



Thjórsá region

source of energy





The Thjórsá Municipalities

The River Thjórsá is the longest and most powerful river in Iceland, originating from the Hofsjökull glacier before flowing over 230 km to reach the sea. The land along its banks is owned by the Thjórsá municipalities. The total harnessed power of Thjórsá and its tributary Tungnaá is 840 MW, although the remaining untapped power is many times greater. Plans have been drawn up to obtain an additional 355 MW through the construction of new hydropower plants. All of this power has its source within the boundaries of the Thjórsá municipalities.

When proposals were put forward to extend power generation, the municipal authorities responded by calling a plenary meeting in order to seek support to try to ensure that the energy generated by the proposed hydropower plants in the area would be used locally for the advancement of employment opportunities. The municipalities agreed unanimously to work together to advance their goal, and reached a consensus to give support to the development of employment opportunities in energy-intensive industrial projects in the Thjórsá region.

The meeting approved the appointment of a management committee made up of municipal council leaders and managers to promote the goal of the municipal authorities. The Management Committee derives its power from united and determined local authorities bordering the river Thjórsá. Their goal is clear: the energy shall be utilised for the development of employment opportunities at its source.



The Management Committee comprises the council leaders and municipal managers of the Thjórsá municipalities. From the left: Margrét Sigurdardóttir, municipal manager of the district of Flóahreppur; Eydís Thorbjörg Indridadóttir, council leader and municipal manager of Ásahreppur; Örn Thórdarson, municipal manager of Rangárthing ytra; Sigurdur Jónsson, municipal manager of Skeida- and Gnúpverjahreppur; Thorgils Torfi Jónsson, council leader in Rangárthing ytra; Gunnar Örn Marteinnsson, council leader in Skeida- and Gnúpverjahreppur; and Adalsteinn Sveinsson, council leader Flóahreppur.

The Management Committee welcomes investors

The Management Committee of the Thjórsá municipalities is engaged in developing employment opportunities in the energy-intensive industrial sector in the Thjórsá region. The local authorities firmly believe that the energy from Thjórsá should be used to drive economic development within the region.

The Management Committee welcomes investors in the energy-intensive industries sector and focuses on co-operative flexibility. The local authorities fully support the committee in its efforts to present the Thjórsá region as an advantageous option for energy-intensive industries.

This information leaflet provides information on what the Thjórsá region has to offer. The Management Committee welcomes investors to explore the possibilities further.

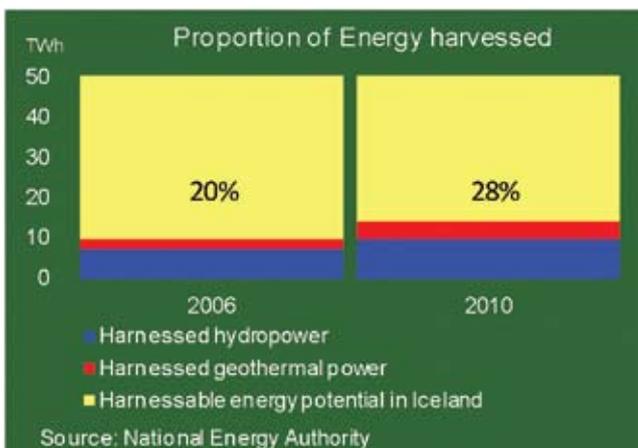
Iceland can offer considerable renewable energy at a competitive rate

Iceland is the logical choice

Iceland offers energy-intensive industries multiple advantages: renewable energy, knowledge and experience in utilizing energy and a developed infrastructure. Located mid-way between Europe and the United States, Iceland has regular and reliable air and sea transport connections to both sides of the Atlantic. Icelanders are highly educated and have a good work ethic. The country is sparsely populated and plenty of space is available for development close to extensive and highly developed utilities systems. High-capacity fibre-optic transmission connections connect the island to the rest of the world.

Plenty of renewable energy

Iceland's entire electricity supply is generated using hydropower and geothermal energy. This exclusive use of renewable and environmentally friendly energy sources is unique. Energy suppliers have a first-class infrastructure that is both reliable and extremely productive.



Iceland is the only country in Western Europe that can still offer considerable amounts of renewable energy on competitive terms. The planned power stations in the Thjórská region have an estimated capacity of 355 MW of electricity currently available for allocation. Overall, hydropower and geothermal energy potential in Iceland is estimated to total 50 TWh/year and that a third of this energy will have been harnessed by the end of 2010.

Experience and knowledge

Iceland has earned a global reputation by its utilization of renewable energy. Dependable experience and knowledge has been gathered in Iceland on the use of renewable energy sources. Plenty of public and private organizations in Iceland specialize in services to the energy sector. Investors interested in utilizing Iceland's renewable energy sources can rely on the experience and knowledge of Icelandic organizations in the development of their energy-intensive industries in Iceland.

Developed infrastructure

International investors in energy-intensive industries will find all the services they require in Iceland. Public services are exemplary, and a range of assistance provisions is available to investors. Of note in this respect is Invest in Iceland Agency that assists foreign companies free of charge and with complete confidentiality.



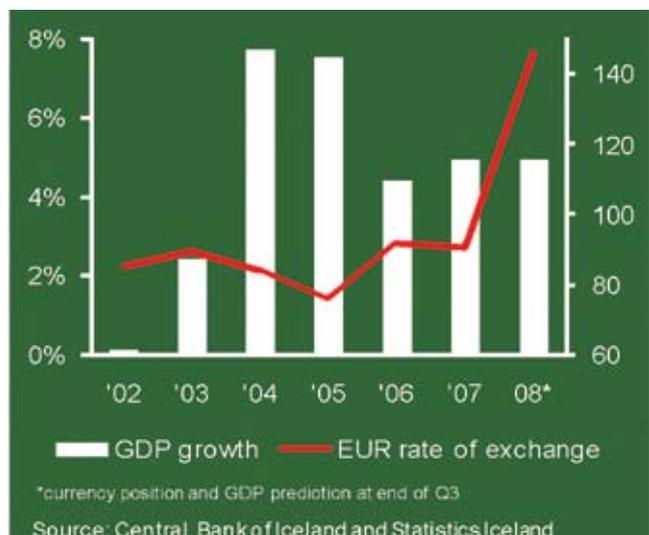
Iceland also has a large pool of expert knowledge, and educational levels are high. The country has excellent universities and many Icelanders have sought education overseas.

The Icelandic infrastructure is very developed: healthcare, education, welfare system, etc. are among the best in the world. Communications are excellent, and transport and travel are easy both within the country and to overseas destinations.

Suitable conditions

For overseas investors interested in investing in energy-intensive industries in Iceland the economic environment is currently favourable. Economic expansion has slowed down and foreign currency has grown strong. Although Iceland has seen substantial economic growth since independence over 60 years ago, average annual GDP growth has been 4%, a significant reduction in domestic production is apparent and era of expansion has come to an end. Interest for overseas investors has grown stronger.

Energy supply contracts are generally made in a foreign currency. Also more increasingly wages, at least in part, can be paid in a foreign currency. Exchange rate fluctuations, therefore, have less of an effect on the operations of foreign corporations in Iceland.



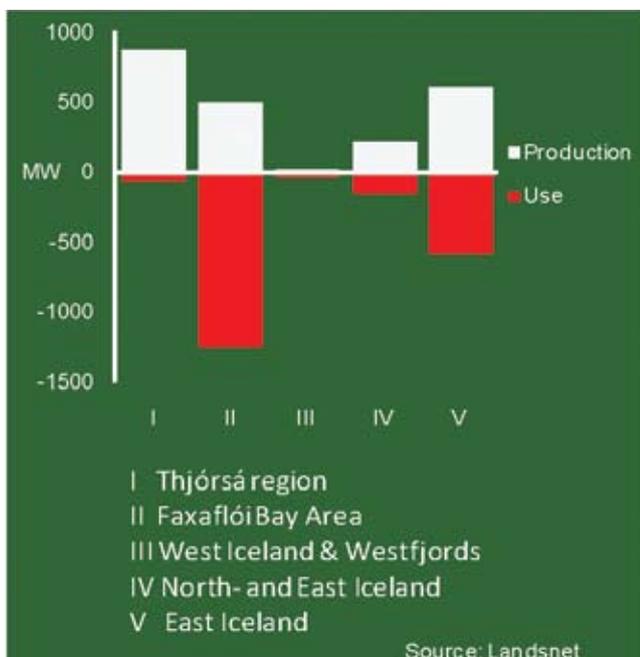
Thjórsá region

"The meeting agrees to issue a statement regarding its desire to conduct an examination of the possible development of employment opportunities in energy-intensive industries within these municipalities."

Meeting of local authorities of Ásahreppur, Flóahreppur, Rangárthing ytra, and Skeida- and Gnúpverjahreppur in April 2008

The Thjórsá region is the logical choice for energy-intensive industries. More energy is produced in this region than in any other area of Iceland. All the energy is renewable hydropower, harnessed by damming rivers as they flow to the sea. Very little of this energy is used for industrial purposes in the Thjórsá region. Rather, the energy is transmitted significant distances to more populated areas in the Faxaflói bay area where it is used by energy-intensive industries among else. The local authorities in the Thjórsá region intend to change this.

The Thjórsá area is a good option for investors interested in the utilisation of energy. The local authorities are highly amenable and proximity to energy sources will result in more economical transmission and more reliable delivery.



United municipalities

Investors interested in utilising energy in harmony with the environment and its inhabitants can expect a positive regard from the municipal authorities. The local authorities' stance is simple: it is time that the area's energy potential is exploited to the permanent benefit of its residents and the community infrastructure. The demand for energy clearly exceeds potential supply. United and determined local authorities will provide a perfect support base for investors interested in obtaining energy allocations for industrial operations.

The unity of the local authorities is a distinct advantage for investors wishing to see their cases dealt with quickly and securely. With the appointment of the Management Committee the presentation process for interested investor has been greatly simplified. Unanimity will also ensure that

investors will see their matters dealt with more easily at the municipal level. The Management Committee executes the stated goals of the Thjórsá local authorities as regards development of employment opportunities in the energy-intensive industries sector. Appointing council leaders and municipal managers from each of the municipalities has created a basis for co-operation that facilitates and simplifies the handling and discussion of issues related to this matter. The highest representatives of the local authorities regularly meet in the Management Committee. Thus, investors face a simple process and an effective decision-making apparatus at the municipal level.

Economical transmission

It is economical to utilise energy as close as possible to its source instead of transmitting such energy long distances along costly transmission installations. As the planned power stations on Thjórsá are located within the four municipalities, it is clear that substantial amounts may be saved in the construction of energy transmission installations if the energy is utilised within the area. The total cost of the construction of power transmission installations runs to billions of Icelandic króna and rises as distances increase and geographical conditions become more difficult.

Considerable savings can be made in the operation and maintenance of power transmission installations if the energy is used in the Thjórsá region rather than if it is transmitted over long distances. Shorter transmission routes mean lower operating and maintenance costs. The financial benefits for energy-intensive industries located close to the source of the energy are indisputable, both for energy producers and energy purchasers. Utilising the energy at its source, within the Thjórsá municipalities, results in enormous savings in the construction, operation and maintenance of power transmission installations.

Power transmission installations have a huge visual impact. Utilising the energy at its source would minimise environmental impact. The co-operation between the local authorities in the area, moreover, simplifies land-use planning in the area as regards to the construction of new transmission installations.

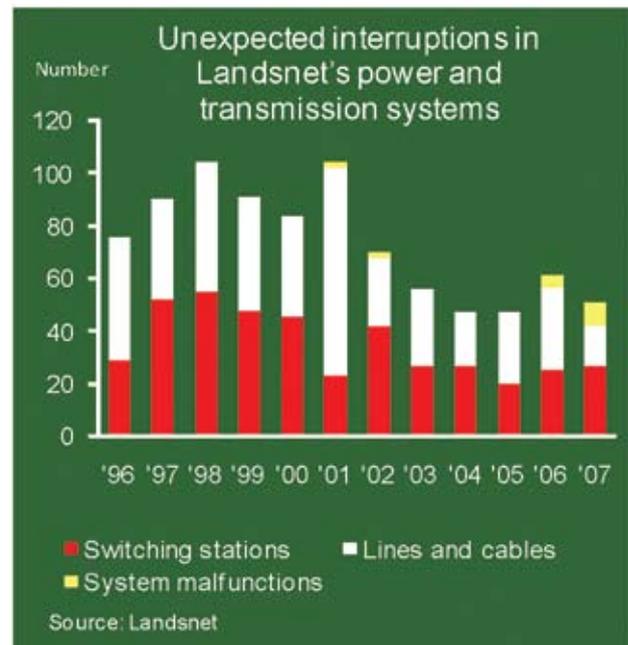
Utilising the energy at its source results in enormous savings in the construction, operation and maintenance of power transmission installations.

Reliable delivery

Energy users have a more reliable supply of energy the closer to its source they are. As the energy transmission is shorter and easier the reliability of delivery to the user increases. Disruptions occur most frequently in transmission of the energy from its source to user. The most severe disruptions or energy losses are because of failures or damages in the transmission infrastructure caused by hostile weather conditions or other unmanageable circumstances. Energy losses accounted to 3% of total energy use in Iceland or 333 GWh in 2007 which amounts to a considerable sum of lost revenue. It is also in the best interest of the energy provider to minimize this loss.

It can prove difficult to perform repairs where conditions are challenging and particularly during bad weather. Under the most extreme conditions, it may be necessary to delay repairs while waiting for improvements, something that has taken even a few days. Lives are at stake when such conditions arise. The Thjórsá region's lowlands give easy access, making it easier to manage repairs than on heaths and mountain passes.

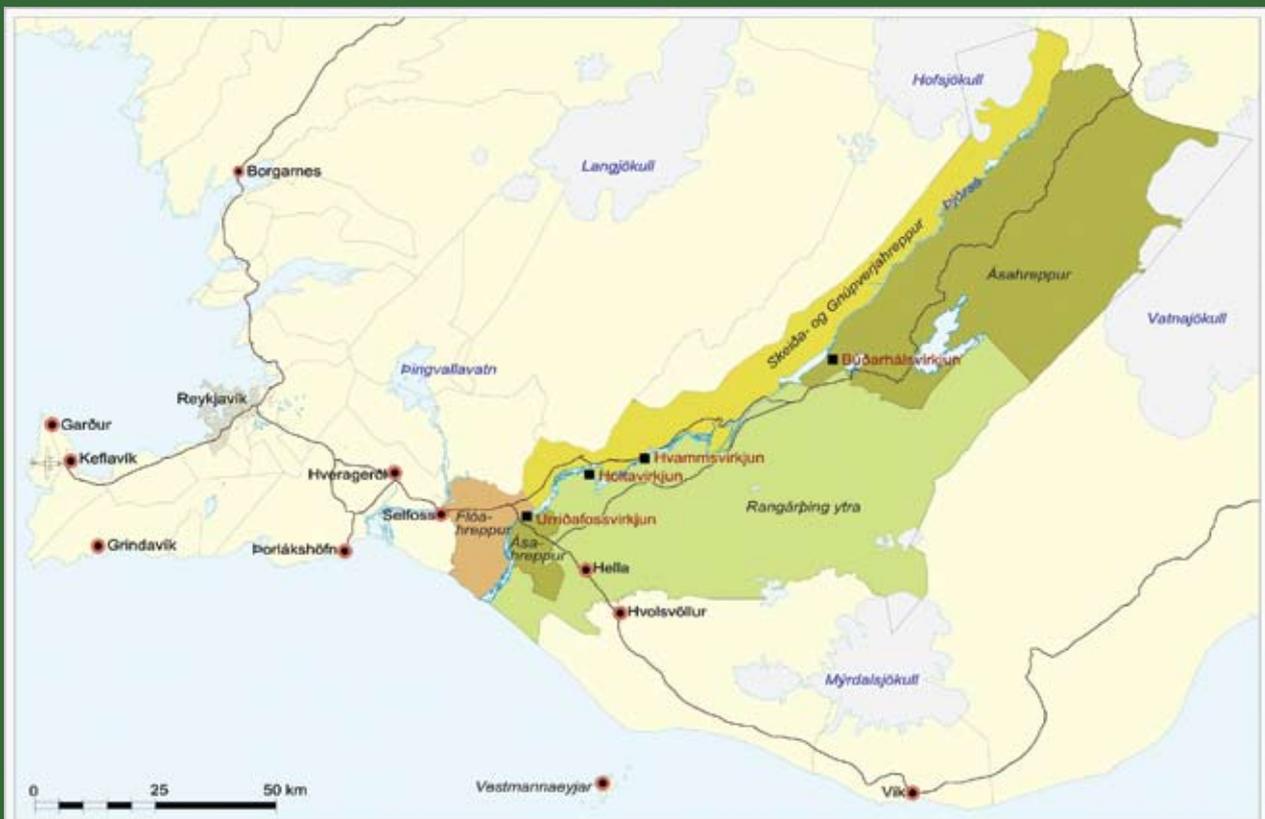
Reliability in energy delivery is important in energyintensive industries as any disruptions may lead to substantial costs



for the energy user and even result in unrecoverable losses. The advantages of the Thjórsá region are undisputed in this respect.

Thjórsá municipalities

The Thjórsá municipalities are four: Ásahreppur, Flóahreppur, Rangárþing ytra and Skeiða- og Gnúpverjahreppur. Located in the south of Iceland the Thjórsá region is widespread covering 8.651 km² and is suitably located for energy-intensive industries close to the energy's source. Thjórsá and its tributaries run through the region on their way to the sea and conditions are ideal for hydropower development.



Thjórsá municipalities

Investors will have access to a community with a substantial and stable workforce

The population of the Thjórsá municipalities has grown by 13% since the year 2000 and is currently just under 3000. Investors will have access to a community with a substantial and stable workforce. The region is a short distance from Selfoss, which has a population of 6000 and is only an hours drive from the greater Reykjavik area.

The Thjórsá region consists of rural farms, summer cottages and highlands. Hella, the nearest urban community, provides principal services. There are also a number of service centres in the area. Most other services are available in Selfoss, a short distance away.

	Administration	Building sites	Healthcare	Nursery school	Primary school	Grocery	Petrol station	Bank	Pharmacy	Swimming pool
Arnes / Brautarholt	✓	✓		✓	✓	✓	✓			✓
Hella	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Laugaland	✓	✓		✓	✓					✓
Thingborg / Flóaskoli	✓	✓		✓	✓					

Stable work force

Job opportunities in the region are currently lacking in variety, and there is a great deal of interest in changing that. The majority of jobs are in farming and services. Agricultural work is divided into primary farming, processing and support services. Service-related work includes tourism, public services and retailing. Industrial and contracting jobs are also common in the area, and many individuals have gained considerable experience in the construction and maintenance of installations, including power plants.

Unemployment in South Iceland has fluctuated in line with national rates over the past ten years. The fluctuations in South Iceland, however, have been slower and more stable during the last few years. This also applies to the Thjórsá region. One of the main advantages of companies operating in rural areas is the stability of the labour force, i.e. high length of service. This is desirable in energy-intensive industries where specialised positions are common and the cost of training employees is high. The region's stable level of employment should make it an attractive option in the eyes of investors.

Over the years, residents in the region have worked well with Landsvirkjun in the construction and operation of hydropower plants in the Thjórsá region. Experience has shown that residents have performed this work well and this should also prove to be the case in energy-intensive industries.

The community

The Thjórsá region is unique. It offers all the benefits of a rural area in a well-balanced and rewarding environment that is only a short distance from urban centres providing a range of services. Building sites for residential housing are available in many locations, making it possible to meet increased demand. The most common form is detached housing, something that young couples with children would appreciate. Investors should have no difficulties in bringing specialized staff into the region.

Excellent nursery and primary schools can be found in various locations in the municipalities. There are secondary schools in Selfoss, Laugarvatn and the Westman Islands. Bus services run from most areas to the secondary schools.

Residents in the Thjórsá region enjoy an active cultural life with a broad range of events during winter, summer, spring and autumn, including theatre, music, shows, festivals and sporting events of many kinds. Cultural life revolves essentially around the charming traditions of farming communities. Residents in the region have much to choose from, and there is plenty of entertainment. Each individual's contribution is important – everyone has a role to play.

Transport and Communications

The transport infrastructure in the area is good, and the transport network is comprehensive. Almost all roads in the lowlands are paved and open year round. Snow clearing is the responsibility of the municipalities and the Icelandic Road Administration. Distances within the area are fairly short, and the planned bridge below the Hvammur Power Plant will further shorten travelling times.

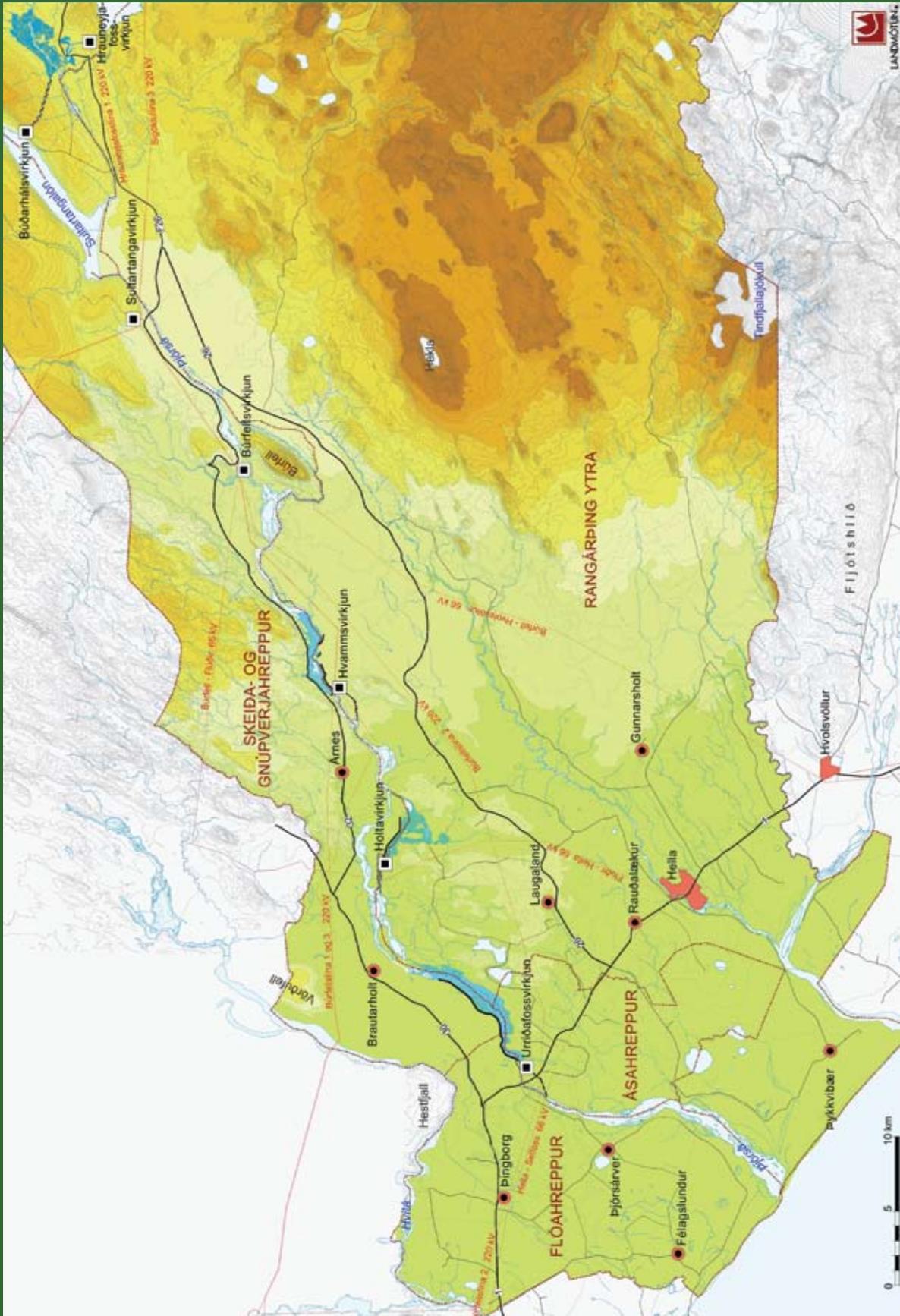
Distances in km	Arnes	Hella	Laugaland	Reykjavik	Selfoss	Thingborg
Arnes	■	49	46	99	42	33
Hella	49	■	15	93	36	28
Laugaland	46	15	■	93	35	25
Reykjavik	99	93	93	■	58	68
Selfoss	42	36	35	58	■	9
Thingborg	33	28	25	68	9	■

A fiber-optic system has been laid all around Iceland. The Thjórsá region is well served with generally short links to the fiber-optic system. As a result, investors should find it easy to gain access to fiber optic connections.

It is important to note that Danice, a submarine cable projected to be fully operational in 2010 connecting Iceland to the world with a 800 GB connection, will origin from sea in a near proximity to the Thjórsá region. As a result land based disruptions to the fiber optic connection will be minimized.

Thjórská region – diverse site choices

The map shows the diversity of site choices available to investors, from coast to the high land. It marks service centers, major roads, existing and planned power plants, and energy transmission lines in the area.





The Thjórsá municipalities are those through which the river Thjórsá flows: Ásahreppur, Flóahreppur, Rangárthing ytra, and Skeida- and Gnúpverjahreppur. The municipalities work together towards the goal of developing employment opportunities in energy-intensive industries in the region, and have appointed the Management Committee for this purpose. This publication is a part of the work of the Management Committee in presenting its goal to investors in energy-intensive industries.

Further information may be obtained from the Management Committee.

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