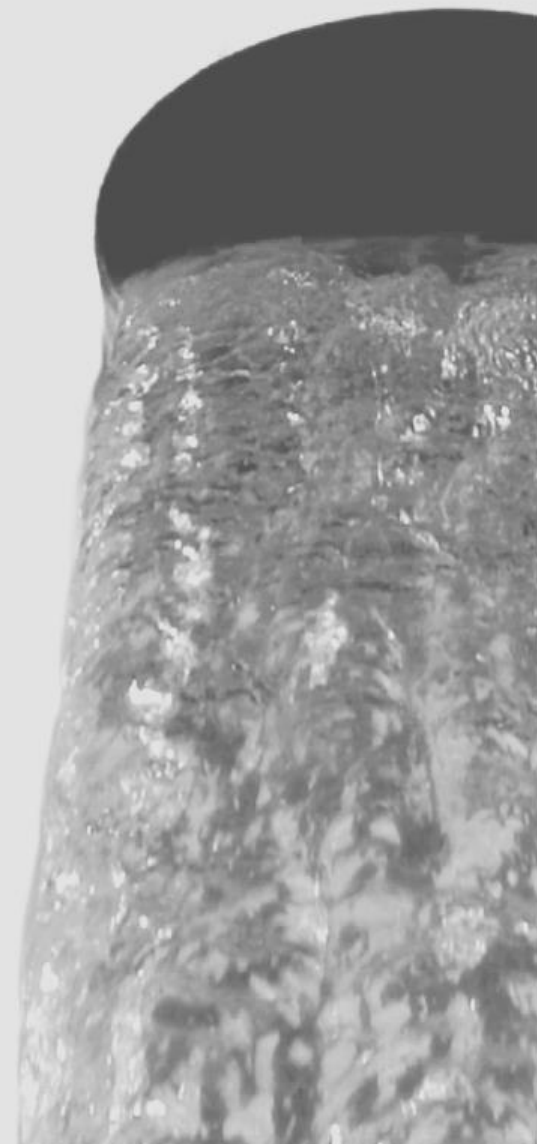




The Plan Progress report

2015 Q3

November 2015



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1 INTRODUCTION

An agreement between OR and its owners lead to the project “Planið” (THE PLAN) which commenced April 1st 2011. The progress and financial data are collected until September 30th 2015. The PLAN is a first priority at OR and strong emphasis is on increasing the cash flow and building up cost-awareness in the company. The dashboard shows actual figures for years 2011 – 2015 Q3 compared to the PLAN’s goals on accumulative and annual basis. The dashboard shows results in column charts and tables, coloured in green, yellow and red.

Exchange rate used in the progress report is EUR/ISK 142.77.

2 DASHBOARD

2.1 TOTAL PROGRESS OF THE PLAN

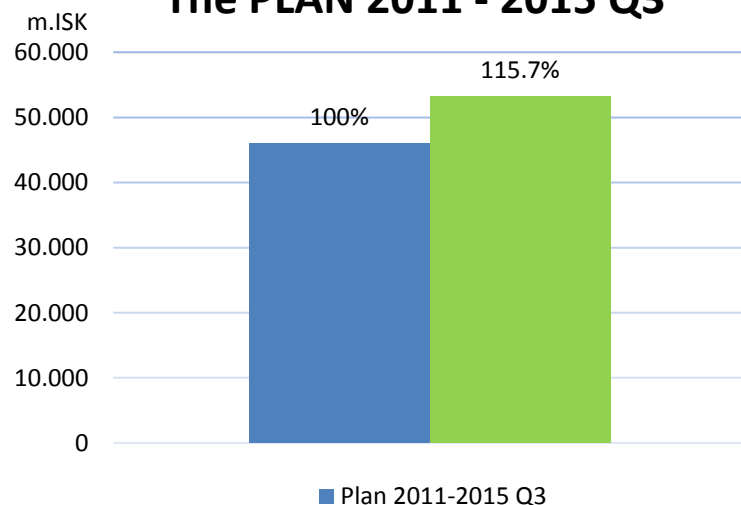
| | 2015 Q3 | 2011-2015 Q3 | 2011-2016 |
|--------------|---------|--------------|-----------|
| Target ISK | 2 083 | 45 948 | 51 263 |
| Progress ISK | 3 561 | 53 168 | 53 168 |

| | | | |
|--------------|------|-------|-------|
| Target EUR | 14.6 | 321.8 | 359.1 |
| Progress EUR | 24.9 | 372.4 | 372.4 |

The total progress 2015 Q3 is ISK 1.478 millions better than the PLAN's target figures. The best results are in postponement and reduction of investments. Good progress is shown in most areas of the PLAN as may be seen in the table below. Individual reports follow in the next pages. Total progress of the PLAN in 2011-2015 Q3 is ISK 7,220 millions better than target or 15,7%.

Influences of external variables are negative in 2015 Q3 by ISK 931 millions and negative by ISK 2,136 millions during the period 2011-2015 Q3. Net total of "the PLAN" is therefore ISK 547 millions above target in 2015 Q3 and ISK 5,084 millions above target 2011-2015 Q3.

The PLAN 2011 - 2015 Q3



| Actions in ISK billions | The Plan | | Actual | |
|---|-------------|--------------|--------------|-------------|
| | 2011-2016 | 2011-2015 Q3 | 2011-2015 Q3 | |
| Reduction of investments in utility systems | 15.0 | 11.6 | ✓ | 14.4 |
| Sale of assets | 10.0 | 10.0 | ✗ | 9.0 |
| Reduction in operating costs | 5.0 | 3.7 | ✓ | 5.5 |
| Reduction of other investments | 1.3 | 1.0 | ✓ | 1.3 |
| Postponement of investments in sewerage | 0.0 | 1.5 | ✓ | 2.4 |
| Total | 31.3 | 27.8 | ✓ | 32.6 |
| Subordinated loans from owners | 12.0 | 12.0 | ✓ | 12.0 |
| Increased revenues due to higher tariffs | 8.0 | 6.1 | ✓ | 8.6 |
| Total | 20.0 | 18.1 | ✓ | 20.6 |
| The Plan Total | 51.3 | 45.9 | ✓ | 53.2 |

2.2 EXTERNAL VARIABLES 2015 Q3

- External variables affect OR's finances. Exchange rates, premiums, aluminium price, and indices are some of the most influential factors.
- Aluminium price was unfavourable in 2015 Q3. A lower trade weighted index than expected and development of individual currencies had a negative affect on cash flow . Consumer price index, building cost index and interest rates have been favourable. Combined leading to a negative effect on cash flow by ISK 931 million above 2015 Q3 projections. Effect on cash flow in the period 2011-2015 Q3 is negative by ISK 2,136 million.

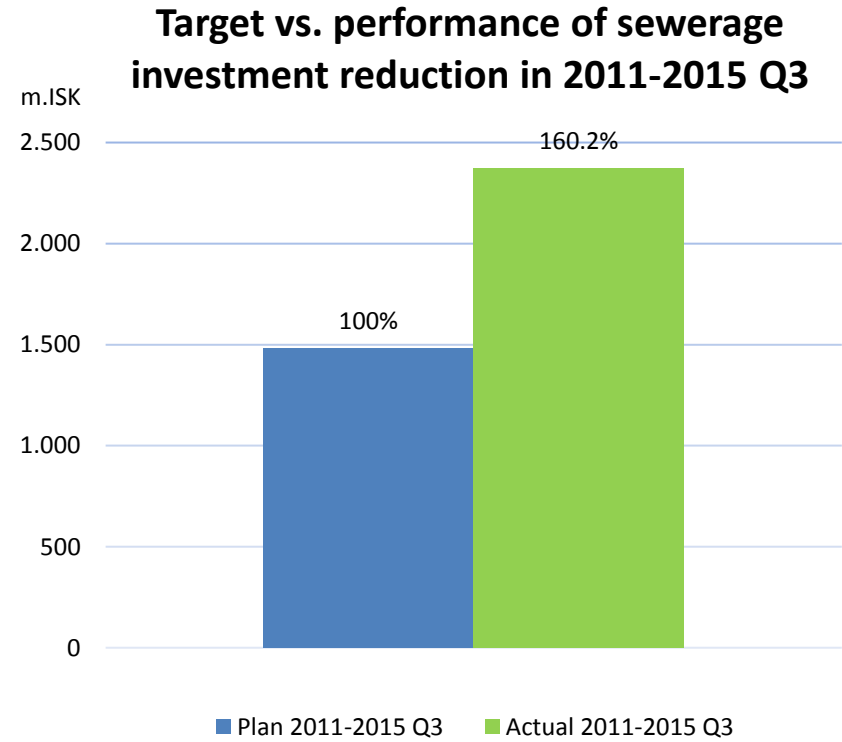
| Main assumptions | 2015 budget | 2015 actual | Affect on cash flow m.ISK 2015 Q3 | Affect on cash flow m.EUR 2015 | Affect on cash flow m.ISK 2011-2015 Q3 | Affect on cash flow m.EUR 2011-2015 Q3 |
|------------------------------|-------------|-------------|-----------------------------------|--------------------------------|--|--|
| Consumer price index, change | 2.5% | 1.5% | 357 | 2.5 | 2 013 | 14.1 |
| Building cost index, change | 2.5% | 3.4% | | | | |
| TWI, average | 216.3 pts | 203.8 pts | -1 164 | -8.2 | -2 496 | -17.5 |
| Aluminum price, average | \$2 786 | \$1 740 | -2 343 | -16.4 | -9 577 | -67.1 |
| Interest rates, average | 3.93% | 1.63% | 2 219 | 15.5 | 7 924 | 55.5 |
| Total | | | -931 | -6.5 | -2 136 | -15.0 |

2.3 POSTPONEMENT OF INVESTMENTS IN SEWERAGE

| | 2015 Q3 | 2011-2015 Q3 | 2011-2016 |
|--------------|---------|--------------|-----------|
| Target ISK | -1 419 | 1 481 | 0 |
| Progress ISK | - 780 | 2 374 | 2 374 |

| | | | |
|--------------|-------|------|------|
| Target EUR | - 9.9 | 10.4 | 0.0 |
| Progress EUR | - 5.5 | 16.6 | 16.6 |

Three year postponement of investments in sewerage systems will lead to a deferral of ISK 2.9 billion from 2012 and 2013 to 2015 and 2016. Total investments in sewerage over a 5 year period is therefore unchanged but will result in less financing cost over the first half of the period 2011-2016. Income of the investment is negligible as it mainly refers to big renewal projects in the western part of Iceland. This deferral is of importance due to large payments of loans in April 2013 amounting to approximately ISK 10 billion.



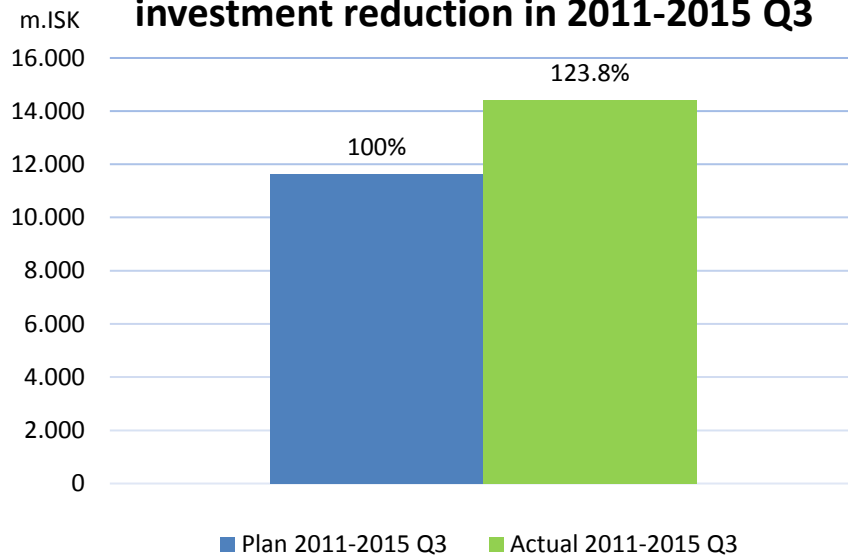
2.4 REDUCTION OF INVESTMENTS IN UTILITY SYSTEMS

- An internal investment committee prioritizes all projects. Each project categorised as priority will then have to be approved by the procurement control.
- In 2015 Q3 the target in utilities is to lower investments by ISK 1,709 million. The decrease in 2015 Q3 is ISK 2,219 million. It is ISK 510 million below target. The decrease in 2011-2015 Q3 is ISK 14,416 million. It is ISK 2,776 million above target.

| | 2015 Q3 | 2011-2015 Q3 | 2011-2016 |
|--------------|---------|--------------|-----------|
| Target ISK | 1 709 | 11 640 | 15 000 |
| Progress ISK | 2 219 | 14 416 | 14 416 |

| | | | |
|--------------|------|-------|-------|
| Target EUR | 12.0 | 81.5 | 105.1 |
| Progress EUR | 15.5 | 101.0 | 101.0 |

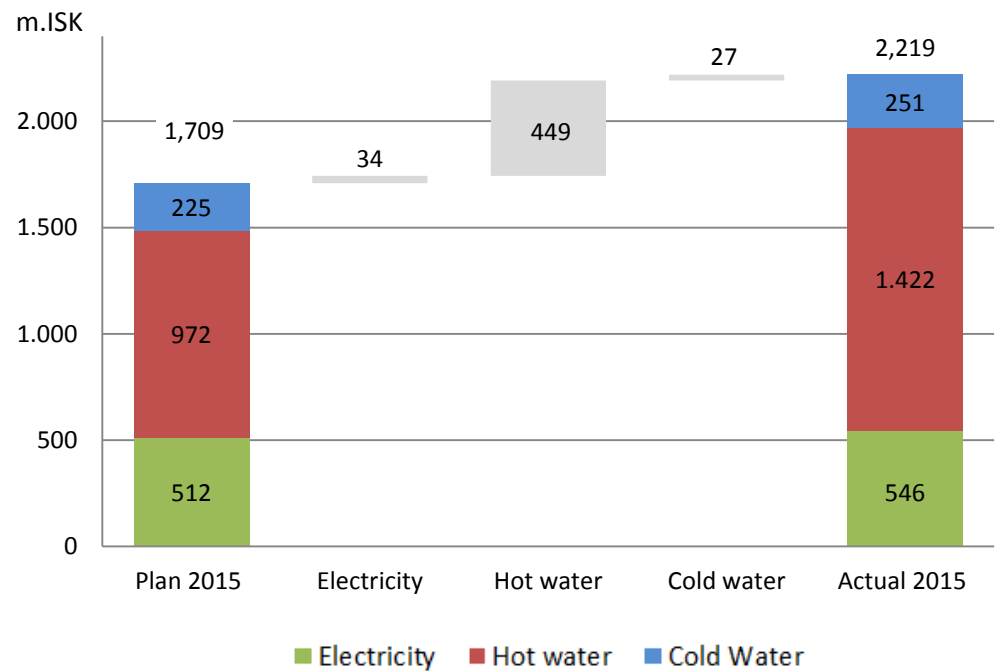
Target vs. performance of utility investment reduction in 2011-2015 Q3



2.4 Reduction of investments in utility systems cont.

- Reductions of investments in utility systems are in three segments, electric, hot- and cold water. Each segment performance has succeeded expectations in the period of the Plan 2011-2015 Q3.
- The chart shows the contribution of each segment to the reduction of investments in utility systems in 2015 Q3.

Investments in utility segments

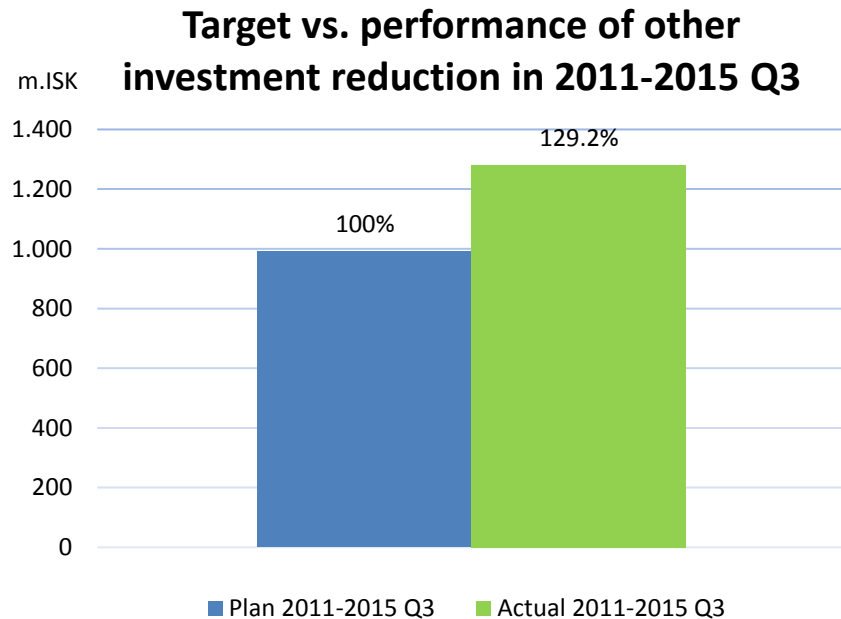


| | 2015 Q3 | 2011-2015 Q3 | 2011-2016 |
|--------------|---------|--------------|-----------|
| Target ISK | 142 | 992 | 1 250 |
| Progress ISK | - 21 | 1 281 | 1 281 |

| | | | |
|--------------|-------|-----|-----|
| Target EUR | 1.0 | 6.9 | 8.8 |
| Progress EUR | - 0.1 | 9.0 | 9.0 |

2.5 REDUCTION IN OTHER INVESTMENTS

- The total target for 2015 Q3 is ISK 142 million decrease in other investments. Departments like IT, Facilities, Property management, etc. are in this category. Other investments in 2015 Q3 exceed the PLAN for the period, the progress is therefore ISK 21 million less than expected
- The decrease for 2011-2015 Q3 amounts to ISK 1,281 million which surpasses target by ISK 289 million.



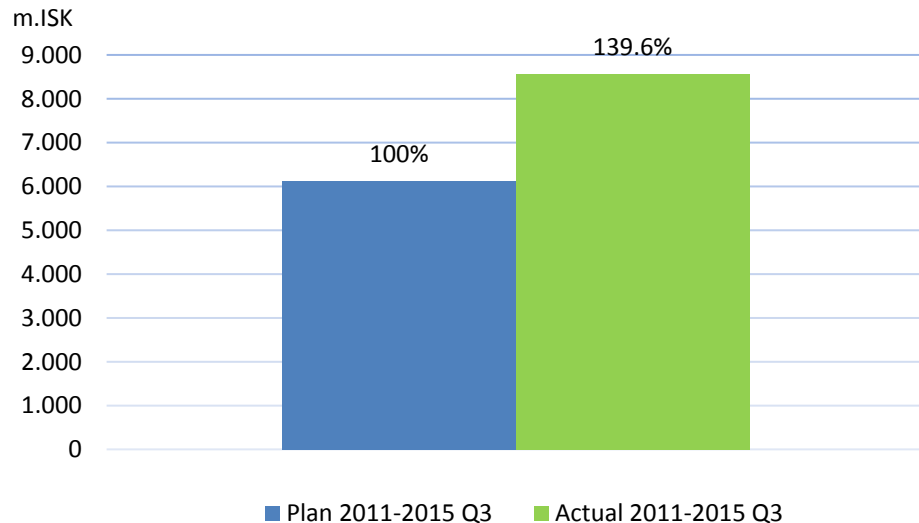
2.6 INCREASED REVENUES DUE TO HIGHER TARIFFS

- The target for 2015 Q3 was to raise revenues by ISK 944 million and for 2011-2015 Q3 by ISK 6,128 million by increasing tariffs. The increase in 2011-2015 Q3 is ISK 8,554 million. It is ISK 2,426million above target.
- Tariffs are now connected to CPI and revenues are beyond target because of unexpected rise in the CPI.

| | 2015 Q3 | 2011-2015 Q3 | 2011-2016 |
|--------------|---------|--------------|-----------|
| Target ISK | 944 | 6 128 | 8 013 |
| Progress ISK | 1 144 | 8 554 | 8 554 |

| | 2015 Q3 | 2011-2015 Q3 | 2011-2016 |
|--------------|---------|--------------|-----------|
| Target EUR | 6.6 | 42.9 | 56.1 |
| Progress EUR | 8.0 | 59.9 | 59.9 |

Target vs. performance - increased revenues from sewerage and hot water in 2011 - 2015 Q3

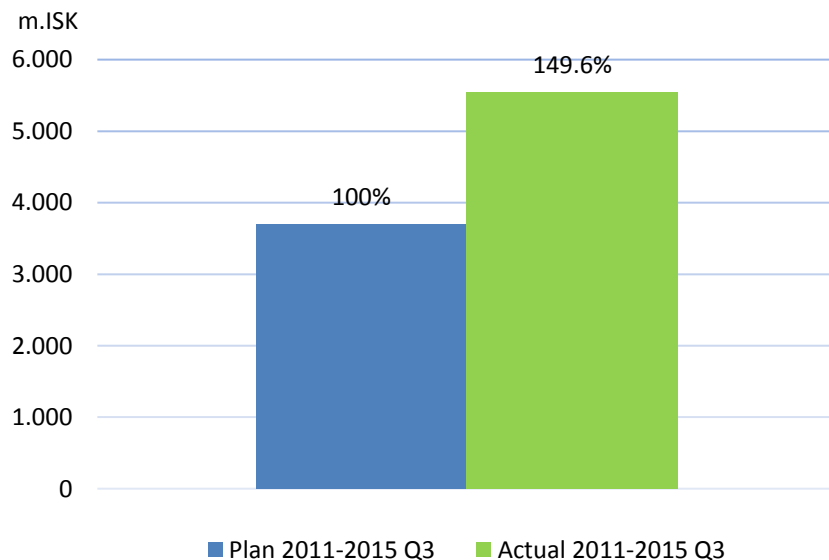


2.7 REDUCTION IN OPERATING COST

| | 2015 Q3 | 2011-2015 Q3 | 2011-2016 |
|--------------|---------|--------------|-----------|
| Target ISK | 706 | 3 706 | 5 000 |
| Progress ISK | 991 | 5 545 | 5 545 |

| | | | |
|--------------|-----|------|------|
| Target EUR | 4.9 | 26.0 | 35.0 |
| Progress EUR | 6.9 | 38.8 | 38.8 |

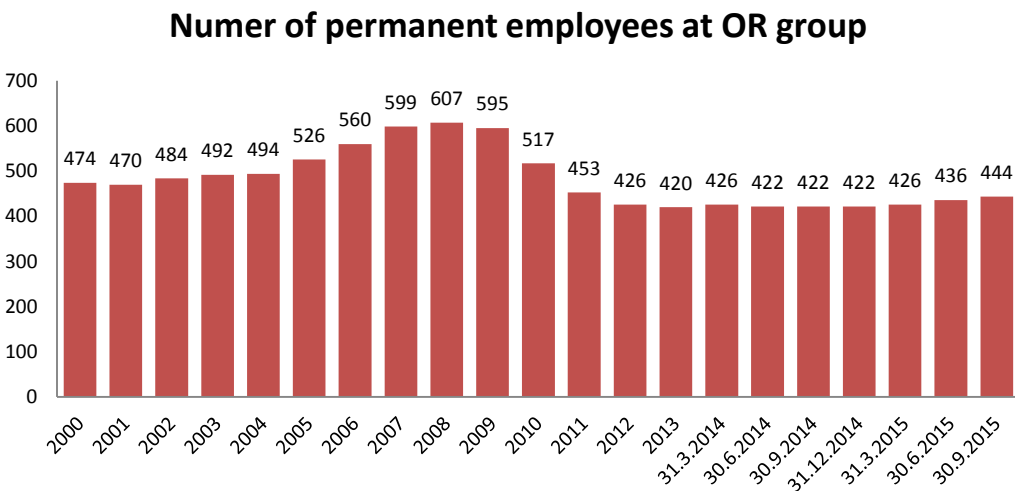
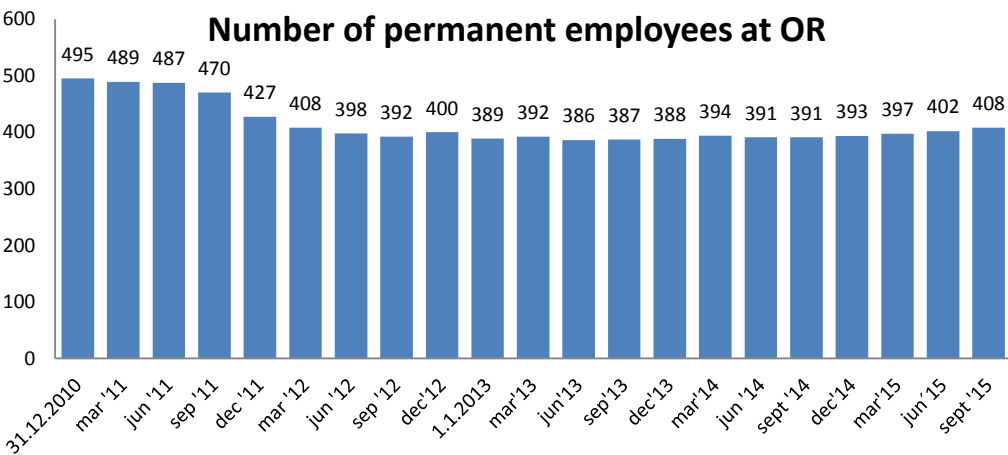
Reduction in operating cost 2011-2015 Q3



- The target in cost-cutting in operations is ISK 5,000 million in the years 2011 through 2016. The target for 2015 Q3 was ISK 706 million. Operation costs are ISK 285 million lower than target in 2015 Q3.
- Operation cost reduction in 2011-2015 Q3 was ISK 5,545 million or ISK 1,839 million above target.
- Pension expenses and allowance for doubtful accounts are ISK 35.7 million lower than estimated. This does not affect the cash flow.
- Strong emphasis has been on increasing employees' cost awareness in all areas of operation. Results are being realized faster than expected.

2.7 REDUCTION IN OPERATING COST, CONT. REDUCING PERSONNEL – SALARY COST

- OR’s target for reduction of personnel was 90 in the years 2011-2016.
- The goal was accomplished by the end of February 2012.
- The number of permanent employees in consolidated OR has been reduced by 163 since 2008 when it was at its peak and the employee count now stands at 444.
- From year beginning, the number of permanent employees of OR increased by 15. At the end of September, employees were 408.
- Salary cost is ISK 95.3 million lower than expected.
- Positions left will not be filled by external hiring unless absolutely necessary. Employees have been transferred within OR in order to meet company’s and employee’s needs and a lot of work has been done in skills matching and key personnel analysis.



2.8 SALE OF ASSETS

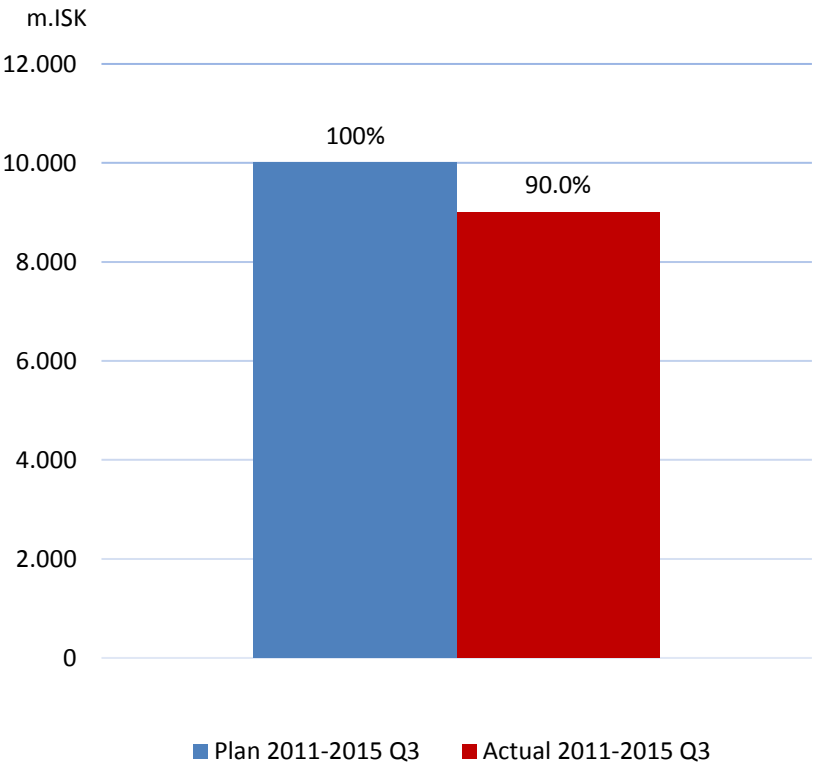
Various equipment and materials were sold for ISK 9.3 million

| ISK millions | 2015 Q3 | Status |
|---------------------------|------------|--------------|
| Sale of various equipment | 9.3 | Paid in full |
| Total | 9.3 | |

| | 2015 Q3 | 2011-2015 Q3 | 2011-2016 |
|--------------|---------|--------------|-----------|
| Target ISK | 0 | 10 000 | 10 000 |
| Progress ISK | 9 | 8 997 | 8 997 |

| | | | |
|--------------|-----|------|------|
| Target EUR | 0.0 | 70.0 | 70.0 |
| Progress EUR | 0.1 | 63.0 | 63.0 |

Sale of assets 2011-2015 Q3



2.9 SUBORDINATED LOAN FROM OWNERS

The owners of OR agreed to lend the company ISK 8,000 million in April 2011 and ISK 4,000 million in 2013 H1. Reykjavik City, Akranes and Borgarbyggð municipalities have fulfilled their respective commitments.

| | 2015 Q3 | 2011-2015 Q3 | 2011-2016 |
|--------------|---------|--------------|-----------|
| Target ISK | 0 | 12 000 | 12 000 |
| Progress ISK | 0 | 12 000 | 12 000 |

| | | | |
|--------------|-----|------|------|
| Target EUR | 0.0 | 84.1 | 84.1 |
| Progress EUR | 0.0 | 84.1 | 84.1 |

