

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 Landsvirkjun

No. 42, 23 March 1983

Article 1

Landsvirkjun is a jointly owned enterprise of the State Treasury, the City of Reykjavík and the Township of Akureyri. Its domicile and venue are in Reykjavík. The Company is an independent legal entity with independent finances and accounts. The State Treasury owns a 50% share in the Company, the City of Reykjavík 44.525%, and the Township of Akureyri 5.475%.

Each owner shall be severally liable as a guarantor of collection for all the obligations of the Company, while the division of liability among the owners shall be in proportion

with their respective shares of ownership. An owner may not withdraw from the Company without the consent of the other owners.

## Article 2

The objectives of Landsvirkjun shall be:

1. To generate, transmit and sell electric power wholesale to public electric utilities as well as to industrial enterprises pursuant to special contracts in so far as public electric utilities do not act as intermediaries in such power sales.
2. To construct and operate power generation facilities and the principal main transmission line network of the country.
3. To carry out planning for new power generation and main transmission facilities in the power supply area of Landsvirkjun.
4. To promote, in cooperation with electric utilities in its power supply area, the substitution of electric power for other sources of energy as far as may be considered economical.

5. To have available with adequate reliability a sufficient supply of power to meet the requirements of its customers from time to time.

[Landsvirkjun may utilize the expertise and facilities in the possession of the Company in the field of energy for projects abroad by undertaking projects for companies or by founding and owning shares in foreign companies involved in research, consultation or other services in the field of energy or other energy-related activities.

[Landsvirkjun may also found domestic companies or own shares in such companies engaged in research and development, provided the Company does not undertake consultation or project contracts in competition with other domestic companies in the general Icelandic market. The Company may furthermore own shares in domestic companies engaged in generation, transmission or sale of energy.]1)] 2)

1) Act No. 50/1999, § 1. 2) Act No. 9/1997, § 1.

Article 3

The power supply area of Landsvirkjun is the whole country as determined by the reach of its power plants and main transmission line network.

Landsvirkjun is authorized to conclude agreements on the purchase of power plants and main transmission facilities from other parties, and to operate such facilities.

The functions of Landsvirkjun and its power supply area shall be further specified by Regulation.

#### Article 4

Landsvirkjun is the owner of electric power plants, other facilities, water rights and equipment which the Company has acquired prior to the adoption of this Act.

In accordance with the Partnership Agreement dated 27 February 1981 between the Government of Iceland, the City of Reykjavík and the Township of Akureyri, Landsvirkjun overtakes on 1 July 1983 the ownership shares of the State Treasury and the Township of Akureyri in Laxárvirkjun.

## Article 5

[The State Treasury, the City of Reykjavík and the Township of Akureyri have rendered owners' contributions to Landsvirkjun in the form of initial capitalization as reflected in Article 4 and the Partnership Agreement of 27 February 1981 between the parties, and in the form of specific equity capital contributions.

Landsvirkjun shall pay its owners a dividend on owners' contributions under Paragraph 1, and on such owners' contributions as the owners may later render to Landsvirkjun.

Owners' contributions according to Paragraph 1, as revalued based on 31 December 1995, cf. the Agreement of the owners of 28 October 1996 amending the Partnership Agreement, and owners' contributions which may subsequently be rendered, shall be revalued in line with price levels at each time pursuant to the Cost of Construction Index, and the Annual General Meeting of