

This is an English translation.

The original Icelandic text, as published in the Law Gazette (Stjórnartíðindi), is the authoritative text. Should there be discrepancy between this translation and the authoritative text, the latter prevails.

Act

on Investment by Non-residents in Business Enterprises

No. 34 of 25 March 1991

as amended by Act No. 121 of 27 December 1993

and

Act No. 46 of 22 May 1996

Article 1

This Act applies to any kind of investment by a non-resident in a business enterprise in Iceland unless overridden by other acts or regulations issued under such acts.

Article 2

For the purposes of this Act the terms below shall have the following meaning:

Non-resident: An individual residing abroad irrespective of nationality, a company, institution, fund or other legal person domiciled abroad, a foreign state or state enterprise, as well as a business enterprise under foreign control. An individual is deemed resident abroad if he has legal domicile abroad or domicile there as defined in the Act on Legal Domicile. A legal person is regarded as being domiciled abroad if registered as domiciled abroad or if the legal person's articles of association state its residence abroad.

Icelandic business enterprise: An enterprise which operates in this country and which is domiciled in this country, irrespective of the form of legal identity or ownership of the enterprise. An enterprise is regarded as being domiciled in Iceland if it is registered in this country, if its articles of association state its residence in this country, or if the effective management board is in this country.

Foreign controlled enterprise: An Icelandic business enterprise in which one or more non-residents have majority holdings either in shares or initial capital, or hold a majority of votes, or in any other way have effective control over the enterprise in question.

Investment: Financial or other contribution to the equity capital of an enterprise, or the purchase of shares in the enterprise.

Foreign investment: Investment in enterprises in Iceland by a non-resident irrespective of whether this involves new equity capital or reinvestment of dividends distributed or shares or proceeds from sale of previous investment in this country.

Article 3

Non-residents shall be permitted to invest in business enterprises in Iceland within the limitations stipulated by this Act or in special legislation and upon the fulfilment of other conditions and the acquisition of licences required by

law.

Article 4

Investment by non-residents in Iceland is subject to the following restrictions:

1. Only the following may conduct fishing operations within the Icelandic fisheries jurisdiction according to existing laws on Fishing Rights within the Icelandic Territorial Waters or own or run enterprises engaged in fish processing:

a. Icelandic citizens and other Icelandic persons.

b. Icelandic legal persons which are wholly owned by Icelandic persons or Icelandic legal persons which:

i. are controlled by Icelandic entities; ii. are not under more than 25% ownership of foreign residents calculated on the basis of share capital or initial capital. However, if the share of an Icelandic legal person in a legal person conducting fishing operations in the Icelandic fisheries jurisdiction or fish processing in Iceland is not above 5%, the share of the

foreign resident may be up to 33%; iii. are in other respects under the ownership of Icelandic citizens or Icelandic legal persons controlled by Icelandic persons.

Fish processing under this paragraph 1 means freezing, salting, drying or any other processing which protects fish and other marine products from decay, including the production of fish-oil and fish-meal. However, processing in this context does not include smoking, pickling, canning and retail packaging or further processing designed to render products more suitable for distribution, consumption, or cooking.

2. Only Icelandic citizens and other Icelandic persons are permitted to own energy exploitation rights as regards waterfalls and geothermal energy for other than domestic use. The same applies to enterprises which produce or distribute energy. Individuals domiciled in another member state of the European Economic Area and legal persons which are domiciled in another EEA member state shall