 - (iii) the Bank to enforce its rights hereunder and under the Guarantee Agreement against the Borrower and each Partner, have any enforcement proceeds converted into foreign currency (if applicable) and have the same transferred out of Iceland;
 - (j) evidence of reimbursement by the Borrower to the Bank of any legal fees incurred by the Bank in relation to legal opinion delivered under paragraph (f), above; and
 - (k) evidence of payment of the appraisal fee in full pursuant to Article 1.8.
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1.4.B All Tranches

The disbursement of each Tranche under Article 1.2, including the first, is subject to the following conditions:

- (a) that the Bank has received, in form and substance satisfactory to it, on or before the date falling 5 (five) Business Days before the Scheduled Disbursement Date for the proposed Tranche, of the following documents or evidence:
 - (i) a certificate from the Borrower in the form of Schedule F.1 signed by an authorised representative of the Borrower and dated no earlier than the date falling 10 (ten) days before the Scheduled Disbursement Date;
 - (ii) evidence of the Partners' consent to the Borrower's acceptance of the Disbursement Offer;
 - (iii) evidence of the authority of the person or persons authorised to sign the Partners' consent under paragraph (ii) above and the specimen signature of such person or persons; and
 - (iv) a copy of any other authorisation or other document, opinion or assurance which the Bank has notified the Borrower is necessary or desirable in connection with the entry into and performance of, and the transactions contemplated by, this Contract or the Guarantee Agreement or the validity and enforceability of the same.
- (b) that on the Disbursement Date for the proposed Tranche:
 - (i) the representations and warranties which are repeated pursuant to Article 6.13 are correct in all respects; and
 - (ii) no event or circumstance which constitutes or would with the passage of time or giving of notice under this Contract constitute:
 - (1) an Event of Default; or
 - (2) a Prepayment Event,has occurred and is continuing unremedied or unwaived or would result from the disbursement of the proposed Tranche.

1.5 Deferment of disbursement

1.5.A Grounds for deferment

Upon the written request of the Borrower, the Bank shall defer the disbursement of any Accepted Tranche in whole or in part to a date specified by the Borrower being a date falling not later than 6 (six) months from its Scheduled Disbursement Date and not later than 60 days prior to the first repayment date of the Tranche indicated in the Disbursement Offer. In such case, the Borrower shall pay the Deferment Indemnity calculated on the amount of disbursement deferred.

Any request for deferment shall have effect in respect of a Tranche only if it is made at least 5 (five) Business Days before its Scheduled Disbursement Date.

If for an Accepted Tranche any of the conditions referred to in Article 1.4 is not fulfilled as at the specified date and at the Scheduled Disbursement Date (or the date expected for disbursement in case of a previous deferment), disbursement will be deferred to a date agreed between the Bank and the Borrower falling not earlier than 5 (five) Business Days following the fulfilment of all conditions of disbursement (without prejudice to the right of the Bank to suspend and/or cancel the undisbursed portion of the Credit in whole or in part pursuant to Article 1.6.B). In such case, the Borrower shall pay the Deferment Indemnity calculated on the amount of disbursement deferred.

1.5.B Cancellation of a disbursement deferred by 6 (six) months

The Bank may, by notice in writing to the Borrower, cancel a disbursement which has been deferred under Article 1.5.A by more than 6 (six) months in aggregate. The cancelled amount shall remain available for disbursement under Article 1.2.



1.6 Cancellation and suspension

1.6.A Borrower's right to cancel

The Borrower may at any time by notice in writing to the Bank cancel, in whole or in part and with immediate effect, the undisbursed portion of the Credit. However, the notice shall have no effect in respect of an Accepted Tranche which has a Scheduled Disbursement Date falling within 5 (five) Business Days of the date of the notice.

1.6.B Bank's right to suspend and cancel

- (a) The Bank may, by notice in writing to the Borrower, suspend and/or cancel the undisbursed portion of the Credit in whole or in part at any time and with immediate effect upon the occurrence of a Prepayment Event or an Event of Default or an event or circumstance which would with the passage of time or giving of notice under this Contract constitute a Prepayment Event or an Event of Default.
- (b) The Bank may also suspend the portion of the Credit in respect of which it has not received a Disbursement Acceptance with immediate effect in the case that a Market Disruption Event occurs.
- (c) Any suspension shall continue until the Bank ends the suspension or cancels the suspended amount.

1.6.C Indemnity for suspension and cancellation of a Tranche

1.6.C(1) SUSPENSION

If the Bank suspends an Accepted Tranche, whether upon an Indemnifiable Prepayment Event or an Event of Default, the Borrower shall pay to the Bank the Deferment Indemnity calculated on the amount of disbursement suspended.

1.6.C(2) CANCELLATION

- (a) If pursuant to Article 1.6.A, the Borrower cancels:
 - (i) a Fixed Rate Tranche which is an Accepted Tranche, it shall indemnify the Bank under Article 4.2.B; or
 - (ii) a Floating Rate Tranche which is an Accepted Tranche or any part of the Credit other than an Accepted Tranche, no indemnity is payable.
- (b) If the Bank cancels:
 - (i) a Fixed Rate Tranche which is an Accepted Tranche upon an Indemnifiable Prepayment Event or pursuant to Article 1.5.B, the Borrower shall pay to the Bank the Prepayment Indemnity; or
 - (ii) an Accepted Tranche upon an Event of Default, the Borrower shall indemnify the Bank under Article 10.3.

Save in the cases referred to in (a) and (b), above, no indemnity is payable upon cancellation of a Tranche by the Bank.

The indemnity shall be calculated as if the cancelled amount had been disbursed and repaid on the Scheduled Disbursement Date or, to the extent that the disbursement of the Tranche is currently deferred or suspended, on the date of the cancellation notice.

1.7 Cancellation after expiry of the Credit

On the day following the Final Availability Date, and unless otherwise specifically agreed to in writing by the Bank, the part of the Credit in respect of which no Disbursement Acceptance has been made in accordance with Article 1.2.C shall be automatically cancelled, without any notice being served by the Bank to the Borrower and without liability arising on the part of either party.

1.8 **Appraisal fee**

The Borrower shall pay or cause to be paid to the Bank within 30 (thirty) days of the signature of this Contract or shall authorise the Bank to retain out of the first Tranche an appraisal fee in respect of the appraisal conducted by the Bank in relation to the Project. The amount of the appraisal fee is EUR 70,000 (seventy thousand euros). An amount retained by the Bank out of the first Tranche in payment of the appraisal fee shall be treated as having been disbursed by the Bank.

1.9 **Sums due under Article 1**

Sums due under Articles 1.5 and 1.6 shall be payable in the currency of the Tranche concerned. They shall be payable within 15 (fifteen) days of the Borrower's receipt of the Bank's demand or within any longer period specified in the Bank's demand.

ARTICLE 2

The Loan

2.1 **Amount of Loan**

The Loan shall comprise the aggregate amount of Tranches disbursed by the Bank under the Credit, as confirmed by the Bank pursuant to Article 2.3.

2.2 **Currency of repayment, interest and other charges**

Interest, repayments and other charges payable in respect of each Tranche shall be made by the Borrower in the currency in which the Tranche is disbursed.

Any other payment shall be made in the currency specified by the Bank having regard to the currency of the expenditure to be reimbursed by means of that payment.

2.3 **Confirmation by the Bank**

Within 10 (ten) days after disbursement of each Tranche, the Bank shall deliver to the Borrower the amortisation table referred to in Article 4.1, if appropriate, showing the Disbursement Date, currency, the amount disbursed, the repayment terms and the interest rate of and for that Tranche.

ARTICLE 3

Interest

3.1 **Rate of interest**

For the purposes of this Contract "Margin" means 52 (fifty-two) basis points (0.52%).

Fixed Rates and Spreads are available for periods of not less than 4 (four) years or, in the absence of a repayment of principal during that period, not less than 3 (three) years.

3.1.A **Fixed Rate Tranches**

The Borrower shall pay interest on the outstanding balance of each Fixed Rate Tranche at the Fixed Rate quarterly, semi-annually or annually in arrears on the relevant Payment Dates as specified in the Disbursement Offer, commencing on the first such Payment Date following the Disbursement Date of the Tranche. If the period from the Disbursement Date to the first Payment Date is 15 (fifteen) days or less then the payment of interest accrued during such period shall be postponed to the following Payment Date.

Interest shall be calculated on the basis of Article 5.1(a).

3.1.B Floating Rate Tranches

The Borrower shall pay interest on the outstanding balance of each Floating Rate Tranche at the Floating Rate quarterly, semi-annually or annually in arrears on the relevant Payment Dates, as specified in the Disbursement Offer commencing on the first such Payment Date following the Disbursement Date of the Tranche. If the period from the Disbursement Date to the first Payment Date is 15 (fifteen) days or less then the payment of interest accrued during such period shall be postponed to the following Payment Date.

The Bank shall notify the Floating Rate to the Borrower within 10 (ten) days following the commencement of each Floating Rate Reference Period.

If pursuant to Articles 1.5 and 1.6 disbursement of any Floating Rate Tranche takes place after the Scheduled Disbursement Date the Relevant Interbank Rate applicable to the first Floating Rate Reference Period shall apply as though the disbursement had been made on the Scheduled Disbursement Date.

Interest shall be calculated in respect of each Floating Rate Reference Period on the basis of Article 5.1(b). If the Floating Rate for any Floating Rate Reference Period is below zero, it will be set at zero.

3.1.C Revision or Conversion of Tranches

Where the Borrower exercises an option to revise or convert the interest rate basis or a currency of a Tranche to EUR, USD or GBP, it shall, from the effective Currency Conversion Date or Interest Revision/Conversion Date (as applicable) (in accordance with the procedure set out in Schedule D or E, as applicable) pay interest at a rate determined in accordance with the provisions of Schedule D and 0.

3.2 Interest on overdue sums

Without prejudice to Article 10 and by way of exception to Article 3.1, if the Borrower fails to pay any amount payable by it under this Contract on its due date, interest shall accrue (subject to mandatory provisions of the applicable laws, including Article 1154 of the Luxembourg Civil Code) on any overdue amount payable under the terms of this Contract from the due date to the date of payment at an annual rate equal to:

- (a) for overdue sums related to Floating Rate Tranches, the applicable Floating Rate plus 2% (200 basis points);
- (b) for overdue sums related to Fixed Rate Tranches, the higher of (a) the applicable Fixed Rate plus 2% (200 basis points) or (b) the Relevant Interbank Rate plus 2% (200 basis points); and
- (c) for overdue sums other than under (i) or (ii) above, the Relevant Interbank Rate plus 2% (200 basis points),

and shall be payable in accordance with the demand of the Bank. For the purpose of determining the Relevant Interbank Rate in relation to this Article 3.2, the relevant periods within the meaning of Schedule B shall be successive periods of one month commencing on the due date.

If the overdue sum is in a currency other than the currency of the Loan, the following rate per annum shall apply, namely the relevant interbank rate that is generally retained by the Bank for transactions in that currency plus 2% (200 basis points), calculated in accordance with the market practice for such rate.

3.3 Market Disruption Event

If at any time (i) from the receipt by the Bank of a Disbursement Acceptance in respect of a Tranche, and (ii) until the date falling 30 (thirty) calendar days prior to the Scheduled Disbursement Date a Market Disruption Event occurs, the Bank may notify to the Borrower that this clause has come into effect. In such case, the rate of interest applicable to such Accepted Tranche until the Maturity Date or the Interest Revision/Conversion Date if any, shall be the percentage rate per annum which is the sum of:

- (a) the Margin; and

- (b) the rate (expressed as a percentage rate per annum) which is determined by the Bank to be the all-inclusive cost to the Bank for the funding of the relevant Tranche based upon the then applicable internally generated Bank reference rate or an alternative rate determination method reasonably determined by the Bank.

The Borrower shall have the right to refuse in writing such disbursement within the deadline specified in the notification and shall bear charges incurred as a result, if any, in which case the Bank shall not effect the disbursement and the corresponding Credit shall remain available for disbursement under Article 1.2.B. If the Borrower does not refuse the disbursement in time, the parties agree that the disbursement and the conditions thereof shall be fully binding for both parties.

In each of the cases above, the Spread or Fixed Rate previously notified by the Bank in the Disbursement Offer shall no longer be applicable.

ARTICLE 4

Repayment

4.1 Normal repayment

- (a) The Borrower shall repay each Tranche by instalments on the Payment Dates specified in the relevant Disbursement Offer in accordance with the terms of the amortisation table delivered pursuant to Article 2.3.
- (b) Each amortisation table shall be drawn up on the basis that:
- (i) in the case of a Fixed Rate Tranche without an Interest Revision/Conversion Date, repayment shall be made annually, semi-annually or quarterly by equal instalments of principal or constant instalments of principal and interest;
 - (ii) in the case of a Fixed Rate Tranche with an Interest Revision/Conversion Date or a Floating Rate Tranche, repayment shall be made by equal annual, semi-annual or quarterly instalments of principal;
 - (iii) the first repayment date of each Tranche shall be a Payment Date falling not earlier than 60 (sixty) days from the Scheduled Disbursement Date and not later than the first Payment Date immediately following the 4th (fourth) anniversary of the Scheduled Disbursement Date of the Tranche; and
 - (iv) the last repayment date of each Tranche shall be a Payment Date falling not earlier than 4 (four) years and not later than 15 (fifteen) years from the Scheduled Disbursement Date.

4.2 Voluntary prepayment

4.2.A Prepayment option

Subject to Articles 4.2.B, 4.2.C and 4.4, the Borrower may prepay all or part of any Tranche, together with accrued interest and indemnities if any, upon giving a Prepayment Request with at least 1 (one) month's prior notice specifying (i) the Prepayment Amount; (ii) the Prepayment Date; (iii) if applicable, the choice of application method of the Prepayment Amount in line with Article 5.5.C(a); and (iv) the contract number ("FI nr") mentioned on the cover page of this Contract.

Subject to Article 4.2.C the Prepayment Request shall be binding and irrevocable.

4.2.B Prepayment indemnity

4.2.B(1) FIXED RATE TRANCHE

Subject to Article 4.2.B(3) below, if the Borrower prepays a Fixed Rate Tranche, the Borrower shall pay to the Bank on the Prepayment Date the Prepayment Indemnity in respect of the Fixed Rate Tranche which is being prepaid.

4.2.B(2) FLOATING RATE TRANCHE

Subject to Article 4.2.B(3) below, the Borrower may prepay a Floating Rate Tranche without indemnity on any relevant Payment Date.

4.2.B(3) NO INDEMNITY

Unless the Borrower has accepted in writing a Fixed Rate in respect of an Interest Revision/Conversion Proposal pursuant to Schedule D, prepayment of a Tranche on its Interest Revision/Conversion Date as accepted under Article 1.2.C, or in accordance with Schedule C.1 or D, as the case may be, may be effected without indemnity.

4.2.C Prepayment mechanics

Upon presentation by the Borrower to the Bank of a Prepayment Request, the Bank shall issue a Prepayment Notice to the Borrower, not later than 15 (fifteen) days prior to the Prepayment Date. The Prepayment Notice shall specify the Prepayment Amount, the accrued interest due thereon, the Prepayment Indemnity payable under Article 4.2.B or, as the case may be, that no indemnity is due, the method of application of the Prepayment Amount and the Acceptance Deadline.

If the Borrower accepts the Prepayment Notice no later than by the Acceptance Deadline, it shall effect the prepayment. In any other case, the Borrower may not effect the prepayment.

The Borrower shall accompany the prepayment by the payment of accrued interest and indemnity, if any, due on the Prepayment Amount, as specified in the Prepayment Notice.

4.3 Compulsory prepayment

4.3.A Prepayment Events

4.3.A(1) PROJECT COST REDUCTION

If the total cost of the Project falls below the figure stated in Recital (b) so that the amount of the Credit exceeds 50% (fifty per cent) of such total cost of the Project, the Bank may forthwith, by notice to the Borrower, cancel the undisbursed portion of the Credit and/or demand prepayment of the Loan up to the amount by which the Credit exceeds 50% (fifty per cent.) of the total cost of the Project. The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

4.3.A(2) *PARI PASSU* TO NON-EIB FINANCING

If the Borrower (or any other member of the Group) voluntarily prepays (for the avoidance of doubt, prepayment shall include a repurchase or cancellation where applicable) a part or the whole of any Non-EIB Financing and:

- (a) such prepayment is not made within a revolving credit facility (save for the cancellation of the revolving credit facility); or
- (b) such prepayment is not made out of the proceeds of a loan or other indebtedness having a term at least equal to the unexpired term of the Non-EIB Financing prepaid,

the Bank may, by notice to the Borrower, cancel the undisbursed portion of the Credit and demand prepayment of the Loan. The proportion of the Loan that the Bank may require to be prepaid shall be the same as the proportion that the prepaid amount of the Non-EIB Financing bears to the aggregate outstanding amount of all Non-EIB Financing.

The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

For the purposes of this Article, "**Non-EIB Financing**" includes any loan, (save for the Loan and any other direct loans from the Bank to the Borrower (or any other member of the Group)), credit bond or other form of financial indebtedness or any obligation for the payment or repayment of money originally granted to the Borrower (or any other member of the Group) for a term of more than 3 (three) years.

4.3.A(3) CHANGE OF CONTROL

The Borrower shall promptly inform the Bank if a Change-of-Control Event has occurred or is likely to occur in respect of itself. At any time after the occurrence of a Change-of-Control Event, the Bank may, by notice to the Borrower, cancel the undisbursed portion of the Credit and demand prepayment of the Loan, together with accrued interest and all other amounts accrued or outstanding under this Contract.

In addition, if the Borrower has informed the Bank that a Change-of-Control Event is about to occur, or if the Bank has reasonable cause to believe that a Change-of-Control Event is about to occur, the Bank may request that the Borrower consult with it. Such consultation shall take place within 30 (thirty) days from the date of the Bank's request. After the earlier of (a) the lapse of 30 (thirty) days from the date of such request for consultation, or (b) at any time thereafter, upon the occurrence of the anticipated Change-of-Control Event the Bank may, by notice to the Borrower, cancel the undisbursed portion of the Credit and demand prepayment of the Loan, together with accrued interest and all other amounts accrued or outstanding under this Contract.

The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

For the purposes of this Article:

"Change-of-Control Event" occurs if:

- (a) the city of Reykjavik ceases to control the Borrower or to directly own more than 50% (fifty per cent.) of the partnership interest in the Borrower; or
- (b) the Borrower ceases to be fully owned by the Partners or other Icelandic municipalities provided that they are to the satisfaction of the Bank subject to the Partnership Agreement and the Guarantee Agreement;

"control" means the power to direct the management and policies of an entity, whether through the ownership of voting capital, by contract or otherwise.

4.3.A(4) CHANGE OF LAW

The Borrower shall promptly inform the Bank if a Change-of-Law Event has occurred or is likely to occur. In such case, or if the Bank has reasonable cause to believe that a Change-of-Law Event has occurred or is about to occur, the Bank may request that the Borrower consult with it. Such consultation shall take place within 30 (thirty) days from the date of the Bank's request. If, after the lapse of 30 (thirty) days from the date of such request for consultation the Bank is of the opinion that the effects of the Change-of-Law Event cannot be mitigated to its satisfaction, the Bank may by notice to the Borrower, cancel the undisbursed portion of the Credit and demand prepayment of the Loan, together with accrued interest and all other amounts accrued or outstanding under this Contract.

The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

For the purposes of this Article **"Change-of-Law Event"** means the enactment, promulgation, execution or ratification of or any change in or amendment to the OR Act, the Partnership Agreement, any law, rule or regulation (or in the application or official interpretation of any law, rule or regulation) that occurs after the date of this Contract and which, in the opinion of the Bank, would materially impair the Borrower's ability to perform its obligations under this Contract, Partner's ability to perform its obligations under the Guarantee Agreement.

4.3.A(5) ILLEGALITY

If it becomes unlawful in any applicable jurisdiction for the Bank to perform any of its obligations as contemplated in this Contract or to fund or maintain the Loan, the Bank shall promptly notify the Borrower and may immediately (i) suspend or cancel the undisbursed portion of the Credit and/or (ii) demand prepayment of the Loan, together with accrued interest and all other amounts accrued or outstanding under this Contract on the date indicated by the Bank in its notice to the Borrower.

4.3.A(6) PARTNER EVENT

Subject to Article 10.1.A, if:

- (a) a Partner declares to stop paying or seeks a moratorium on payment or makes a composition with its creditors without being declared bankrupt;
- (b) an encumbrancer takes possession of, or a receiver, liquidator, administrator, administrative receiver or similar officer is appointed, whether by a court of competent jurisdiction or by any competent administrative authority or by any person, of or over, any part of the activity or assets of a Partner (including but not limited to any supervisory committee (*Eftirlitsnefnd með fjármálum sveitarfélaga*) and guardianship committee (*fjárhaldsstjórn*) under the Municipal Act (138/2011));
- (c) following any default in relation thereto, a Partner is required or will, following expiry of any applicable contractual grace period, be required to prepay or discharge ahead of maturity any other loan or obligation arising out of any financial transaction;
- (d) any distress, execution, sequestration or other process is levied or enforced upon the property of a Partner and is not discharged or stayed within 14 (fourteen) days; or
- (e) a Material Adverse Change occurs, as compared with a Partner's condition at the date of this Contract,

the Borrower shall promptly inform the Bank.

Upon receipt of such information, or if the Bank has reasonable cause to believe that any of the events listed above has occurred or is likely to occur, the Bank may demand that the Borrower consult with it. Such consultation shall take place within 15 (fifteen) days from the date of the Bank's request.

After the elapse of 15 (fifteen) days from the date of such a request, the Bank may immediately (i) suspend or cancel the undisbursed portion of the Credit and/or (ii) demand prepayment of the Loan, together with accrued interest and all other amounts accrued or outstanding under this Contract on the date indicated by the Bank in its notice to the Borrower; and/or (iii) demand the Borrower to provide or arrange for the provision of Security to the Bank in manner, form and substance satisfactory to the Bank.

4.3.A(7) MODIFICATION/LOSS-OF-LICENCE

If the Borrower is informed, or has reasonable grounds to believe that a Modification/Loss-of-Licence Event (as defined hereinafter) has occurred, or is likely to occur, the Borrower shall promptly inform the Bank. Upon receipt of such information, or, if earlier, in case a Modification/Loss-of-Licence Event has occurred or is about to occur, the Bank may demand that the Borrower consult with it. Such consultation shall take place within 30 (thirty) days from the date of the Bank's request and at a place agreed by the Parties.

If, after such consultation, or if otherwise, after the elapse of 30 (thirty) days from the date of request for such consultation from the Bank, the Bank is of the reasonable opinion that the Modification/Loss-of-Licence Event is likely to affect the financial position of the Borrower, its ability to complete the Project or negatively impact the servicing of the Loan, the Bank may by notice to the Borrower, forthwith cancel the Credit or demand prepayment of the Loan together with accrued interest and all other amounts accrued or outstanding under this Contract.

"Modification/Loss-of-Licence Event" shall mean that any of the concessions or permits to generate or distribute energy (as existing of the date of this Contract, or as acquired on any date thereafter) held by the Borrower is:

- (a) terminated, suspended or revoked or does not remain in full force and effect or otherwise expires;
- (b) repudiated by the relevant authority in the Republic of Iceland;
- (c) declared to be unlawful or contrary to regulation; or
- (d) materially adversely modified,



and in case of any such termination, suspension, revocation, repudiation or unlawfulness, any such permit has not been renewed, replaced or restored at the latest by the date of expiry thereof.

4.3.B Prepayment mechanics

Any sum demanded by the Bank pursuant to Article 4.3.A, together with any interest or other amounts accrued or outstanding under this Contract including, without limitation, any indemnity due under Article 4.3.C and Article 4.4, shall be paid on the date indicated by the Bank in its notice of demand.

4.3.C Prepayment indemnity

In the case of an Indemnifiable Prepayment Event, the indemnity, if any, shall be determined in accordance with Article 4.2.B.

4.4 General

A repaid or prepaid amount may not be reborrowed. This Article 4 shall not prejudice Article 10.

If the Borrower prepays a Tranche on a date other than a relevant Payment Date, the Borrower shall indemnify the Bank in such amount as the Bank shall certify is required to compensate it for receipt of funds otherwise than on a relevant Payment Date.

ARTICLE 5

Payments

5.1 Day count convention

Any amount due by way of interest, indemnity or fee from the Borrower under this Contract, and calculated in respect of a fraction of a year, shall be determined on the following respective conventions:

- (a) in respect of interest and indemnities due under a Fixed Rate Tranche, a year of 360 (three hundred and sixty) days and a month of 30 (thirty) days;
- (b) in respect of interest and indemnities due under a Floating Rate Tranche, a year of 360 (three hundred and sixty) days but 365 (three hundred and sixty-five) days (invariable) for GBP and the number of days elapsed; and
- (c) in respect of fees, a year of 360 (three hundred and sixty) days (but 365 (three hundred and sixty-five) days (invariable) for fees due in GBP) and the number of days elapsed.

5.2 Time and place of payment

Unless otherwise specified in this Contract or in the Bank's demand, all sums other than sums of interest, indemnity and principal are payable within 15 (fifteen) days of the Borrower's receipt of the Bank's demand.

Each sum payable by the Borrower under this Contract shall be paid to the relevant account notified by the Bank to the Borrower. The Bank shall notify the account not less than 15 (fifteen) days before the due date for the first payment by the Borrower and shall notify any change of account not less than 15 (fifteen) days before the date of the first payment to which the change applies. This period of notice does not apply in the case of payment under Article 10.

The Borrower shall indicate in each payment made hereunder the contract number ("*Fl nr*") found on the cover page of this Contract.

A sum due from the Borrower shall be deemed paid when the Bank receives it.

Any disbursements by and payments to the Bank under this Contract shall be made using account(s) acceptable to the Bank. For the avoidance of doubt, any account in the name of the Borrower held with a duly authorized financial institution in the jurisdiction where the Borrower is incorporated or where the Project is undertaken is deemed acceptable to the Bank.



5.3 No set-off by the Borrower

All payments to be made by the Borrower under this Contract shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

5.4 Disruption to Payment Systems

If either the Bank determines (in its discretion) that a Disruption Event has occurred or the Bank is notified by the Borrower that a Disruption Event has occurred:

- (a) the Bank may, and shall if requested to do so by the Borrower, consult with the Borrower with a view to agreeing with the Borrower such changes to the operation or administration of this Contract as the Bank may deem necessary in the circumstances;
- (b) the Bank shall not be obliged to consult with the Borrower in relation to any changes mentioned in paragraph (a) if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes; and
- (c) the Bank shall not be liable for any damages, costs or losses whatsoever arising as a result of a Disruption Event or for taking or not taking any action pursuant to or in connection with this Article 5.4.

5.5 Application of sums received

5.5.A General

Sums received from the Borrower shall only discharge its payment obligations if received in accordance with the terms of this Contract.

5.5.B Partial payments

If the Bank receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under this Contract, the Bank shall apply that payment:

- (a) first, in or towards payment pro rata of any unpaid fees, costs, indemnities and expenses due under this Contract;
- (b) secondly, in or towards payment of any accrued interest due but unpaid under this Contract;
- (c) thirdly, in or towards payment of any principal due but unpaid under this Contract; and
- (d) fourthly, in or towards payment of any other sum due but unpaid under this Contract.

5.5.C Allocation of sums related to Tranches

- (a) In case of:
 - (i) a partial voluntary prepayment of a Tranche that is subject to a repayment in several instalments, the Prepayment Amount shall be applied pro rata to each outstanding instalment, or, at the request of the Borrower, in inverse order of maturity; or
 - (ii) a partial compulsory prepayment of a Tranche that is subject to a repayment in several instalments, the Prepayment Amount shall be applied in reduction of the outstanding instalments in inverse order of maturity.
- (b) Sums received by the Bank following a demand under Article 10.1 and applied to a Tranche, shall reduce the outstanding instalments in inverse order of maturity. The Bank may apply sums received between Tranches at its discretion.
- (c) In case of receipt of sums which cannot be identified as applicable to a specific Tranche, and on which there is no agreement between the Bank and the Borrower on their application, the Bank may apply these between Tranches at its discretion.



ARTICLE 6

Borrower undertakings and representations

The undertakings in this Article 6 remain in force from the date of this Contract for so long as any amount is outstanding under this Contract or the Credit is in force.

6.1 Use of Loan and availability of other funds

The Borrower shall use all amounts borrowed by it under the Loan for the execution of the Project.

The Borrower shall ensure that it has available to it the other funds listed in Recital (b) and that such funds are used, to the extent required, on the financing of the Project.

6.2 Completion of Project

The Borrower shall carry out the Project in accordance with the Technical Description as may be modified from time to time with the approval of the Bank, and complete it by the final date specified therein.

6.3 Increased cost of Project

If the total cost of the Project exceeds the estimated figure set out in Recital (b), the Borrower shall obtain the finance to fund the excess cost without recourse to the Bank, so as to enable the Project to be completed in accordance with the Technical Description. The plans for funding the excess cost shall be communicated to the Bank without delay.

6.4 Procurement procedure

The Borrower shall purchase equipment, secure services and order works for the Project (a) in so far as they apply to it or to the Project, in accordance with the EEA Agreement that adopts EU Directives on procurement and (b) in so far as EEA Agreement does not apply, by procurement procedures which, to the satisfaction of the Bank, respect the criteria of economy and efficiency and, in case of public contracts, the principles of transparency, equal treatment and non-discrimination on the basis of nationality.

6.5 Continuing Project undertakings

The Borrower shall:

- (a) **Maintenance:** maintain, repair, overhaul and renew all property forming part of the Project as required to keep it in good working order;
- (b) **Project assets:** unless the Bank has given its prior consent in writing ensure that it or any of its Subsidiaries retain title to and possession of all or substantially all the assets comprising the Project or, as appropriate, replace and renew such assets and maintain the Project in substantially continuous operation in accordance with its original purpose; provided that the Bank may withhold its consent only where the proposed action would prejudice the Bank's interests as lender to the Borrower or would render the Project ineligible for financing by the Bank under its Statute or under article 309 of the Treaty on the Functioning of the European Union;
- (c) **Insurance:** insure all works and property forming part of the Project with first class insurance companies in accordance with the most comprehensive relevant industry practice;
- (d) **Rights and Permits:** maintain in force all rights of way or use and all Authorisations necessary for the execution and operation of the Project; and
- (e) **Environment:**
 - (i) implement and operate the Project in compliance with Environmental Law;
 - (ii) obtain and maintain requisite Environmental Approvals for the Project; and

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- (iii) comply with any such Environmental Approvals;
- (f) **Integrity:** take, within a reasonable timeframe, appropriate measures in respect of any member of its management bodies who has been convicted by a final and irrevocable court ruling of a Criminal Offence perpetrated in the course of the exercise of his/her professional duties, in order to ensure that such member is excluded from any Borrower's activity in relation to the Loan or the Project;
- (g) **Integrity Audit Rights:** ensure that all contracts under the Project to be procured after the date of signature of this Contract in accordance with EEA Agreement that adopts EU Directives on procurement provide for:
- (i) the requirement that the relevant contractor promptly informs the Bank of a genuine allegation, complaint or information with regard to Criminal Offences related to the Project;
 - (ii) the requirement that the relevant contractor keeps books and records of all financial transactions and expenditures in connection with the Project; and
 - (iii) the Bank's right, in relation to an alleged Criminal Offence, to review the books and records of the relevant contractor in relation to the Project and to take copies of documents to the extent permitted by law;
- (h) **EU law:** execute and operate the Project in accordance with the relevant laws of the Republic of Iceland and the relevant standards of EU law, save for any general derogation made by the European Union; and
- (i) **State aid:** ensure the implementation of the Project and delivery of the Guarantee Agreement is undertaken in compliance with State aid rules set out under the terms of the EEA Agreement, and in particular that the said implementation does not give rise to the grant of incompatible State aid to the Borrower, and shall, in the case of any doubt as to the existence of any such State aid, procure the notification of the relevant arrangements to the EFTA Surveillance Authority for the purpose of determining whether they give rise to the grant of incompatible State aid.

6.6 Disposal of assets

- (a) Except as provided below, the Borrower shall not, and shall procure that no other member of the Group will, either in a single transaction or in a series of transactions whether related or not and whether voluntarily or involuntarily dispose of any part of its assets.
- (b) Paragraph (a) above does not apply to any disposal of assets for fair market value and at arm's length:
- (i) the aggregate book value of which, during the life of the Loan, does not exceed 10% (ten per cent.) of the Borrower's consolidated fixed assets as reflected in the latest audited consolidated financial statements of the Borrower prior to signature of this Contract;
 - (ii) the sale of up to 49% (forty-nine per cent.) of the Borrower's shares in Gagnaveita Reykjavíkur ehf.; or
 - (iii) made with the prior written consent of the Bank,

in each case other than assets forming part of the Project pursuant to Article 6.5(b) and all shares in Subsidiaries holding assets forming part of the Project which may not be disposed of.

For the purposes of this Article, "**dispose**" and "**disposal**" includes any act effecting sale, transfer, lease or other disposal.

6.7 Compliance with laws

The Borrower and each Partner under the Guarantee Agreement and each member of the Group shall comply in all respects with all laws and regulations to which it or the Project is subject.



6.8 Change in business

The Borrower shall procure that no substantial change is made to the core business of the Borrower or the Group as a whole from that carried on at the date of this Contract.

6.9 Merger

The Borrower shall not and shall ensure that no other member of the Group will enter into any amalgamation, demerger, merger or corporate reconstruction, unless with the prior written consent of the Bank.

6.10 Dividends and share redemption

The Borrower shall ensure that no profit distribution, no payment of dividend and no other similar distribution (whether as share capital devolution, or issuance premium or otherwise, including any payment of interest, principal or in any other concept under any financing granted by the direct or indirect partners of the Borrower or similar payments including share-buy-backs) (a "**Distribution**") for an amount above 50% of annual net profits of the Borrower is made by the Borrower to a Partner nor any resolution for the Distribution is adopted by a Partner, unless every and all of the following conditions are met:

- (a) the Project completion report has been delivered to the Bank and to its satisfaction pursuant to Article 8.1(a)(i);
- (b) no event or circumstance which constitutes or would with the passage of time or giving of notice under this Contract constitute an Event of Default or a Prepayment Event, has occurred and is continuing unremedied or unwaived or would result from the distribution of the proposed Distribution;
- (c) during the time period (A) from the date of delivery of the most recent financial statements, based on which the last calculation of the financial covenants referred to in Article 6.11.A has been made (B) until the date of Distribution, no Material Adverse Change has occurred; and
- (d) the proposed Distribution is not an interim dividend payment.

6.11 Financial covenants

6.11.A Ratios

- (a) The Borrower shall procure that:
 - (i) for each Calculation Period ending prior to or on 31 December 2018:
 - (1) EBITDA to repayments of principal (excluding bullet repayments) on Interest Bearing Debt and Net Interest Paid of no less than 1:1;
 - (2) EBITDA to Net Interest of no less than 2:1; and
 - (3) Net Debt to EBITDA of less than 7.5:1; and
 - (ii) for each Calculation Period ending after 31 December 2018, :
 - (1) EBITDA to repayments of principal (excluding bullet repayments) on Interest Bearing Debt and Net Interest Paid of no less than 1:1;
 - (2) EBITDA to Net Interest of no less than 2:1; and
 - (3) Net Debt to EBITDA of less than 6.0:1.

The ratios in this Article 6.11.A shall be calculated annually on the Calculation Date on the basis of the Group's most recent audited consolidated annual accounts, prepared in accordance with IFRS, published by the Group submitted each year in accordance with Article 8.2(a).

(b) For the purpose of this Contract:

"**Calculation Date**" means:

- (i) 31 December of each calendar year; and
- (ii) the date falling fifteen (15) Business Days after receipt by a Borrower of a written notice from the Bank to that effect;

"**Calculation Period**" means the period of 12 (twelve) calendar months immediately preceding the relevant Calculation Date and ending on the Calculation Date;

"**EBITDA**" means earnings before interest, taxes, depreciation and amortization of the Group;

"**Interest Bearing Debt**" means without limitation any outstanding indebtedness of the Group arising out of any credit facility, debenture, bond, note, finance lease or any other transaction which has the commercial effect of borrowing;

"**Net Debt**" means the Interest Bearing Debt of the Group less the aggregate of (i) cash and cash equivalents (excluding restricted cash) and (ii) interest bearing receivables of the Group (for the avoidance of doubt, without double-counting);

"**Net Interest**" means the aggregate amount of the accrued interest, commission, fees, and other finance payments in respect of Debt, whether paid, payable or capitalised, less any interest income on cash deposits or cash accounts; and

"**Net Interest Paid**" means the aggregate amount of the accrued interest, commission, fees, and other finance payments in respect of Debt paid, less any interest income on cash deposits or cash accounts.

6.11.B Restrictions on subsidiary indebtedness

The Borrower shall ensure that the Subsidiary Financial Indebtedness must be lower than 10% (ten per cent) of Group Financial Indebtedness.

For the purposes of this Contract:

- (a) "**Group Financial Indebtedness**" shall mean the consolidated Interest Bearing Debt of the Group (excluding intra-Group arrangements); and
- (b) "**Subsidiary Financial Indebtedness**" shall mean the aggregate Interest Bearing Debt of each and every Subsidiary of the Borrower (excluding intra-Group arrangements).

6.12 Books and records

The Borrower shall ensure that it has kept and will continue to keep proper books and records of account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower, including expenditures in connection with the Project, in accordance with GAAP as in effect from time to time.

6.13 General Representations and Warranties

The Borrower represents and warrants to the Bank that:

- (a) it is duly incorporated and validly existing as a municipal partnership under the laws of the Republic of Iceland and remains governed by the OR Act and it has power to carry on its business as it is now being conducted and to own its property and other assets;
- (b) it has the power to execute, deliver and perform its obligations under this Contract and all necessary corporate, shareholder and other action has been taken to authorise the execution, delivery and performance of the same by it;
- (c) this Contract constitutes its legally valid, binding and enforceable obligations;
- (d) the execution and delivery of, the performance of its obligations under and compliance with the provisions of this Contract do not and will not contravene or conflict with:



- (i) any applicable law, statute, rule or regulation, or any judgement, decree or permit to which it is subject;
 - (ii) any agreement or other instrument binding upon it which might reasonably be expected to have a material adverse effect on its ability to perform its obligations under this Contract;
 - (iii) any provision of its statutes or the Partnership Agreement;
- (e) the aggregate liability of Partners under the Guarantee Agreement does not exceed 80% (eighty per cent.) of the financial need (*Ice. fjárþörf*) of the Project, the premium payable by the Borrower for the benefit of each Partner in respect of the Guarantee Agreement is determined in accordance with the OR Act and the Borrower is not in default with payment of any such premium;
 - (f) the latest available consolidated audited accounts of the Borrower have been prepared on a basis consistent with previous years and have been approved by its auditors as representing a true and fair view of the results of its operations for that year and accurately disclose or reserve against all the liabilities (actual or contingent) of the Group;
 - (g) there has been no Material Adverse Change since 3 May 2016;
 - (h) no event or circumstance which constitutes a Prepayment Event or an Event of Default has occurred and is continuing unremedied or unwaived;
 - (i) no litigation, arbitration, administrative proceedings or investigation is current or to its knowledge is threatened or pending before any court, arbitral body or agency which has resulted or if adversely determined is reasonably likely to result in a Material Adverse Change, nor is there subsisting against it or any of its subsidiaries any unsatisfied judgement or award;
 - (j) it has obtained all necessary Authorisations in connection with this Contract and in order to lawfully comply with its obligations hereunder, and the Project and all such Authorisations are in full force and effect and admissible in evidence;
 - (k) its payment obligations under this Contract rank not less than *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations under any of its debt instruments except for obligations mandatorily preferred by law applying to companies generally;
 - (l) it is in compliance with Article 6.5(e) and to the best of its knowledge and belief (having made due and careful enquiry) no Environmental Claim has been commenced or is threatened against it;
 - (m) it is in compliance with all undertakings under this Article 6;
 - (n) no loss-of-rating clause or financial covenant concluded with any other creditor of the Borrower are more restrictive than the ones contained in this Contract;
 - (o) to the best of its knowledge, no funds invested in the Project by the Borrower or by its controlling entities, or by another member of the Group are of illicit origin, including products of money laundering or linked to the financing of terrorism. The Borrower shall promptly inform the Bank if at any time it becomes aware of the illicit origin of any such funds;
 - (p) the choice of Luxembourg law as the governing law of this Contract will be recognised and enforced in its jurisdiction of incorporation; and
 - (q) any judgment obtained in Luxembourg in relation to this Contract will be recognised and enforced in its jurisdiction of incorporation.

The representations and warranties set out above shall survive the execution of this Contract and are, with the exception of the representation set out in paragraph (g) above, deemed repeated on each Disbursement Acceptance, Disbursement Date and on each Payment Date.

ARTICLE 7

Security

7.1 Guarantee Agreement

The obligations of the Bank under this Contract are conditional upon prior execution and delivery to the Bank of the Guarantee Agreement in form and substance satisfactory to the Bank. The Borrower hereby acknowledges and consents to the terms of the Guarantee Agreement.

7.2 Negative pledge

So long as any part of the Loan remains outstanding, the Borrower shall not and shall procure that no other member of the Group shall, without the prior written consent of the Bank create or permit to subsist any Security on, or with respect to, any of its present or future business, undertaking, assets or revenues.

Nothing in the above paragraph shall apply to any vendor's lien or other encumbrances on land or any other asset at the time of its acquisition, where such encumbrance only secures the payment of its purchase price provided that such security interest is removed or discharged within 90 (ninety) days of the date of acquisition of such asset.

For the purposes of this Article 7.2, without prejudice to paragraph 2 of this Clause 7.2, the term Security shall also include any arrangement or transaction on assets or receivables or money (such as the sale, transfer or other disposal of assets on terms whereby they are or may be leased to or re-acquired by the Borrower or any other member of the Group, the sale, transfer or otherwise dispose of any receivables on recourse terms or any arrangement under which money or the benefit of a bank account or other account may be applied or set-off or any preferential arrangement having a similar effect) in circumstances where the arrangement or transaction is entered into primarily as a method of raising credit or of financing the acquisition of an asset.

The Borrower represents that at the date of this Contract no Security exists over its assets.

7.3 Pari passu ranking

The Borrower shall ensure that its payment obligations under this Contract rank, and will rank, not less than *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations under any of its debt instruments except for obligations mandatorily preferred by law applying to companies generally.

7.4 Clauses by inclusion

If the Borrower or any other member of the Group concludes with any other financial creditor a financing agreement that includes a loss-of-rating clause or a covenant or other provision regarding its financial ratios, if applicable, that is not provided for in this Contract or is more favourable to the relevant financial creditor than any equivalent provision of this Contract is to the Bank, the Borrower shall promptly inform the Bank and shall provide a copy of the more favourable provision to the Bank. The Bank may request that the Borrower promptly executes an agreement to amend this Contract so as to provide for an equivalent provision in favour of the Bank.

ARTICLE 8

Information and Visits

8.1 Information concerning the Project

The Borrower shall:

- (a) deliver to the Bank:
 - (i) the information in content and in form, and at the times, specified in Schedule A.2 or otherwise as agreed from time to time by the parties to this Contract; and

- (ii) any such information or further document concerning the financing, procurement, implementation, operation and environmental matters of or for the Project as the Bank may reasonably require within a reasonable time;


provided always that if such information or document is not delivered to the Bank on time, and the Borrower does not rectify the omission within a reasonable time set by the Bank in writing, the Bank may remedy the deficiency, to the extent feasible, by employing its own staff or a consultant or any other third party, at the Borrower's expense and the Borrower shall provide such persons with all assistance necessary for the purpose;

- (b) submit for the approval of the Bank without delay any material change to the Project, also taking into account the disclosures made to the Bank in connection with the Project prior to the signing of this Contract, in respect of, inter alia, the price, design, plans, timetable or to the expenditure programme or financing plan for the Project;
- (c) promptly inform the Bank of:
 - (i) any action or protest initiated or any objection raised by any third party or any genuine complaint received by the Borrower or any Environmental Claim that is to its knowledge commenced, pending or threatened against it with regard to environmental or other matters affecting the Project; and
 - (ii) any fact or event known to the Borrower, which may substantially prejudice or affect the conditions of execution or operation of the Project;
 - (iii) a genuine allegation, complaint or information with regard to Criminal Offences related to the Project;
 - (iv) any non-compliance by it with any applicable Environmental Law; and
 - (v) any suspension, revocation or modification of any Environmental Approval,and set out the action to be taken with respect to such matters; and
- (d) provide to the Bank, if so requested:
 - (i) a certificate of its insurers showing fulfilment of the requirements of Article 6.5(c);
 - (ii) annually, a list of policies in force covering the insured property forming part of the Project, together with confirmation of payment of the current premiums.

8.2 Information concerning the Borrower

The Borrower shall:

- (a) deliver to the Bank:
 - (i) as soon as they become available but in any event within 180 (one hundred and eighty) days after the end of each of its financial years its audited consolidated and unconsolidated annual report, balance sheet, profit and loss account and auditors report for that financial year together with a Compliance Certificate as set out in Schedule F.2 signed by two authorised persons on behalf of the Borrower (provided that at least one of such persons be the Group's CFO or its CEO) reported on by the Borrower's auditors, confirming compliance by the Borrower with the financial covenants pursuant to Article 6.11.A and with evidence of such compliance and related calculations;
 - (ii) no later than 4 (four) months after the end of the previous financial year, in each current financial year a forecast for the next 12 (twelve) month period of the financial covenants pursuant to Article 6.11.A(ii); and
 - (iii) from time to time, such further information on its general financial situation as the Bank may reasonably require or such certificates of compliance with the undertakings of Article 6 as the Bank may deem necessary; and

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- (b) inform the Bank immediately of:
- (i) any material alteration to its constitutional documents (including but not limited to the Partnership Agreement) or its shareholding structure and of any change of ownership of 5% (five per cent.) or more of its partnership interests after the date of this Contract.
 - (ii) any material modification of the OR Act or a legal requirement directly relating to its business activities, including but not limited to any licence under which the Borrower operates, and of any proposal or decision known to it which envisages the introduction of such alteration or modification;
 - (iii) any fact which obliges it to prepay any financial indebtedness or any European Union funding;
 - (iv) any event or decision that constitutes or may result in a Prepayment Event;
 - (v) any intention on its part to grant any Security over any of its assets in favour of a third party;
 - (vi) any intention on its part to sell, transfer, lease or otherwise dispose of its assets and which could trigger a breach of Article 6.6;
 - (vii) any intention on its own or any of its Subsidiaries, as applicable, part to relinquish ownership of any material component of the Project;
 - (viii) any fact or event that is reasonably likely to prevent the substantial fulfilment of any obligation of the Borrower under this Contract;
 - (ix) any Event of Default having occurred or being threatened or anticipated;
 - (x) to the extent permitted by law, any material litigation, arbitration, administrative proceedings or investigation carried out by a court, administration or similar public authority, which, to the best of its knowledge and belief, is current, imminent or pending against the Borrower or its controlling entities or members of the Borrower's management bodies in connection with Criminal Offences related to the Loan or the Project;
 - (xi) any measure taken by the Borrower pursuant to Article 6.5(f) of this Contract; and
 - (xii) any litigation, arbitration or administrative proceedings or investigation which is current, threatened or pending and which might if adversely determined result in a Material Adverse Change.

8.3 Visits by the Bank

The Borrower shall allow persons designated by the Bank, as well as persons designated by other institutions or bodies of the European Union when so required by the relevant mandatory provisions of European Union law,

- (a) to visit the sites, installations and works comprising the Project,
- (b) to interview representatives of the Borrower, and not obstruct contacts with any other person involved in or affected by the Project; and
- (c) to review the Borrower's books and records in relation to the execution of the Project and to be able to take copies of related documents to the extent permitted by the law.

The Borrower shall provide the Bank, or ensure that the Bank is provided, with all necessary assistance for the purposes described in this Article.

The Borrower acknowledges that the Bank may be obliged to communicate information relating to the Borrower and the Project to any competent institution or body of the European Union in accordance with the relevant mandatory provisions of European Union law.

ARTICLE 9
Charges and expenses

9.1 Taxes, duties and fees

The Borrower shall pay all Taxes, duties, fees and other impositions of whatsoever nature, including stamp duty and registration fees, arising out of the execution or implementation of this Contract or any related document and in the creation, perfection, registration or enforcement of the Guarantee Agreement or any Security for the Loan to the extent applicable.

The Borrower shall pay all principal, interest, indemnities and other amounts due under this Contract gross without deduction of any national or local impositions whatsoever; provided that, if the Borrower is obliged to make any such deduction, it will gross up the payment to the Bank so that after deduction, the net amount received by the Bank is equivalent to the sum due.

9.2 Other charges

The Borrower shall bear all charges and expenses, including professional, banking or exchange charges incurred in connection with the preparation, execution, implementation, enforcement and termination of this Contract or the Guarantee Agreement, any related document, any amendment, supplement or waiver in respect of this Contract or any related document, and in the amendment, creation, management, enforcement and realisation of the Guarantee Agreement or any security for the Loan.

9.3 Increased costs, indemnity and set-off

- (a) The Borrower shall pay to the Bank any sums or expenses incurred or suffered by the Bank as a consequence of the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or compliance with any law or regulation made after the date of signature of this Contract, in accordance with or as a result of which (i) the Bank is obliged to incur additional costs in order to fund or perform its obligations under this Contract, or (ii) any amount owed to the Bank under this Contract or the financial income resulting from the granting of the Credit or the Loan by the Bank to the Borrower is reduced or eliminated.
- (b) Without prejudice to any other rights of the Bank under this Contract or under any applicable law, the Borrower shall indemnify and hold the Bank harmless from and against any loss incurred as a result of any payment or partial discharge that takes place in a manner other than as expressly set out in this Contract.
- (c) The Bank may set off any matured obligation due from the Borrower under this Contract (to the extent beneficially owned by the Bank) against any matured obligation owed by the Bank to the Borrower regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Bank may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

ARTICLE 10
Events of Default

10.1 Right to demand repayment

The Borrower shall repay all or part of the Loan (as requested by the Bank) forthwith, together with accrued interest and all other accrued or outstanding amounts under this Contract, upon written demand being made by the Bank in accordance with the following provisions.

10.1.A Immediate demand

The Bank may make such demand immediately:

- (a) if the Borrower does not pay on the due date any amount payable pursuant to this Contract at the place and in the currency in which it is expressed to be payable, unless (i) its failure to pay is caused by an administrative or technical error or a Disruption Event and (ii) payment is made within 3 (three) Business Days of its due date;
- (b) if any information or document given to the Bank by or on behalf of the Borrower or a Partner or any representation, warranty or statement made or deemed to be made by the Borrower in or pursuant to this Contract or in connection with the negotiation or performance of this Contract is or proves to have been incorrect, incomplete or misleading in any material respect;
- (c) if, following any default of the Borrower, any other member of the Group or the City of Reykjavík in relation to any loan, or any obligation arising out of any financial transaction, other than the Loan:
 - (i) the Borrower or any other member of the Group or the City of Reykjavík is required or is capable of being required or will, following expiry of any applicable contractual grace period, be required or be capable of being required to prepay, discharge, close out or terminate ahead of maturity such other loan or obligation; or
 - (ii) any financial commitment for such other loan or obligation is cancelled or suspended;
- (d) if the Borrower, any member of the Group or the City of Reykjavík is unable to pay its debts as they fall due, or suspends its debts, or makes or seeks to make a composition with its creditors;
- (e) if any action, legal proceedings or other procedure or step is taken in relation to or an order is made or an effective resolution is passed for the winding up of the Borrower or any member of the Group, or if the Borrower or any member of the Group takes steps towards a substantial reduction in its capital, is declared insolvent or ceases or resolves to cease to carry on the whole or any substantial part of its business or activities;
- (f) if an encumbrancer takes possession of, or a receiver, liquidator, administrator, administrative receiver or similar officer is appointed, whether by a court of competent jurisdiction or by any competent administrative authority or by any person, of or over, any part of the business or assets of the Borrower or any member of the Group, the City of Reykjavík (including but not limited to any supervisory committee (*Eftirlitsnefnd með fjármálum sveitarfélaga*) and guardianship committee (*fjárhaldsstjórn*) under the Municipal Act (138/2011)) or any property forming part of the Project;
- (g) if the Borrower or any member of the Group or the City of Reykjavík defaults in the performance of any obligation in respect of any other loan granted by the Bank or financial instrument entered into with the Bank;
- (h) if the Borrower or any member of the Group or the City of Reykjavík defaults in the performance of any obligation in respect of any other loan made to it from the resources of the Bank or the European Union;
- (i) if any distress, execution, sequestration or other process is levied or enforced upon the property of the Borrower, the City of Reykjavík or any property forming part of the Project and is not discharged or stayed within 14 (fourteen) days;
- (j) if a Material Adverse Change occurs, as compared with the Borrower's or the City of Reykjavík condition at the date of this Contract;
- (k) if it is or becomes unlawful for the Borrower to perform any of its obligations under this Contract or other transactional documents or this Contract other transactional documents is not effective in accordance with its terms or is alleged by the Borrower to be ineffective in accordance with its terms; or



- (l) if it is or becomes unlawful for a Partner to perform any of its obligations under the Guarantee Agreement or the Guarantee Agreement is not effective in accordance with the OR Act, is alleged by a Partner to be ineffective in accordance with the OR Act or any Partner revokes its consent to the Guarantee Agreement or such consent otherwise ceases to be effective.

10.1.B Demand after notice to remedy

The Bank may also make such demand:

- (a) if the Borrower fails to comply with any obligation under this Contract not being an obligation mentioned in Article 10.1.A or a Partner fails to comply with any obligation under the Guarantee Agreement; or
- (b) if any fact related to the Borrower or the Project stated in the Recitals materially alters and is not materially restored and if the alteration either prejudices the interests of the Bank as lender to the Borrower or adversely affects the implementation or operation of the Project,

unless the non-compliance or circumstance giving rise to the non-compliance is capable of remedy and is remedied within a notice served by the Bank on the Borrower.

10.2 Other rights at law

Article 10.1 shall not restrict any other right of the Bank at law to require prepayment of the Loan.

10.3 Indemnity

10.3.A Fixed Rate Tranches

In case of demand under Article 10.1 in respect of any Fixed Rate Tranche, the Borrower shall pay to the Bank the amount demanded together with the Prepayment Indemnity on any amount of principal due to be prepaid. Such Prepayment Indemnity shall accrue from the due date for payment specified in the Bank's notice of demand and be calculated on the basis that prepayment is effected on the date so specified.

10.3.B Floating Rate Tranches

In case of demand under Article 10.1 in respect of any Floating Rate Tranche, the Borrower shall pay to the Bank the amount demanded together with a sum equal to the present value of 0.15% (fifteen basis points) per annum calculated and accruing on the amount of principal due to be prepaid in the same manner as interest would have been calculated and would have accrued, if that amount had remained outstanding according to the original amortisation schedule of the Tranche, until the Interest Revision/Conversion Date, if any, or the Maturity Date.

The value shall be calculated at a discount rate equal to the Redeployment Rate applied as of each relevant Payment Date.

10.3.C General

Amounts due by the Borrower pursuant to this Article 10.3 shall be payable on the date of prepayment specified in the Bank's demand.

10.4 Non-Waiver

No failure or delay or single or partial exercise by the Bank in exercising any of its rights or remedies under this Contract shall be construed as a waiver of such right or remedy. The rights and remedies provided in this Contract are cumulative and not exclusive of any rights or remedies provided by law.

ARTICLE 11

Law and jurisdiction, miscellaneous

11.1 Governing Law

This Contract and any non-contractual obligations arising out of or in connection with it shall be governed by the laws of Grand Duchy of Luxembourg.

11.2 Jurisdiction

- (a) The courts of Luxembourg-City have exclusive jurisdiction to settle any dispute arising out of or in connection with this Contract (including a dispute regarding the existence, validity or termination of this Contract or the consequences of its nullity) or any non-contractual obligation arising out of or in connection with this Contract.
- (b) The parties agree that the courts of Luxembourg-City are the most appropriate and convenient courts to settle the disputes between them and, accordingly, that they will not argue to the contrary.
- (c) This Article 11.2 (Jurisdiction) is for the benefit of the Bank only. As a result and notwithstanding Article 11.2(a) (Jurisdiction), it does not prevent the Bank from taking proceedings relating to a dispute (including a dispute relating to the existence, validity or termination hereof or any non-contractual obligation arising out of or in connection with this Contract) in any other courts with jurisdiction. To the extent allowed by law, the Bank may take concurrent proceedings in any number of jurisdictions.

11.3 Place of performance

Unless otherwise specifically agreed by the Bank in writing, the place of performance under this Contract, shall be the seat of the Bank.

11.4 Evidence of sums due

In any legal action arising out of this Contract the certificate of the Bank as to any amount or rate due to the Bank under this Contract shall, in the absence of manifest error, be prima facie evidence of such amount or rate.

11.5 Invalidity

If at any time any term of this Contract is or becomes illegal, invalid or unenforceable in any respect, or this Contract is or becomes ineffective in any respect, under the laws of any jurisdiction, such illegality, invalidity, unenforceability or ineffectiveness shall not affect:

- (a) the legality, validity or enforceability in that jurisdiction of any other term of this Contract or the effectiveness in any other respect of this Contract in that jurisdiction; or
- (b) the legality, validity or enforceability in other jurisdictions of that or any other term of this Contract or the effectiveness of this Contract under the laws of such other jurisdictions.

11.6 Amendments

Any amendment to this Contract shall be made in writing and shall be signed by the parties hereto.

11.7 Counterparts

This Contract may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.



ARTICLE 12

Final clauses

12.1 Notices to either party

Notices and other communications given under this Contract addressed to either party to this Contract shall be made to the address or e-mail address as set out below, or to such other address or e-mail address as a party previously notifies to the other in writing:

For the Bank	Attention: Operations 100 boulevard Konrad Adenauer L-2950 Luxembourg Facsimile no.: +352 4379 67499 E-mail: OPS_BSNE-4_Rap@eib.org
For the Borrower	Attention: Finance department Baejarhalsi 1 ISL- 110 Reykjavik Iceland E-mail: settlements@or.is

12.2 Form of notice

Any notice or other communication given under this Contract must be in writing.

Notices and other communications, for which fixed periods are laid down in this Contract or which themselves fix periods binding on the addressee, may be made by hand delivery, registered letter or by e-mail. Such notices and communications shall be deemed to have been received by the other party on the date of delivery in relation to a hand-delivered or registered letter or on the date when the e-mail is sent in relation to an e-mail message from the Bank to the Borrower or when confirmed by return e-mail by an authorised officer of the Bank to have been received in readable form, in the case of an e-mail sent by the Borrower to the Bank.

Other notices and communications may be made by hand delivery, registered letter or, to the extent agreed by the parties by written agreement, by e-mail or other electronic communication.

Without affecting the validity of any notice delivered by e-mail according to the paragraphs above, a copy of each notice delivered by e-mail shall also be sent by letter to the relevant party on the next following Business Day at the latest.

Notices issued by the Borrower pursuant to any provision of this Contract shall, where required by the Bank, be delivered to the Bank together with satisfactory evidence of the authority of the person or persons authorised to sign such notice on behalf of the Borrower and the authenticated specimen signature of such person or persons.

12.3 Changes to parties

The Borrower may not assign or transfer any of its rights or obligations under this Contract without the prior written consent of the Bank.

The Bank may assign all or part of its rights and benefits or transfer (by way of novation, sub-participation or otherwise) all or part of its rights, benefits and obligations under this Contract.



12.4 **Recitals, Schedules and Annex**

The Recitals and following Schedules form part of this Contract:

Schedule A	Project Specification and Reporting
Schedule B	Definitions of EURIBOR and LIBOR
Schedule C	Forms for Borrower
Schedule D	Interest Rate Revision and Conversion
Schedule E	Conversion of Currency
Schedule F	Certificates to be provided by the Borrower

The following Annexes are attached hereto:

Annex I	Resolution of Board of Directors of Borrower and Authorisation of Signatory
Annex II	Copies of Constitutional Documents of the Borrower

IN WITNESS WHEREOF the parties hereto have caused this Contract to be executed in 3 (three) originals in the English language and have respectively caused the undersigned or their representatives to initial each page of this Contract on their behalf.

At Reykjavik, this 14th day of December 2016,

At Luxembourg, this 15th day of December 2016.

Signed for and on behalf of
EUROPEAN INVESTMENT BANK

Signed for and on behalf of
ORKUVEITA REYKJAVÍKUR



Eric Gällstad Hanna Karczewska



Bjarni Bjarnason

Project Specification and Reporting

A.1 Technical Description (Article 6.2)

Purpose, Location

The Project is a programme of investments comprising extension works on two geothermal power plants outside Reykjavik and refurbishments of the district heating system and electricity distribution system in Reykjavik.

Description

The Project comprises extension works on two geothermal power plants outside Reykjavik and refurbishments of the district heating system and electricity distribution system in Reykjavik. The extensions at the Hellisheiði and Nesjavellir power plants are done to sustain production levels by drilling additional wells and to meet environmental requirements by increasing re-injection.

At Nesjavellir three re-injection wells at 400-600 m depths and two make-up wells will be drilled. A cooling tower for one condenser will be built and one turbine rotor will be refurbished by re-welding in-wear sealing surfaces and installing new turbine blades.

At Hellisheiði two unused production wells will be converted for re-injection and one new re-injection well and 4 new make-up wells will be drilled. Additionally a 5 km-long pipe line will be installed from the Hverahlíð field to maintain maximum capacity. A gas separation station will be built at industrial scale for reducing the H₂S concentration in the atmosphere by injecting the H₂S down into the geothermal reservoir.

According to geothermal reservoir models, a minimum of one make-up well per year must be drilled to sustain the production of the power plant. In 2016, two wells are planned, after that one well per year (2017-2018). In 2018, a 5 km-long water pipe line must be installed from the Hverahlíð field due to drilling of new wells in the field and maximum capacity of existing pipes will be met.

The district heating investments comprise some 30 km of new and renewed piping, pumps and tanks. The electricity distribution investments comprise some 30 km of new or renewed underground cables, one new medium-voltage substation, additional transformer capacity and a new SCADA-system. This represents about 1% addition to the current assets.

New meters to comply with EU directives are also implemented in both heat and electricity distribution. Over the project period 40 000 flow meters for hot water consumption and 7 000 electricity meters will be deployed.

The individual investments are listed in Tables A.1.1- A.1.4. These shall be updated annually and presented to the Bank.

Calendar

The Project will be implemented between 01.01.2015 and 31.12.2018.



Table A1.1 List of individual sub-projects

Sector	Projects	Technical details
District heating	Renewal of supply to Akranes and Borgarbyggd, from Deildartunga	2014 - 600m DN 450 pre insulated steel pipes
		2015 - 3000m DN 400 pre insulated steel pipes
		2016 - 3000m DN 450 pre insulated steel pipes
		2017 - 3500m DN 450 pre insulated steel pipes
		2018 - 4000m DN 450 pre insulated steel pipes
	Renewal of the supply to Reykjavik from Mosfellsbær	2014 - 2x400m DN 700 pre insulated steel pipes
		2015 - 450m DN 700 pre insulated steel pipes
		2016 - 2x450m DN 700 pre insulated steel pipes
		2017 - 2x500m DN 700
	2018 - 1x750m DN 700 & 1x750m DN 450 pre insulated steel pipes	
Renewal of the supply to Kjalarnes from Mosfellsbær	2017- 1500m DN300 pre insulated steel pipes 2018- 1500m DN300 pre insulated steel pipes	
Renewal of the supply Hafnarfjarðaræð from Reykjavik	2018- 550m DN 700 pre insulated steel pipes	
Installation of piping and equipment in the distribution system	First phase: district of Árbær and Ártúnsholt to be designed in detail in 2016, construction 2017 -2018.	
New booster pumps	2015 design 2016 -2017 construction of booster pump building and installation of equipment.	
Construction of a tank in Akranes	6400 m3 tank - securing service for at least 16 hours at the busiest periods in case of main pipe failure.	
Renewal of the supply to Þorlákshöfn from Bakki geothermal field	2016-2017 - 7000m DN 250 pre insulated steel pipes.	
Renewing flow meters	8,000 meters per year, totalling 40,000 meters.	
Renewing electricity meters	1,000–1,500 meters per year, totalling 7,000 meters.	
Electricity distribution	New main substation in Akranes	Voltage level in the station is from 66 kV to 11kV. Equipped with two transformers respectively 25 MVA and 16 MVA (66/11 kV). 2014 – 2015 Construction of building 2016 - installation of equipment, start of operation.
	New transformers in main power substations.	Three existing transformers and switches/breakers will be replaced in two substations. 40 MVA power transformers will be installed instead of 25 MVA power transformers (132/11 kV).
	Renewal of equipment in distribution stations.	Renewal of transformers, 11 kV circuit breakers and low voltage cubicles.
	New distribution stations	Construction of new buildings and installation of equipment (transformers, 11kV circuit breakers and low voltage cubicles) for the stations.
	New SCADA	Renewal of the existing Scada system from 1996 and installation of new DMS system as a part of the new scada system.
	Kjalarnes-line renewal	Approximately 15 km of lines at 11 kV.
	Renewal of 11kV underground cables	14 km





Nesjavellir geothermal plant	Re-injection	2014 and 2015 Drilling three re-injection wells at Nesjavellir injections field. 2016 Expand the re- injections system by connecting it to unused production well.
	Steam production well	2015 Drill a new borehole with workover is planned in 2016 to reach target depth. 2018 additional make-up well.
	Cooling Tower	Build a cooling tower for cooling down the condenser for unit nr. 3.
	Power station renewal of rotors	Refurbish one turbine rotor from Nesjavellir .
Hellisheiði geothermal plant	Re-injection	2014 Stimulating the existing re-injection wells with cold water. Connect two unused production wells to the injection supply with DN 350 pipeline. 2015 Stimulating two re-injection wells with cold water. Open old plugged wells and connect it to the re-injection supply. Drill new examples borehole for inspections. Carry out a tracer test to confirm the flow behavior of the injections fluid. 2016 Workover of an existing reinjection well or drilling of new well. Implement infield re-injection in the production fields by inject in unused production wells.
	Environmental projects	2014 Build a gas separation station at industrial scale according to the "SulFix" plan. 2015 -2017 extend the "Sulfix" station.
	Connection of pipeline from Hverahlíð	Install a 5,5 km-long DN 1000 steel steam pipeline and 5 km-long DN 600 steel water pipeline from Hverahlíð to Hellisheiði. Build a separation station and pumping station at Hverahlíð and connecting the pipes at both ends. Commissioning is planned in 2016.
	Make-up wells	In 2016, two wells are planned, after that one well per year (2017-2018). In 2018, a 5 km-long water pipe line is installed from the Hverahlíð.



Table A1.2: Breakdown of project costs for district heating schemes

Projects	2014		2015		2016		2017		2018		Total	
	prediction	real	prediction	real	prediction	real	prediction	real	prediction	real	prediction	real
Renewal of supply to Akranes and Borgarbyggð, Deildartunga from	47,000,000		210,000,000		200,000,000		300,000,000		350,000,000		1,107,000,000	
Renewal of the supply to Reykjavik from Mostellsbær.	109,000,000		100,000,000		180,000,000		220,000,000		170,000,000		779,000,000	
Renewal of the supply to Kjalarnes from Mostellsbær	6,000,000		0		0		100,000,000		100,000,000		206,000,000	
Renewal of the supply from Hafnarfjarðaræð Reykjavik									110,000,000		110,000,000	
Installation of piping and equipment in the distribution system	0		0		15,000,000		150,000,000		235,000,000		400,000,000	
New booster pumps	0		15,000,000		100,000,000		200,000,000				315,000,000	
Renewal of the supply to Þorlákshöfn from Bakki geothermal field					200,000,000		200,000,000				400,000,000	
Renewing flow meters			108,000,000		175,000,000		175,000,000		175,000,000		633,000,000	
Total (ISK)	162,000,000		433,000,000		870,000,000		1,345,000,000		1,140,000,000		3,950,000,000	

Table A1.3: Breakdown of project costs for power distribution schemes

Projects	2014		2015		2016		2017		2018		Total	
					prediction	real	prediction	real	prediction	real	prediction	real
Renewing electricity meters					40,000,000		40,000,000		40,000,000		120,000,000	
New main substation in Akranes	50,000,000		350,000,000		120,000,000		0				520,000,000	
New transformers in main power substations	0	0	0		120,000,000		200,000,000		270,000,000		590,000,000	
Renewal of equipment in distribution stations	0	80,000,000			90,000,000		175,000,000		175,000,000		520,000,000	
New distribution stations	20,000,000		135,000,000		130,000,000		130,000,000				415,000,000	
New SCADA	65,000,000		55,000,000		50,000,000		0				170,000,000	
Kjalarnes-line renewal	55,000,000		60,000,000		0		50,000,000				165,000,000	
Renewal of 11kV underground cables			50,000,000		100,000,000		110,000,000		110,000,000		370,000,000	
Total (ISK)	190,000,000		730,000,000		650,000,000		705,000,000		595,000,000		2,870,000,000	

Table A1.4: Breakdown of project costs for geothermal generation schemes

Projects	2014		2015		2016		2017		2018		Total	
	prediction	real	prediction	real	prediction	real	prediction	real	prediction	real	prediction	real
Nesjavellir - Re-injection	90,000,000		240,000,000		80,000,000		0				410,000,000	
Nesjavellir - Steam production well	0		440,000,000		200,000,000		0		800,000,000		1,440,000,000	
Nesjavellir - Cooling Tower	0		0		0		600,000,000				600,000,000	
Hellisheiði - Re-injection	40,000,000		130,000,000		320,000,000		605,000,000		50,000,000		1,145,000,000	
Hellisheiði - Environmental projects	290,000,000		164,000,000		205,000,000		100,000,000				759,000,000	
Hellisheiði - Connection of pipeline from Hverahlíð	750,000,000		2,655,000,000		100,000,000		0				3,505,000,000	
Hellisheiði - make-up wells	0		750,000,000		1,500,000,000		750,000,000		1,550,000,000		4,550,000,000	
Total (ISK)	1,170,000,000		4,379,000,000		2,405,000,000		2,055,000,000		2,400,000,000		12,409,000,000	

A.2 Information Duties under Article 8.1(a)

1. Dispatch of information: designation of the person responsible

The information below has to be sent to the Bank under the responsibility of:

	Financial Contact	Technical Contact
Company	<i>Orkurveita Reykjavíkur</i>	<i>Orkurveita Reykjavíkur</i>
Contact person	<i>Brynja Kolbrún Pétursdóttir</i>	<i>Jakob Sigurður Friðriksson</i>
Title	<i>Head of Treasury and Planning</i>	<i>Business Development Manager</i>
Function / Department financial and technical	<i>Finance</i>	<i>Finance</i>
Address	<i>Bæjarhálsi 1, 110 Rykjavik, Iceland</i>	<i>Bæjarhálsi 1, 110 Rykjavik, Iceland</i>
Phone	<i>+354 516 6318</i>	<i>+354 516 7720</i>
Fax		
E-mail	<i>brynjakp@or.is</i>	<i>Jakob.fridriksson@or.is</i>

The above-mentioned contact person(s) is (are) the responsible contact(s) for the time being. The Borrower shall inform the Bank immediately in case of any change.

2. Information on the Project's implementation

The Borrower shall deliver to the Bank the following information on project progress during implementation at the latest by the deadline indicated below.

Document / information	Deadline	Frequency of reporting
<p>Project Progress Report</p> <ul style="list-style-type: none"> - <i>An update on the overall implementation progress for the major components, including the progress (percentage) of individual items;</i> - <i>Explaining the reasons for any significant change in comparison to technical description given in Annex A1 to the Finance Contract;</i> - <i>An update of date of start and completion of works for each of the main project's components, explaining reasons for any possible delay in comparison to original time schedule given in Annex A1 to the Finance Contract;</i> - <i>An update of Tables A.1.1 to A1.4 given in Annex A1 to the Finance Contract, explaining reasons for any possible cost increases vs. initial budgeted cost;</i> - <i>Amount of heat (hot water) and electricity produced at the Hellisheiði and Nesjavellir geothermal power plants during the last calendar year;</i> - <i>Gross amount of heat (hot water) and electricity consumed in the distribution areas during the last calendar year;</i> - <i>Number of new meters installed;</i> - <i>Any legal action concerning the Project that has or may be on-going or expected;</i> <p><i>A description of any major environmental and social issues.</i></p>	<p><i>31.3.2017</i> <i>31.3.2018</i></p>	<p><i>Annual</i></p>



3. Information on the end of works and first year of operation

The Borrower shall deliver to the Bank the following information on project completion and initial operation at the latest by the deadline indicated below.

Document / information	Date of delivery to the Bank
<p>Project Completion Report, including</p> <p>Project implementation</p> <ul style="list-style-type: none"> - The date of start and completion of works for each of the Project's main components, explaining reasons for any possible delay in comparison to original time schedule given in Annex A1 to the Finance Contract; - The final update of Tables A.1.1, A.1.2 and A.1.3 given in Annex A1 to the Finance Contract, explaining reasons for any possible cost increases vs. initial budgeted cost; - The number of new jobs created by the project: both jobs during implementation (in person-year) and permanent new jobs created (full time equivalent); - Confirmation that procurement of all contracts has occurred in line with EU directives/EIB guide to procurement; - Any legal action concerning the Project that has or may be on-going or expected. <p>Technical scope and characteristics</p> <ul style="list-style-type: none"> - A description of the technical characteristics of the Project as completed; - Explaining the reasons for any significant change in comparison to technical description given in Annex A1 to the Finance Contract; - Final installed capacity, explaining reasons for any deviation from original forecast; - Number of new connections to the heating and the electricity distribution systems; - Area of heated network connected to the district heating network; - Number of new meters installed; <p>Operational</p> <ul style="list-style-type: none"> - Project's first year operation data, including heat and power generation, heat and power consumption, losses in the systems, explaining reasons for any deviation from original forecast for the first year of operation as well as future outlook for operations; - Describe any differences between the planned operation expenditures and the actual incurred as well as future outlook for operations; - Service reliability (outages reduction) on the networks for the past 5 years; - Any significant issue that has occurred or any significant risk that may affect the project's operation; - Statistics on the project's health and safety performance during implementation and first year of operation (in total days of absence from work for each case); <p>Market and regulatory environment</p> <ul style="list-style-type: none"> - Any changes in regulations that have or may have an impact on the Project; - Update on the market situation in the county, supply/demand balance, demand developments during implementation; - Any changes in financial benefits of the Project; 	<p>31.3.2020</p>



<p>Environmental and social aspects</p> <ul style="list-style-type: none">- Describe the main environmental and social impacts during implementation and residual impacts;- An update on the status of mitigation and compensation measures that were foreseen as part of the project;- Confirmation that the Project has been implemented and operated in compliance with requirements under respective permits.	
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Language of reports	<i>English</i>
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Definitions of EURIBOR and LIBOR**A. EURIBOR**

"EURIBOR" means:

- (a) in respect of a relevant period of less than one month, the Screen Rate (as defined below) for a term of one month;
- (b) in respect of a relevant period of one or more months for which a Screen Rate is available, the applicable Screen Rate for a term for the corresponding number of months; and
- (c) in respect of a relevant period of more than one month for which a Screen Rate is not available, the rate resulting from a linear interpolation by reference to two Screen Rates, one of which is applicable for a period next shorter and the other for a period next longer than the length of the relevant period,

(the period for which the rate is taken or from which the rates are interpolated being the "**Representative Period**").

For the purposes of paragraphs (b) and (c) above:

"**available**" means the rates, for given maturities, that are calculated and published by Global Rate Set Systems Ltd (GRSS), or such other service provider selected by the European Money Markets Institute (EMMI), under the sponsorship of EMMI and EURIBOR ACI, or any successor to that function of EMMI and EURIBOR ACI as determined by the Bank; and

"**Screen Rate**" means the rate of interest for deposits in EUR for the relevant period as published at 11h00, Brussels time, or at a later time acceptable to the Bank on the day (the "**Reset Date**") which falls 2 (two) Relevant Business Days prior to the first day of the relevant period, on Reuters page EURIBOR 01 or its successor page or, failing which, by any other means of publication chosen for this purpose by the Bank.

If such Screen Rate is not so published, the Bank shall request the principal euro-zone offices of four major banks in the euro-zone, selected by the Bank, to quote the rate at which EUR deposits in a comparable amount are offered by each of them as at approximately 11h00, Brussels time, on the Reset Date to prime banks in the euro-zone interbank market for a period equal to the Representative Period. If at least 2 (two) quotations are provided, the rate for that Reset Date will be the arithmetic mean of the quotations.

If fewer than 2 (two) quotations are provided as requested, the rate for that Reset Date will be the arithmetic mean of the rates quoted by major banks in the euro-zone, selected by the Bank, at approximately 11h00, Brussels time, on the day which falls 2 (two) Relevant Business Days after the Reset Date, for loans in EUR in a comparable amount to leading European banks for a period equal to the Representative Period.

If no rate is available as provided above, EURIBOR shall be the rate (expressed as a percentage rate per annum) which is determined by the Bank to be the all-inclusive cost to the Bank for the funding of the relevant Tranche based upon the then applicable internally generated Bank reference rate or an alternative rate determination method reasonably determined by the Bank.

B. LIBOR USD

"LIBOR" means, in respect of USD:

- (a) in respect of a relevant period of less than one month, the Screen Rate for a term of one month;
- (b) in respect of a relevant period of one or more months for which a Screen Rate is available, the applicable Screen Rate for a term for the corresponding number of months; and

- (c) in respect of a relevant period of more than one month for which a Screen Rate is not available, the rate resulting from a linear interpolation by reference to two Screen Rates, one of which is applicable for a period next shorter and the other for a period next longer than the length of the relevant period,

(the period for which the rate is taken or from which the rates are interpolated being the "**Representative Period**").

For the purposes of paragraphs (b) and (c) above:

"**available**" means "calculated and published" under the aegis of the ICE Benchmark Administration Limited (or any successor to that function of the ICE Benchmark Administration Limited as determined by the Bank) for given maturities; and

"**Screen Rate**" means the rate of interest for deposits in USD for the relevant period as set by the ICE Benchmark Administration Limited (or any successor to that function of the ICE Benchmark Administration Limited as determined by the Bank) and released by financial news providers at 11h00, London time, or at a later time acceptable to the Bank on the day (the "**Reset Date**") which falls 2 (two) London Business Days prior to the first day of the relevant period.

If such Screen Rate is not so released by any financial news provider acceptable to the Bank, the Bank shall request the principal London offices of 4 (four) major banks in the London interbank market selected by the Bank to quote the rate at which USD deposits in a comparable amount are offered by each of them at approximately 11h00, London time, on the Reset Date, to prime banks in the London interbank market for a period equal to the Representative Period. If at least 2 (two) such quotations are provided, the rate will be the arithmetic mean of the quotations provided.

If fewer than 2 (two) quotations are provided as requested, the Bank shall request the principal New York City offices of 4 (four) major banks in the New York City interbank market, selected by the Bank, to quote the rate at which USD deposits in a comparable amount are offered by each of them at approximately 11h00, New York City time, on the day falling 2 (two) New York Business Days after the Reset Date, to prime banks in the European market for a period equal to the Representative Period. If at least 2 (two) such quotations are provided, the rate will be the arithmetic mean of the quotations provided.

If no rate is available as provided above, LIBOR shall be the rate (expressed as a percentage rate per annum) which is determined by the Bank to be the all-inclusive cost to the Bank for the funding of the relevant Tranche based upon the then applicable internally generated Bank reference rate or an alternative rate determination method reasonably determined by the Bank.

C. LIBOR GBP

"**LIBOR**" means, in respect of GBP:

- (a) in respect of a relevant period of less than one month, the Screen Rate for a term of one month;
- (b) in respect of a relevant period or of one or more months for which a Screen Rate is available, the applicable Screen Rate for a term for the corresponding number of months; and
- (c) in respect of a relevant period of more than one month for which a Screen Rate is not available, the rate resulting from a linear interpolation by reference to two Screen Rates, one of which is applicable for a period next shorter and the other for a period next longer than the length of the relevant period,

(the period for which the rate is taken or from which the rates are interpolated being the "**Representative Period**").

For the purposes of paragraphs (b) and (c) above:

"**available**" means "calculated and published" under the aegis of the ICE Benchmark Administration Limited (or any successor to that function of the ICE Benchmark Administration Limited as determined by the Bank) for given maturities; and

"**Screen Rate**" means the rate of interest for deposits in GBP for the relevant period as set by the ICE Benchmark Administration Limited (or any successor to that function of the ICE Benchmark Administration Limited as determined by the Bank) and released by financial news providers at 11h00, London time, or at a later time acceptable to the Bank on the day (the "**Reset Date**") on which the relevant period starts or, if that day is not a Business Day in London, on the next following day which is such a Business Day.

If such Screen Rate is not so released by any financial news provider acceptable to the Bank, the Bank shall request the principal London offices of 4 (four) major banks in the London interbank market, selected by the Bank, to quote the rate at which GBP deposits in a comparable amount are offered by each of them at approximately 11h00, London time, on the Reset Date, to prime banks in the London interbank market for a period equal to the Representative Period. If at least 2 (two) such quotations are provided, the rate will be the arithmetic mean of the quotations provided.

If fewer than 2 (two) quotations are provided as requested, the rate will be the arithmetic mean of the rates quoted at approximately 11h00, London time, on the Reset Date by major banks in London (selected by the Bank) for loans in GBP in a comparable amount to leading European banks for a period equal to the Representative Period.

If no rate is available as provided above, LIBOR shall be the rate (expressed as a percentage rate per annum) which is determined by the Bank to be the all-inclusive cost to the Bank for the funding of the relevant Tranche based upon the then applicable internally generated Bank reference rate or an alternative rate determination method reasonably determined by the Bank.

D. GENERAL

For the purposes of the foregoing definitions:

- (a) "**London Business Day**" means a day on which banks are open for normal business in London and "**New York Business Day**" means a day on which banks are open for normal business in New York.
- (b) All percentages resulting from any calculations referred to in this Schedule will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with halves being rounded up.
- (c) The Bank shall inform the Borrower without delay of the quotations received by the Bank.
- (d) If any of the foregoing provisions becomes inconsistent with provisions adopted under the aegis of:
 - (i) EMMI and EURIBOR ACI (or any successor to that function of EMMI and EURIBOR ACI as determined by the Bank) in respect of EURIBOR; or
 - (ii) the ICE Benchmark Administration Limited (or any successor to that function of the ICE Benchmark Administration Limited, as determined by the Bank) in respect of LIBOR,

the Bank may by notice to the Borrower amend the provision to bring it into line with such other provisions.



Forms for Borrower

C.1 Form of Disbursement Offer/Acceptance (Article 1.2.B and 1.2.C)

To: Orkuveita Reykjavíkur
 From: European Investment Bank
 Date:
 Subject: Disbursement Offer/Acceptance for the Finance Contract between European Investment Bank and Orkuveita Reykjavíkur dated ● (the "Finance Contract")
 FI number 85.062 Serapis number 2015-0480

Dear Sirs,

We refer to the Finance Contract. Terms defined in the Finance Contract have the same meaning when used in this letter.

Following your request for a Disbursement Offer from the Bank, in accordance with Article 1.2.B of the Finance Contract, we hereby offer to make available to you the following Tranche:

- (a) Currency and amount to be disbursed and its EUR equivalent:
- (b) Scheduled Disbursement Date:
- (c) Interest rate basis (fixed/floating):
- (d) Interest payment periodicity:
- (e) Payment Dates:
- (f) Terms for repayment of principal:
- (g) The first and last principal repayment dates:
- (h) The Interest Revision/Conversion Date:
- (i) The Fixed Rate or Spread, applicable until the Interest Revision/Conversion Date, if any, or until the Maturity Date.

To make the Tranche available subject to the terms and conditions of the Finance Contract, the Bank must receive a Disbursement Acceptance in the form of a copy of this Disbursement Offer duly signed on your behalf, to the following fax number [] no later than the Disbursement Acceptance Deadline of [time] Luxembourg time on [date].

The Disbursement Acceptance must be accompanied (if it has not been previously supplied) by:

- (i) the indication of the bank account (with IBAN code in case of disbursements in EUR or the appropriate format for the relevant currency) where disbursement of the Tranche should be made; and
- (ii) evidence of the authority of the person or persons authorised to sign it on behalf of the Borrower and the specimen signature of such person or persons.

If not accepted by the above stated time, the offer contained in this document shall be deemed to have been refused and shall automatically lapse.

If you do accept the Tranche as described in this Disbursement Offer, all the related terms and conditions of the Finance Contract shall apply, in particular, the provisions of Article 1.4.

Yours faithfully,

EUROPEAN INVESTMENT BANK

We hereby accept the above Disbursement Offer:

For and behalf of Orkuveita Reykjavíkur

Date:





Interest Rate Revision and Conversion

If an Interest Revision/Conversion Date has been included in the Disbursement Offer for a Tranche, the following provisions shall apply.

A. Mechanics of Interest Revision/Conversion

Upon receiving an Interest Revision/Conversion Request the Bank shall, during the period commencing 60 (sixty) days and ending 30 (thirty) days before the Interest Revision/Conversion Date, deliver to the Borrower an Interest Revision/Conversion Proposal stating:

- (a) the Fixed Rate and/or Spread that would apply to the Tranche, or the part thereof indicated in the Interest Revision/Conversion Request pursuant to Article 3.1; and
- (b) that such rate shall apply until the Maturity Date or until a new Interest Revision/Conversion Date, if any, and that interest is payable quarterly, semi-annually or annually in arrears on designated Payment Dates.

The Borrower may accept in writing an Interest Revision/Conversion Proposal by the deadline specified therein.

Any amendment to this Contract requested by the Bank in this connection shall be effected by an agreement to be concluded not later than 15 (fifteen) days prior to the relevant Interest Revision/Conversion Date.

B. Effects of Interest Revision/Conversion

If the Borrower duly accepts in writing a Fixed Rate or a Spread in respect of an Interest Revision/Conversion Proposal, the Borrower shall pay accrued interest on the Interest Revision/Conversion Date and thereafter on the designated Payment Dates.

Prior to the Interest Revision/Conversion Date, the relevant provisions of this Contract and Disbursement Offer and Disbursement Acceptance shall apply to the entire Tranche. From and including the Interest Revision/Conversion Date onwards, the provisions contained in the Interest Revision/Conversion Proposal relating to the new interest rate or Spread shall apply to the Tranche (or part thereof) until the new Interest Revision/Conversion Date, if any, or until the Maturity Date.

C. Non-fulfilment of Interest Revision/Conversion

If the Borrower does not submit an Interest Revision/Conversion Request or does not accept in writing the Interest Revision/Conversion Proposal for the Tranche or if the parties fail to effect an amendment requested by the Bank pursuant to Paragraph A above, the Borrower shall repay the Tranche (or part thereof) on the Interest Revision/Conversion Date, without indemnity. The Borrower will repay on the Interest Revision/Conversion Date any part of a Tranche which is unaffected by the Interest Revision/Conversion.



Schedule E

Conversion of Currency

If an Interest Revision/Conversion Date has been included in the Disbursement Offer for a Tranche, the Borrower may convert the currency of a Fixed Rate Tranche or a Floating Rate Tranche in accordance with the provisions of this Schedule.

A. Definitions

In this Schedule:

"Currency Conversion Date" means an Interest Revision/Conversion Date provided that, if that date is not a Relevant Business Day for the New Currency and the Old Currency, the date shall be postponed to the next such Relevant Business Day, and the Interest Revision/Conversion Date designated pursuant to Schedule D and the interest payable shall be adjusted accordingly.

"Currency Conversion Request", "New Currency", and "Old Currency" have the meanings ascribed to them in Paragraph B(a), below.

"Drawable Amount" and "Repayable Amount" have the meanings ascribed to them in Paragraph B(c).

"Paying Bank" means a first-class financial institution selected by the Borrower in agreement with the Bank, being an institution at which both the Borrower and the Bank hold accounts.

"Paying Bank Confirmation" and "Repayable Amount" have the meanings ascribed to them in Paragraph B(d).

B. Mechanics of Conversion

(a) At least 75 (seventy-five) days before the Currency Conversion Date, the Borrower may deliver to the Bank a written request (a **"Currency Conversion Request"**) requesting that the scheduled outstanding balance of the Tranche be converted, in whole but not in part only, from the original currency (the **"Old Currency"**) to EUR, GBP or USD (a **"New Currency"**). The Currency Conversion Request shall specify the requested Currency Conversion Date.

(b) Upon receiving a Currency Conversion Request, the Bank shall, during the period commencing 60 (sixty) days and ending 30 (thirty) days before the relevant Currency Conversion Date, deliver to the Borrower an Interest Revision/Conversion Proposal in accordance with Schedule D. The Interest Revision/Conversion Proposal shall be expressed in the New Currency.


The Borrower may accept in writing an Interest Revision/Conversion Proposal by the deadline specified therein, which might not fall later than 30 (thirty) days before the relevant Currency Conversion Date.

(c) If the Borrower duly accepts in writing the Interest Revision/Conversion Proposal, the Bank shall, on any Business Day falling not less than 5 (five) Business Days before the Currency Conversion Date, inform the Borrower of the outstanding balance in the Old Currency at that date net of any instalment of principal then payable (such balance being the **"Repayable Amount"**) and its counter-value in the New Currency (the **"Drawable Amount"**). For this purpose, the Bank shall apply the exchange rate published by the European Central Bank in Frankfurt on the relevant day.

(d) Upon receipt of such information referred to in paragraph (B)(c), the Borrower shall instruct the Paying Bank:

(i) to pay the Repayable Amount to the account of the Bank with the Paying Bank for value on the Currency Conversion Date; and



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- (ii) to confirm by notice to the Bank (the "**Paying Bank Confirmation**") that: (A) it holds available funds from the Borrower in an amount equal to the Repayable Amount; and (B) pursuant to the Borrower's instructions, which shall be attached thereto, such funds are held solely and irrevocably for the purpose of paying the Repayable Amount for value on the Currency Conversion Date.
 - (e) The Bank, subject to receipt of the Paying Bank Confirmation at least 5 (five) Business Days prior to the Currency Conversion Date, shall issue to the Paying Bank an order for payment of the Drawable Amount for value on the Currency Conversion Date.
 - (f) Upon receipt of the Borrower's acceptance under paragraph B(c), the Bank may present to the Borrower within 10 (ten) days of the acceptance any amendment to the Contract that it reasonably requires in connection with the conversion of currency. If the amendment is not effected at least 15 (fifteen) days before the Currency Conversion Date, the conversion shall not take place and the Tranche shall be repayable in full on the Currency Conversion Date. In case the Borrower has accepted a Fixed Rate, the Borrower shall indemnify the Bank in accordance with Article 4.2B.
 - (g) The Bank shall deliver to the Borrower a repayment table expressed in the New Currency.

C. Effects of Conversion

Once the conversion takes place, the outstanding portion of the Tranche shall thereupon be denominated in the New Currency. The Payment Dates shall be adjusted to be Relevant Business Days for the New Currency. Save for that, and subject to any agreed amendment, the provisions of the Contract relating to any Tranche shall continue to apply.

For the purpose of calculating the indemnity, if any, due upon a prepayment of the Tranche that occurs on or after the Currency Conversion Date, the interest rate, discount rate and spread referred to in Article 4.2 shall be determined by reference to the New Currency.

D. Non-fulfilment of Currency Conversion

If the conditions set out in items (c) and (d) and (e) of Paragraph B are not fulfilled:

- (a) the Drawable Amount shall not be drawn but shall remain the property of the Bank; and
- (b) the Borrower shall forthwith pay to the Bank the Repayable Amount, together with:
 - (i) accrued interest on the Tranche, calculated in accordance with Article 3.1; and
 - (ii) a cancellation indemnity, if any, calculated on the Drawable Amount in accordance with Article 1.6C(2).



Schedule F

Certificates to be provided by the Borrower

F.1 Form of Certificate from Borrower (Article 1.4.B)

To: European Investment Bank
 From: Orkuveita Reykjavíkur
 Date:
 Subject: Finance Contract between European Investment Bank and Orkuveita Reykjavíkur dated
 ● (the "Finance Contract")
 FI number 85.062 Serapis number 2015-0480

Dear Sirs,

Terms defined in the Finance Contract have the same meaning when used in this letter.


For the purposes of Article 1.4 of the Finance Contract we hereby certify to you as follows:

- (a) no Prepayment Event has occurred and is continuing unremedied;
- (b) we are in compliance with the financial covenants pursuant to Article 6.11.A and attached is evidence of such compliance and related calculations;
- (c) no security of the type prohibited under Article 7.2 has been created or is in existence;
- (d) there has been no material change to any aspect of the Project or in respect of which we are obliged to report under Article 8.1, save as previously communicated by us;
- (e) we have sufficient funds available to ensure the timely completion and implementation of the Project in accordance with Schedule A.1;
- (f) no event or circumstance which constitutes or would with the passage of time or giving of notice under the Finance Contract constitute an Event of Default has occurred and is continuing unremedied or unwaived;
- (g) no litigation, arbitration administrative proceedings or investigation is current or to our knowledge is threatened or pending before any court, arbitral body or agency which has resulted or if adversely determined is reasonably likely to result in a Material Adverse Change, nor is there subsisting against us or any of our subsidiaries any unsatisfied judgement or award;
- (h) the representations and warranties to be made or repeated by us under Article 6.13 are true in all respects; and
- (i) no Material Adverse Change has occurred, as compared with the situation at the date of the Finance Contract.

Yours faithfully,

For and on behalf of Orkuveita Reykjavíkur

Date:



F.2 Form of Compliance Certificate

To: European Investment Bank
From: Orkuveita Reykjavíkur
Date:
Subject: Finance Contract between European Investment Bank and Orkuveita Reykjavíkur dated
● (the "**Finance Contract**")
FI number 85.062 Serapis number 2015-0480

Dear Sirs,

We refer to the Finance Contract. This is a Compliance Certificate. Terms defined in the Finance Contract have the same meaning when used in this Compliance Certificate.

We hereby confirm:

- (a) [insert details and computations of covenants to be certified];
- (b) [insert information regarding asset disposal];
- (c) no Security of the type prohibited under Article 7.2 has been created or is in existence.
- (d) no event or circumstance which constitutes or would with the passage of time or giving of notice under the Finance Contract constitute an Event of Default has occurred and is continuing unremedied or unwaived. *[If this statement cannot be made, this certificate should identify any potential event of default that is continuing and the steps, if any, being taken to remedy it].*

Yours faithfully,

For and on behalf of

[director]

[director]

[Certification language by the auditor]

[Auditor]

