

LOWEST ENERGY PRICES!!

IN EUROPE FOR NEW CONTRACTS



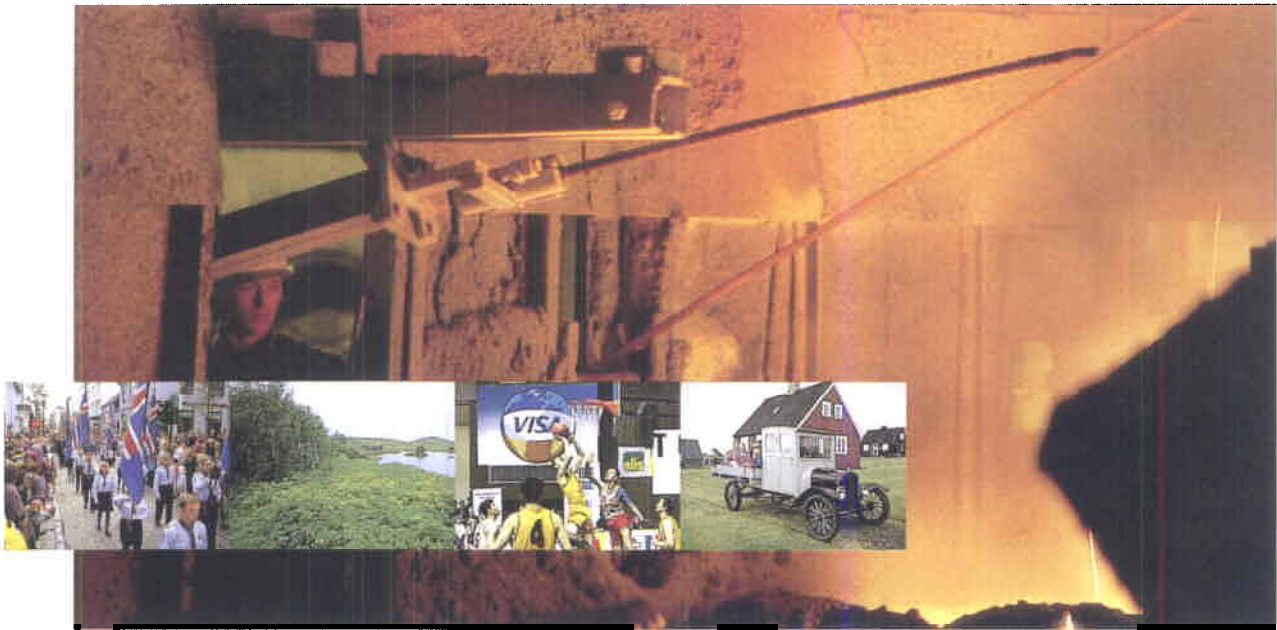
YOUR SPRINGBOARD INTO EUROPE



ICELANDIC ENERGY MARKETING UNIT

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ICELAND – SOURCE OF POWER

Iceland is the only country in Western Europe which still has large resources of unutilized, low-cost hydropower and geothermal energy. Per capita electricity consumption is one of the highest in the world although only a fraction of the country's most economical energy potential has been harnessed so far. There is large potential for further development without damaging the environment. In fact power resources represent one of Iceland's best opportunities for large-scale development and economic

growth and their utilization is high on the Government's priority list.

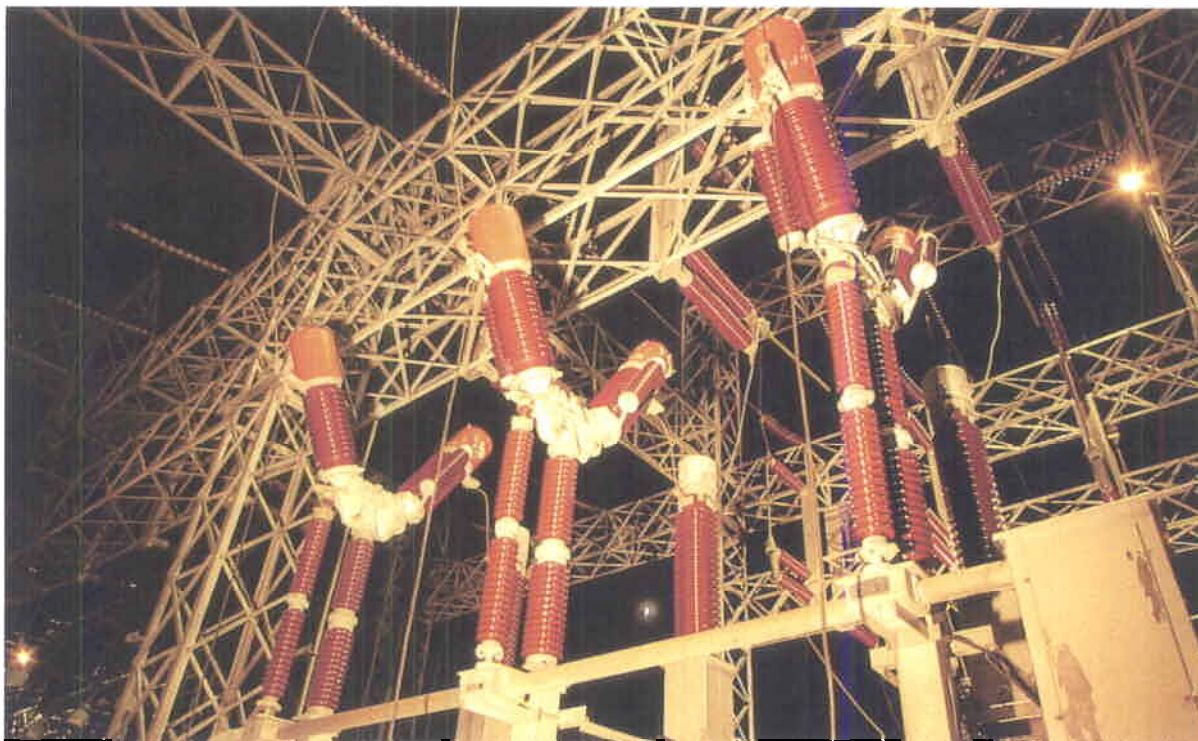
This plentiful supply of hydropower and geothermal energy, together with suitable sites and skillful human resources; makes Iceland an ideal location for energy-intensive industries. In the past Iceland has successfully attracted foreign investors with its low-cost electricity. Various industries have been established and about half of the electric production today is consumed by export-oriented power-intensive industries.



EUROPE – ONE UNIFIED MARKET



Iceland is a member of the European Economic Area (EEA).
There is free movement of goods, services, capital and labor within the area.



GOVERNMENT POLICY ON FOREIGN INVESTMENT

In order to encourage foreign investment the Government of Iceland has created an environment that offers:

- ✓ Flexible policy on power contract structure and prices.
- ✓ Low corporate tax rates and high tax-free dividend on share capital.
- ✓ Tax-free imports of construction material and equipment.
- ✓ Comprehensive legislation on foreign direct investment to adjust to international business norms.
- ✓ Wide choice of industrial sites with low rental and harbor dues.
- ✓ Minimum of "red tape".

If the future market for your products is in Europe and if you have problems with your power costs, here are 10 good reasons for locating your energy-intensive industry in Iceland:

- ✓ Low-cost power supply from medium-size hydropower plant.
- ✓ Low-cost, high-pressure industrial steam from geothermal wells.
- ✓ Clean energy from large, untapped, renewable sources.
- ✓ Tariff-free access to the European market.
- ✓ Low unit cost for labor.
- ✓ Availability of skilled English-speaking labor.
- ✓ Political and economical stability.
- ✓ Mid-Atlantic location with good, all-year-round harbor sites.
- ✓ Modern infrastructure and high standard of living.
- ✓ Western culture and lifestyle.



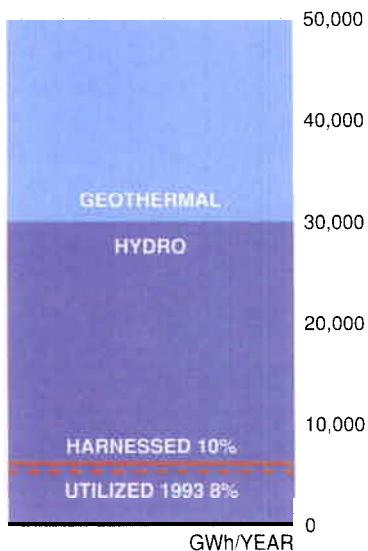
POWER IN PLENTY WITHOUT POLLUTION

Iceland has clean hydro and geothermal energy resources which are still largely unutilized. These energy resources are abundant in relation to present and projected future domestic demand in Iceland. Economically harnessable hydropower from a number of small and medium-size power plants with relatively little environmental impact is estimated at 30,000 GWh/yr while comparable geothermal resources are estimated to be about 20,000 GWh/yr. The total potential for electricity production from both sources is thus estimated to be about 50,000 GWh/yr at a sufficiently low cost to be of interest to power-intensive industries and for direct export of power. At present 5,000 GWh/yr have been developed, or only 10% of the total.

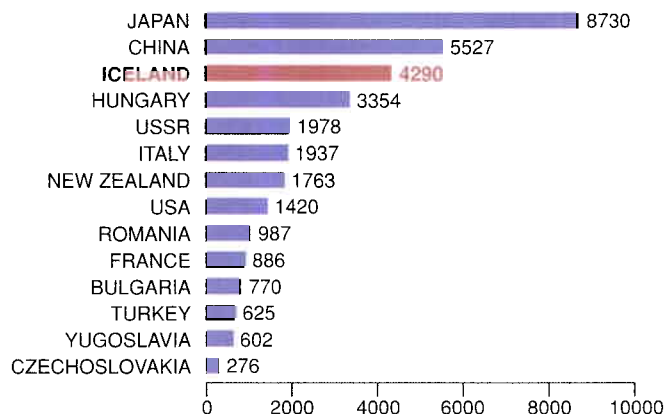
Icelanders are world leaders in the utilization of geothermal energy for space heating. Over 85% of the population of Iceland enjoy geothermal heating of their houses at a price which is generally about 1/3 of the comparable cost of heating them with oil or electricity. The direct application of geothermal steam in industry has proven to be dependable and constant in behavior as demonstrated in various process plants in Iceland for decades.

The power sector in Iceland is well prepared to develop new power projects in order to meet the demands of new customers. Numerous power projects have already been explored and designed and their construction can commence at short notice following conclusion of new power contracts.

ICELAND'S ELECTRIC ENERGY POTENTIAL

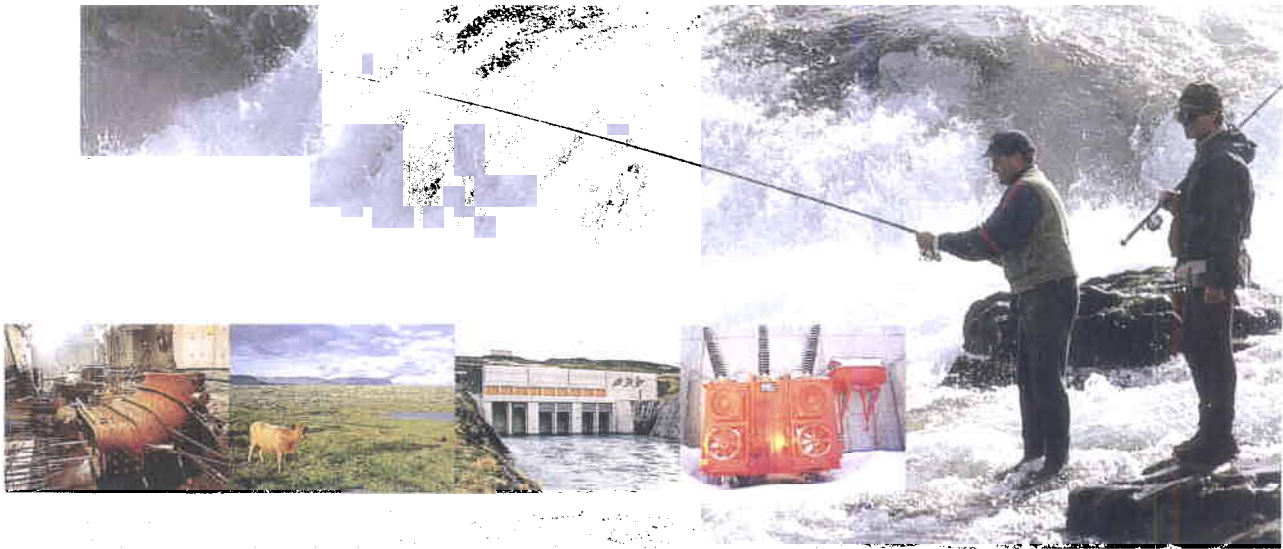


THE WORLD'S LEADING COUNTRIES IN DIRECT USE OF GEOTHERMAL ENERGY, 1990 (GWh/YEAR)



The technology, reliability, economics and environmental acceptability of direct use of geothermal energy has been demonstrated throughout the world. The graph shows such direct use for the countries identified as having capacity above 100 MW thermal. The survey omits all users where the inlet temperature is below 35°C (95°F).

Source: Freeston, 1989.



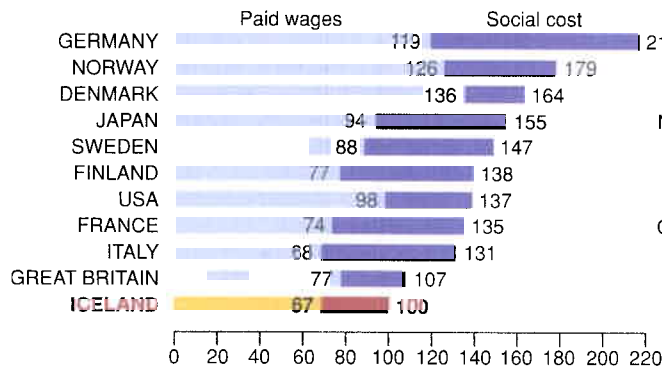
ENVIRONMENTAL ISSUES

Iceland is nature at its purest. The freshest air you will ever breath and the purest water in the world are goals worth striving to maintain. Hydropower and geothermal energy are clean, non-polluting, self-sustainable sources of energy, perpetually topped up by rainwater. Power-intensive industries using these environment-friendly power resources for making manufactured products contribute towards protecting the global atmosphere and at the same time do wonders for their own corporate environmental image.

Comprehensive legislation on environmental protection regulates planning procedures for industrial and power developments. Environmental impact assessment is prescribed for major industrial projects and the operating licence is usually granted with a minimum of environmental red tape. In cooperation with environmental authorities, power producers and industrial developers have in the past harmonized their projects towards the environment and found good solutions for handling the environmental impacts of new power-intensive industries.

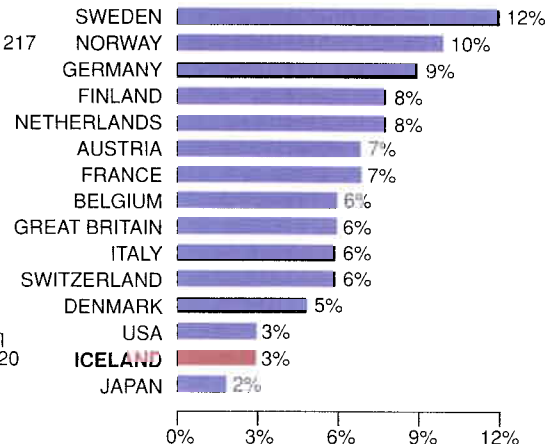
THE LABOR FORCE

COMPARISON OF LABOR COST IN INDUSTRY IN SEVERAL INDUSTRIAL COUNTRIES, 1993



Source: Central Union of Nordic Industry and Employers Federations, Helsinki, 1994

LABOR ABSENTEEISM IN SEVERAL INDUSTRIAL COUNTRIES 1992



Hours absent from work in 1992, not including vacation or public holidays.

Source: WirtschaftsWoche nr. 35, 1993, Germany. Wage Investigation Committee, Iceland

The labor cost in Iceland is low compared with other North European countries and North America. Absenteeism is lower than in most other industrialized countries. Due to compulsory 10-year school education all Icelanders are literate and educational standards are high. A large number of Icelanders hold a university or college degree, and many have studied abroad, mostly in Europe or North America.



COMPETITIVE ENERGY PRICES

The National Power Company (Landsvirkjun) has adopted a flexible policy towards long-term power contracts with companies using significant amounts of energy. The contracts can be structured to meet the specific needs of the respective company, such as by the choice of currency unit for the power price, linkage to product price fluctuations or other index-related mechanisms to respond to inevitable business cycles. *New industries can be sure of highly competitive prices which are probably lower than anywhere else in Europe and North America for new contracts.*

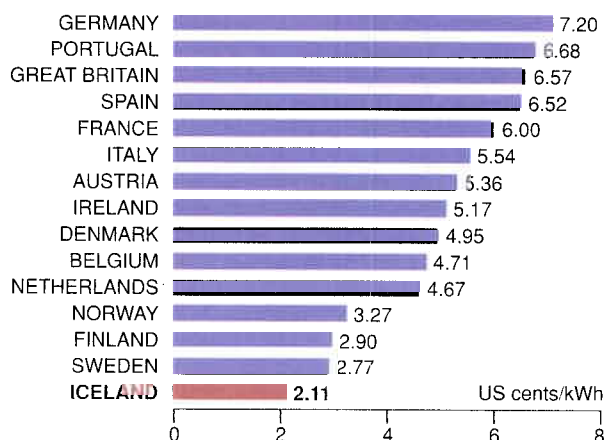
The estimated cost for a number of already planned hydro electric power projects indicates a power cost price level of around 2.0 US cents/kWh, for primary power. Secondary power will cost less, depending on security of supply and other terms and conditions.

The production cost of geothermal steam in Iceland has proven to be only a fraction of the price

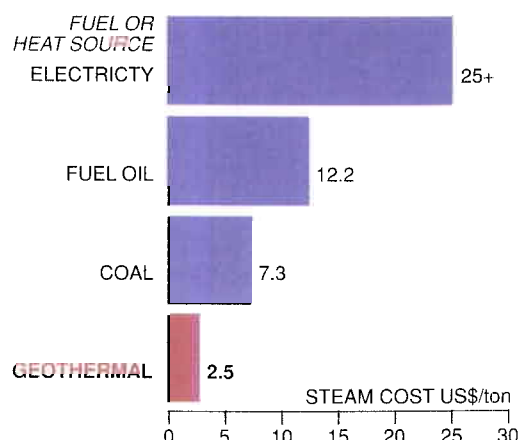
for heat usually charged to industry. The estimated cost for geothermal steam from the large geothermal fields in Iceland indicates an energy cost price of around US\$ 2.50/metric ton of industrial steam at the energy source (equivalent to US\$ 1.32 MM Btu). Ideally the most economical utilization of geothermal energy is brought about by a combined cycle, where the steam is first led through turbines for generating electricity and subsequently used for direct application in industry and other purposes.

The competitive position of Iceland in power sales for all industrial use is thus very favorable and will improve even further when expected rises occur in the price of conventional fossil fuel-based electric power and industrial steam due to environmental concerns during the coming years. With long-term power contracts in Iceland industrial corporations could hedge successfully against a possible carbon tax imposed elsewhere.

EUROPEAN LARGE INDUSTRIAL ELECTRICITY PRICES JANUARY 1994

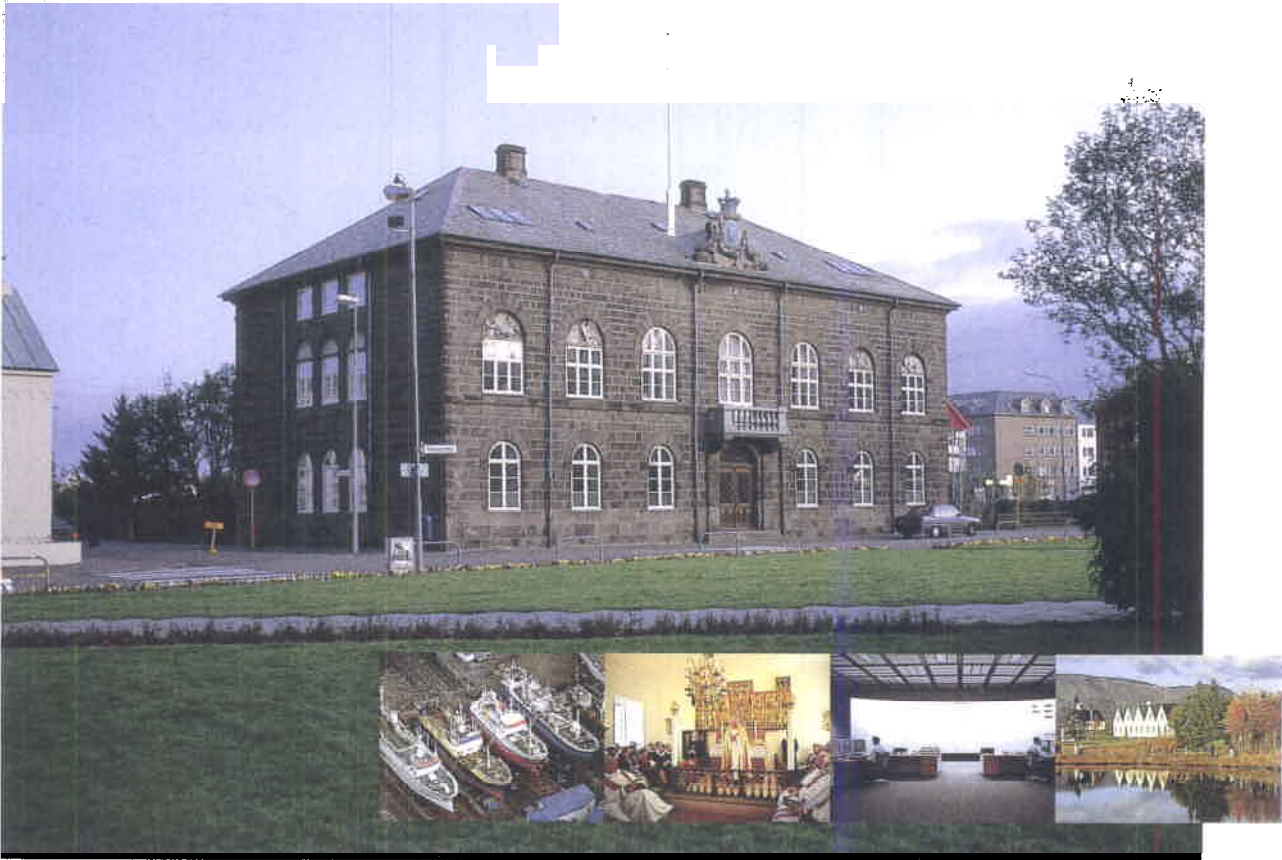


BASIC COST OF INDUSTRIAL PROCESS STEAM



Prices are in US cents/kWh, including local taxes but excluding recoverable VAT for a typical user of 10 MW, and 7,000 hours annual utilization (80% load). The electricity price in Iceland is the weighted average price for all industry. Source: Unipeds and The National Power Company, Iceland.

Based on Icelandic prices less VAT. Source: National Energy Authority, Iceland, 1992.



LEGISLATION ON FOREIGN INVESTMENT IN ICELAND

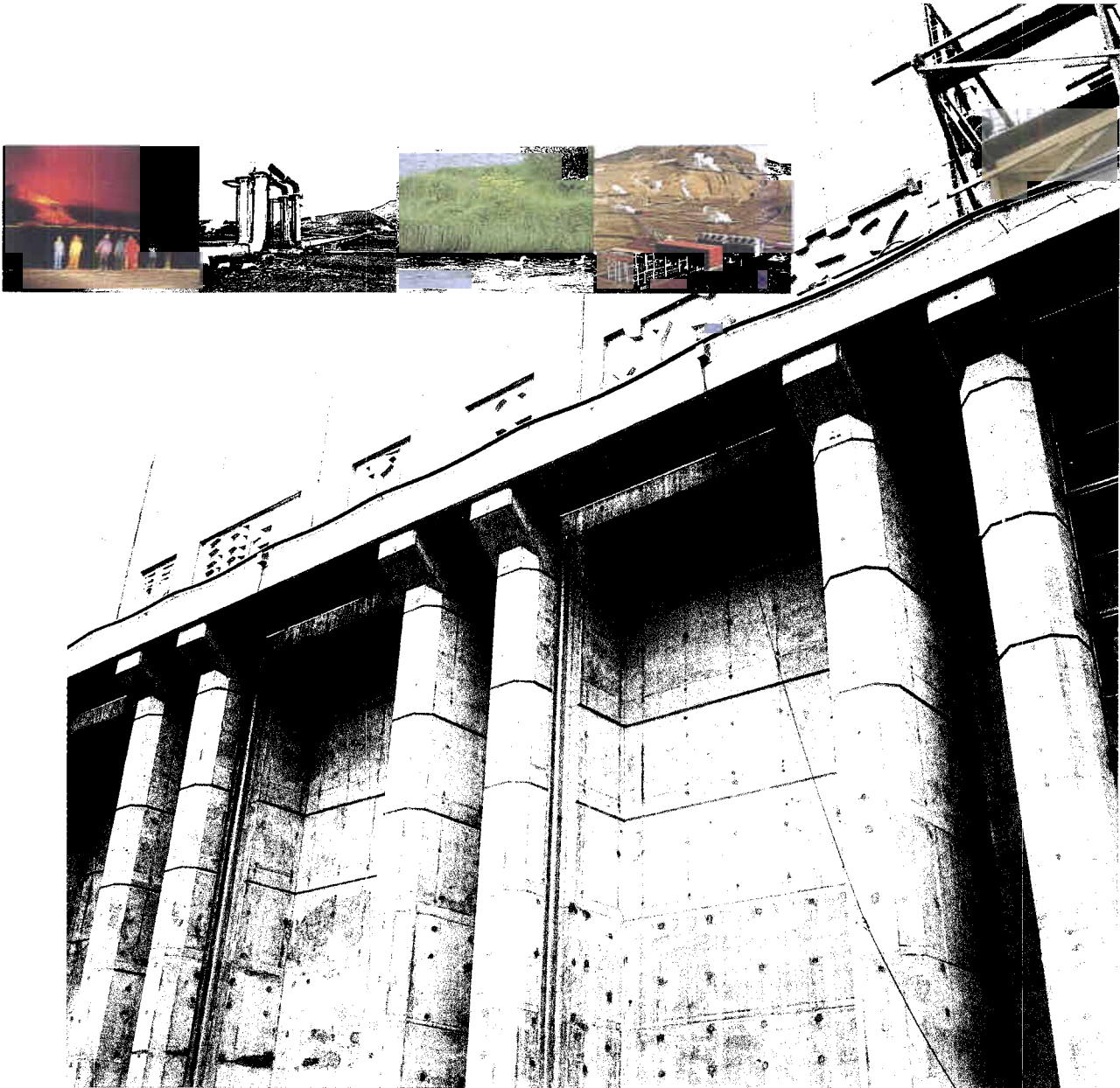
Iceland is a founding member of the European Economic Area (EEA). Within this area, which comprises 18 West European nations including the 12-state European Union market and all EFTA member countries except Switzerland, there is tariff free movement of goods, services, capital and labor. In other words a company domiciled in any of the other 17 member countries in the EEA has the same right for operations in Iceland as an Icelandic registered company and needs only apply for the same permits and registration as a domiciled company. Companies registered in Iceland are in the same way permitted to operate in all the countries of the EEA without any special permits or legislation. The same rules apply to movements of labor. Citizens of the EEA countries do not need a work permit in Iceland.

For foreign investors and corporations domiciled in other countries Icelandic legislation is aimed at creating a friendly environment for the foreign investor and the trend is towards full liberalization. The special permits needed are few and are easily issued. Restrictions are only applied where sensitive national interests are involved such as in the fisheries industries. Thus non-nationals and foreign

corporations who want to invest in energy-intensive industries or in the manufacturing industries in Iceland enjoy extensive rights to invest and operate in Iceland and to transfer capital to and from the country. Foreign industrial companies can buy or lease sites or land for industrial purposes without special government assent or intervention and are free to enter into agreements for power purchase, harbor usage, etc.

Nonetheless, a few licenses are needed which also apply for domestic companies:

- ✔ All limited liability companies domiciled abroad which operate in Iceland are subject to the provisions of the Icelandic Companies Act.
- ✔ A license is needed from the Government before the commencement of all industrial operations (Industrial and Commercial Operating License).
- ✔ The Ministry of Environment issues an Environmental Operating License before any industrial operations can commence.
- ✔ Foreign industrial enterprises are subject to Icelandic taxes in the same way as domestic enterprises except in cases where special agreements with the Government can be negotiated.

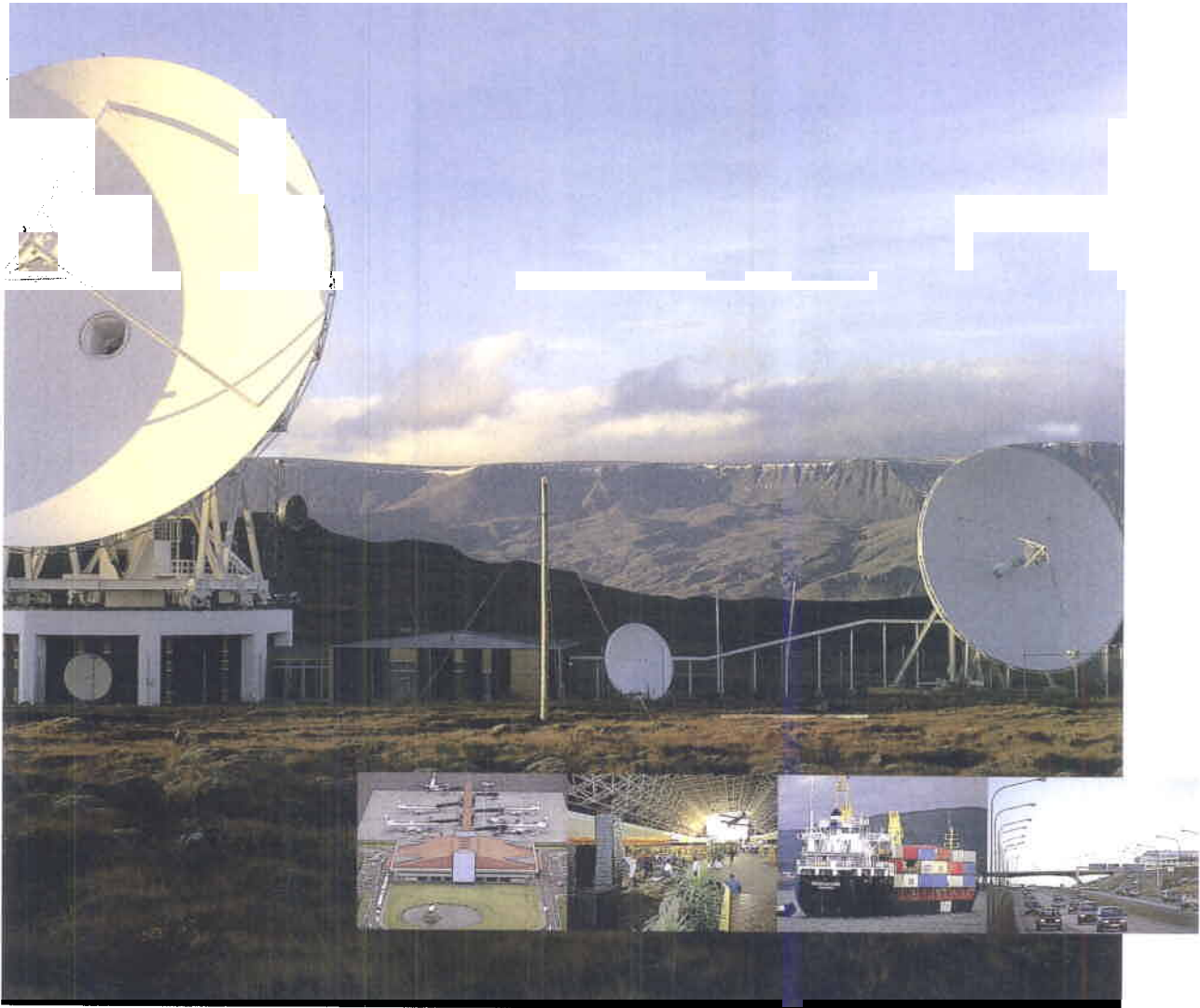


CORPORATION TAX

A company, whether wholly or partly under foreign ownership, operating in Iceland, is regarded as an Icelandic business enterprise and must pay taxes, charges and duties in the same way as other companies in Iceland, such as income tax, property tax and value-added tax (VAT). Export industries, however, have VAT refunded and the Minister of Finance grants exemptions from customs and excise duties to such industries.

Icelandic authorities have concluded double taxation agreements with a number of other countries including the United States.

Other taxes than corporate income and property tax are of minor significance to industries mainly involved in manufacturing for exports. The basic corporation income tax rate of 33% on net profits is amongst the lowest in the major economies. Dividend on share capital can be deducted from net profits before tax up to a limit of 10 per cent of the nominal value of each share or certificate. A company's corporation income tax liability may be reduced by various deductions, principally capital allowances, loss relief and depreciation of assets.



MODERN INFRASTRUCTURE

The infrastructure of Iceland is modern and well developed to support any kind of export industry. An extensive road system connects the various coastal communities around the country. With its indented coastline, Iceland has a number of good, naturally protected harbors primarily designed to serve the fishing fleet and the coastal freight vessels. Several large harbors taking ships up to 40,000 DWT exist at already developed industrial sites.

Six regions in the country have been identified as being suitable to locate medium to large size industries. All-year-round deep-water harbors to fit any large industry can be easily extended or newly constructed at low cost in all the six regions.

An Icelandic airline, Icelandair, has a scheduled network of 23 international destinations centering Iceland between Scandinavia, Britain and continental Europe to the East and the United States to the West. Icelandair is also the major domestic

airline, serving a number of destinations within Iceland, including all the prominent industrial sites.

Three main local shipping companies operate regular shipping routes to the major ports of Europe and North America as well as serving the coastal shipping routes.

The transportation cost for ocean freight is comparable to such cost prevailing on other international routes of similar lengths and frequency. The sailing distance for instance between Rotterdam and Reykjavík is 1,180 seamiles, corresponding to 3-3.5 days pr. voyage which is similar to the distances between Rotterdam and Narvik, Helsinki or Lisboa to put it in perspective.

Sophisticated telecommunications facilities via optic fibre cable connections are available with reliable international direct links for telephone, fax and data networks and an extensive cellular mobile phone system.

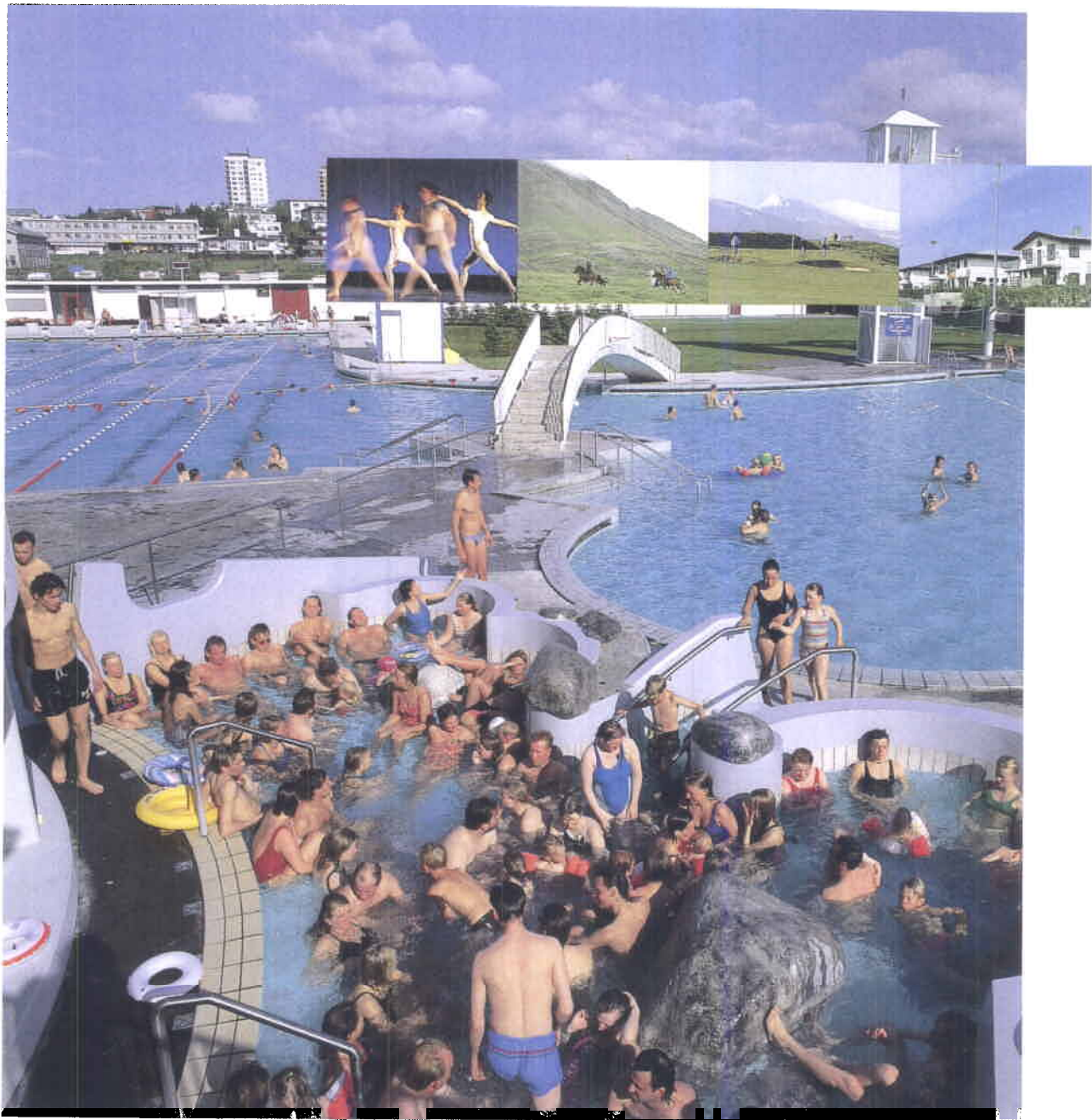


THE COUNTRY AND ITS PEOPLE

Iceland is the westernmost outpost of Europe, a Nordic country situated in the North Atlantic Ocean. It is an island with an area of about 103,000 square km (40,000 square miles). The climate is maritime with cool summers and relatively warm winters. The Gulf Stream makes the coast ice-free all year round and the climate more temperate than the country's name might suggest.

Iceland became an independent republic in 1944 with a president, elected for a term of up to four

years, as the head of state. The national language is Icelandic. Knowledge of English is universal. Iceland has always been a European country with a European culture. Therefore doing business in Iceland is not much different from what is routine between countries in Western Europe and North America. There is no need for an investor from the western hemisphere to adjust to a new way of life or culture.



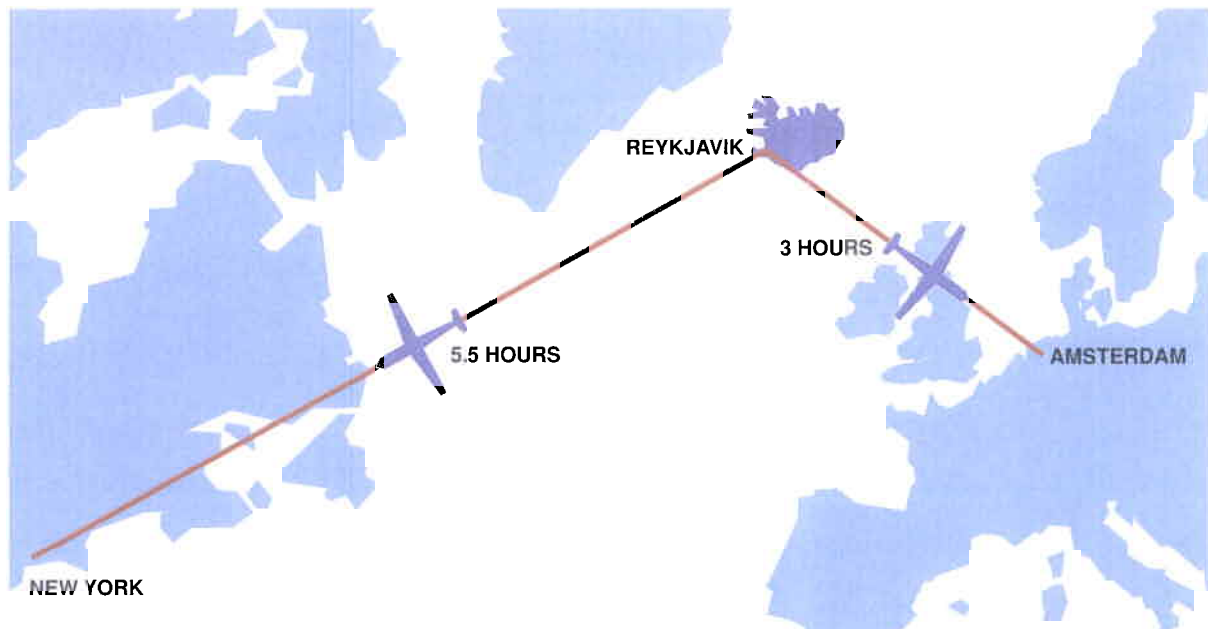
QUALITY OF LIFE

Iceland is pure and beautiful. Because of the relatively small population, nature is remarkably undisturbed. Rich fishing grounds in clean waters provide top-quality marine products and the healthy grasslands and clean drinking water from rivers and lakes provide some of the world's best meat and dairy products. Longevity is among the highest in the world, which may be explained by the nation's fit population, clean air and unpolluted water, above-average nourishment and one of the world's best health care systems.

The high standard of living is furthermore reflected in the quality of housing, high number of

cars (500 cars for every 1000 inhabitants) and the high level of education. Universities offer education in all traditional technical as well as non-technical disciplines. A number of theaters, an opera house and a symphony orchestra offer a wide selection of cultural events to delight art lovers.

Iceland offers countless opportunities for outdoor recreation, such as game hunting, fishing in the world's best salmon rivers and lakes, swimming in open-air swimming pools heated by natural geothermal water, riding, skiing, golfing and highland safari trips into the vast adventure playground of the uninhabited interior.



FACT FILE

- Size: 40,000 square miles (103,000 square km).
- Population: 265,000 inhabitants.
- System of Government: Independent democratic republic since 1944 with Parliamentary Government.
- Capital city: Reykjavík, 100,000 inhabitants.
- Main airport: Keflavík International Airport.
- Industrial ports: Port of Reykjavík, Straumsvík and Grundartangi.
- Flying distances: Reykjavík-London 2.5 hrs
Reykjavík-Amsterdam 3 hrs
Reykjavík-New York 5.5 hrs.
- Sailing distances: Reykjavík-Rotterdam 3.5 days.
Reykjavík-New York 6.5 days.
- Language: Icelandic.
- Currency: Icelandic króna (1 US\$ = ISK 68.39, 01.01.1995).
- GDP: US\$ 25,000 per capita per year.
- Electricity consumption: 17,000 KWh per capita per year.
- Unemployment: 4.2% (1993).
- International cooperation: UN, NATO, EFTA, EEA, OECD, GATT, Nordic Council, a.o.
- Merchandise exports, 1993: 80% marine products
17% manufacturing products
3% other export.

We provide information on investment regulations, power prices and availability, taxes, labor, environmental rules, industrial sites and harbors and arrange contacts to the decision makers within the public sector and the business community.
We assist foreign investors in making preliminary investigations and feasibility studies.



MARKAÐSSKRIFSTOFA IÐNAÐARRÁÐUNEYTISINS OG LANDSVIRKJUNAR

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POWERFUL AND COST-EFFECTIVE



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