

ADDENDUM

to 12 April 2012 PUBLIC SERVICE CONTRACT

This Addendum contains amendments to the 12 April 2012 PUBLIC SERVICE CONTRACT (hereinafter referred to as the PSC) between The Telecommunications Fund (fjarskiptasjóður), National IDF No. 530306-0110, c/o the Ministry of the Interior, Sölvhólsögötu 7, 150 Reykjavík and Farice ehf., National ID No. 511203-2950, Smáratorgi 3, 201 Kópavogi, concerning Electronic Communications Connectivity between Iceland and Europe and shall be effective between The Telecommunications Fund and Farice ehf. as of the date of signature of the PSC. This Addendum shall be made part of the PSC.

The Telecommunications Fund and Farice ehf. are collectively hereinafter referred to as the "Parties".

Notwithstanding the 12 April 2012 PSC, the parties, hereby agree as follows:

1. Clause 1 of the PSC shall be modified as follows with a new second paragraph containing the text in bold added to the clause:

This contract is made and entered into with reference to the Commission Decision 2012/21/EU of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest, as adapted to the EEA Agreement by the EEA Joint Committee Decision No 66/2012 of 30 March 2012 (the SGEI Decision). The contracting parties consider this contract to be in compliance with the SGEI decision. The contract shall be interpreted and applied in accordance with the SGEI decision.

2. Clause 7 of the PSC shall be modified with a new fourth paragraph as follows with text in bold added to the clause:

Farice shall retain all service fees paid by its customers. This applies equally to revenue from the public service and revenue from other services.

3. Clause 8 of the PSC shall be modified as follows with text in bold added to the clause and the text containing the strikethrough deleted:

The Telecommunications Fund undertakes to compensate Farice for discharging the public service inasmuch as revenue **from public service and profit from other services assigned to the financing the of the public service** is not sufficient to cover the costs of providing the public service taking into account a reasonable rate of return.

~~Farice shall retain all service fees paid by its customers. This applies equally to revenue from the public service and revenue from other services.~~

If, in the contract period, the annual accounts for the other services of Farice in a particular year, show a profit of more than 5%, defined as return on sales, then profit exceeding 5% shall be assigned to the financing of the public service, inasmuch as it is sufficient, to repay the compensation.

According to Farice's business plan the operation of Farice will be sustainable in the near future, when income from services other than the public service increases. However there may be a period, before a significant increase in revenue from non-public services occurs, where revenue is not sufficient to cover the cost of operating the public service.

Farice shall in the first quarter of each year prepare a forecast for ~~all~~ revenue and **costs associated with the public service** of that year. If the forecast shows a deficit the Telecommunications Fund shall pay an amount to Farice equal to the deficit plus an acceptable rate of return, insofar as the deficit relates to the provision of the public service. The compensation shall be paid with two equal payments; 1 April and 1 October the same year.

4. Clause 9 of the PSC shall be modified as follows with text in bold added to the clause and the text containing the strikethrough deleted:

The Parties agree that a profit of 5%, **defined as return on sales¹**, is within the limits of an acceptable rate of return². ~~If, in the contract period, the annual accounts for the overall operation of Farice in a particular year, show a profit of more than 5% and Farice has received a payment from the Telecommunications Fund according to Article 8 Paragraph 4 in the relevant year, then profit exceeding 5% shall be used, inasmuch as it is sufficient, to repay the compensation.~~

Where the amount of over-compensation does not exceed 10% of the amount of annual compensation, such over-compensation may be carried forward to the next year. However, all over-compensation discovered at the end of the contract period shall be repaid.

5. Clause 21, paragraph one, of the PSC shall be modified as follows with text in bold added to the clause and the text containing the strikethrough deleted:

The contents of this Contract are not confidential. Access to the Contract will be granted in accordance with the Information Act No. ~~50/1996~~**140/2012**.

Done in Reykjavik, 28 August 2013

Done in Kópavogur, 21 August 2013

On behalf of The Telecommunications Fund



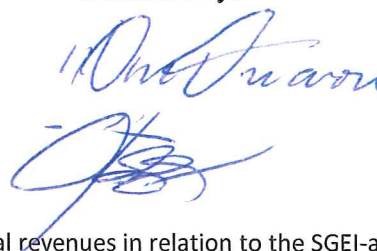
On behalf of Farice ehf.



Witnessed by:



Witnessed by:



¹ The acceptable rate of return is calculated on the basis of total revenues in relation to the SGEI-activities, i.e. revenues generated from the SGEI-activities, compensation from the Telecommunication Fund on the basis of this Contract and 95% of profit accruing from commercial activities.

² Profit is defined as return on sales earnings before amortization and depreciation but after interest and tax expenses.