

SPECIAL REPORT: 2014 ICELAND AND BUSINESS REPORT

New opportunities for investors

A new extensive free-trade agreement (FTA) between China and Iceland offers multiple opportunities for investors.

According to the FTA, which came into force on July 1, China will implement zero tariff on goods under 7,830 tariff numbers imported from Iceland, which accounted for 81.56 per cent of China's total imports from Iceland, including its aquatic products after the agreement coming into effect.

The FTA opportunities are added value to Iceland's already established value proposition for foreign investors consisting of long-term



PROMOTE ICELAND
ISLANDSSTOFA

contracts for competitively priced renewable energy, strategic location between North America and Europe, European business legislation and tariff-free access to the European inner market as part of European Economic Area, advanced infrastructure, abundance of land and skilled labour force.

Both Chinese investors, looking for opportunities to sell their products and services to Europe, and investors from the US, Canada and Europe, interested in the fast growing

Chinese market, have been exploring the possibility of establishing production or value added operations in Iceland.

Fish products are important in Iceland and the FTA offers opportunities to increase the seafood trading even further bearing in mind that prior to the agreement the tariffs were up to 18 per cent on export of seafood. An FTA serves to lower the prices for consumers in both countries, and to enable a greater market reach by eliminating tariffs.

Driving cross-border interest between the two nations

The Icelandic economy has emerged from the financial crisis as a more resilient and fundamentally stronger economy. Its resolve in addressing economic issues was founded on the island nation's rule of law and supported by the country's dynamic legal services sector.

As a result of the country's economic recovery and the recently signed Iceland-China Free Trade Agreement (FTA), cross-border interest between the two countries is growing.

"As a nation, one of our great strengths is that we learned from the financial crisis," says Örn Gunnarsson, managing partner of LEX. "The reformed, modern banking system is one of the positive consequences of the crisis and the legal system has become more sophisticated post-crisis. A wealth of



Örn Gunnarsson, managing partner

knowledge has been acquired following multifaceted legal encounters and a stronger legal sector in Iceland has emerged today". LEX is one of Iceland's largest law

firms and has successfully acted on behalf of a large number of internationally respected corporations, organisations and private individuals in Iceland and abroad.

"We are engaged in every sector of the Icelandic economy and in most cases represent at least one major player from each industry," Gunnarsson says.

The firm is a member of World Services Group, a global network of business services providers and Energy Law Group, a group of European, North African and Middle Eastern independent lawyers specialising in the energy and natural resources sectors.

The FTA between Iceland and China will continue to create synergies between the two countries. The FTA provides local and



Chinese companies with opportunities in a number of sectors – "green energy" proving to be a huge area of interest," Gunnarsson says.

"As a leading firm, our lawyers have decades of experience assisting foreign investors in Iceland. We are looking forward to working with more Chinese investors as they explore opportunities here."

www.lex.is

An unbreakable transport chain from Iceland to China

This year has proven to be a momentous one for Eimskip, Iceland's oldest shipping company. Celebrations included the company's 100th anniversary and marked 10 years of doing business in China. Eimskip continues to leverage its experience as a world-leader in reefer (refrigerated container) forwarding logistics services, and is strengthening its business in China. Eimskip's Chinese activities are located in Qingdao, Dalian, Xiamen and Shenzhen. The company recently signed a joint venture agreement with the Qingdao Port Authority to operate a 35,000-tonne cold-storage facility. As the seventh-largest container port in the world, Qingdao is an important destination for the import and export of fruit, vegetables, meat and seafood.

The agreement further strengthens our presence in China and builds on our existing operations throughout Asia," says Gylfi Sigfusson, president and CEO of



Eimskip's newest container vessel was built in China.

Eimskip. "Considering the importance of Qingdao, the agreement is also in line with our strategy to reinforce our reefer

forwarding services in Asia. With Qingdao's population of 8.7 million, the city is also a huge market opportunity for Eimskip."



Eimskip's cold-storage facility in Qingdao

Following the recently signed Iceland-China Free Trade Agreement (FTA), Eimskip's new Chinese-built specialised container vessel,

Lagarfoss, docked at the Port of Qingdao on July 1 – the day the FTA was put into force. Two hundred new reefer containers of Chinese goods

were loaded onto the vessel to be transported under the new FTA terms. "While we anticipate the FTA will

play a huge role in the growth of our business, we have already been significantly increasing our reefer forwarding services to and from China and within the Asian region," says Bragi Thor Marinsson, executive vice-president of Eimskip. "A decade ago, when we entered the Chinese market, most of our business involved exports from China. Today, given the growth of China as a consumer market, we are focusing our efforts on both imports and exports."

"China is an important market for us and continues to be our stepping stone into the Asian region," Sigfusson says. "We are keen to work more closely with our customers across the region. We are confident in our ability to provide our clients and partners with the best possible global transportation services."

www.eimskip.com or e-mail reefer@eimskip.com

Bottled at the source of pristine and majestic country

Located in the North Atlantic at the centre of the Eurasian and North American tectonic plates, Iceland is home to a mix of glaciers, spouting geysers and volcanoes that have provided Icelandic Water Holdings "Icelandic Glacial"™ with a superb and premium spring water sourced from one of the world's most naturally pristine and untouched ecosystems.

"Icelandic Glacial is bottled at the source from Iceland's legendary Ölfus Spring, which was formed more than 5,000 years ago and is shielded from pollution by an impenetrable barrier of lava rock," says Jon Olafsson, chairman and co-founder of Icelandic Water Holdings. "The Spring produces water so pure that nothing is added or taken away. As a result, Icelandic Glacial possesses exceptional balance featuring a naturally low mineral content and a high alkaline pH level of 8.4."

The foundation of the brand's success is attributed to the exceptional quality of the protected Ölfus Spring source which is communicated by the distinctive signature sculpted premium bottle. It is evident in the global distribution expansion into 18 markets, including the most recent partnership in Hong Kong and the mainland.

"There is a tremendous

opportunity for Icelandic Glacial in China and we expect to be the number one water brand in the future," says Olafsson. "Indeed, we believe that Icelandic Glacial is particularly well suited to the wide variety of uses consumed in China. Olafsson also notes the existing partnership they have with Christian Dior's DiorSnow skin care product range. "Christian Dior scientists discovered that using Icelandic Glacial water helps correct the acidity of the skin and creates increased transparency. DiorSnow is one of the biggest cosmetics line in China and I think consumers will appreciate that the premium water that we bottle for drinking is also used as the only water in these special cosmetics. We are honoured to bring a genuine piece of Iceland to this extraordinary region."

"Icelandic Glacial is also dedicated to being the active leader in environmental sustainability which involves being the world's first bottled water to have a net-zero carbon emissions footprint and to be certified as CarbonNeutral™ for product and operation. The brand's efforts have been recognised with international acknowledgment, including an award for Bottled Water World Design Awards for Best Sustainability Initiative."

"As Chinese consumers continue to seek out premium brands, Greater China is becoming a very important market for us," says Frankie Suen, general manager, Greater China Region. "Our goal is to work closely with our distributors and trade partners to make Icelandic Glacial one of the leading imported premium bottled waters in Greater China. We believe that once Chinese consumers experience Icelandic Glacial, they will prefer our uniquely pure mineral water sourced from majestic Iceland over any other bottled water brand."

www.icelandicglacial.com



Jon Olafsson, chairman and co-founder



Icelandic Glacial bottled water



Vidar Thorkelsson, CEO

As one of Iceland's leading online and e-commerce payment solutions companies, Valitor has become the largest issuer of credit cards in the country. Information collected by the company from credit card transactions proves that Iceland's economy has rebounded significantly. Chinese investors are today keen to engage with a resilient Icelandic economy and are paying particular attention to the country's dynamic information communication technology sector.

"Consumer sentiment has returned, international card usage has increased and our tourism industry is doing exceptionally well,"

VALITOR

says Vidar Thorkelsson, CEO of Valitor.

"During the crisis, contrary to what typically happens in other countries, the Icelandic community practised their own personal austerity measures to avoid accumulating debt. This represents the pragmatic and sensible approach of Icelanders and explains why we rebounded from the crisis relatively quickly."

Iceland has one of the highest card penetration rates in the world at 80 per cent. Valitor issues a

remarkable 60 per cent of all cards issued in Iceland. The company has accumulated knowledge and expertise over three decades. The company works in close collaboration with Visa EU and MasterCard and has long established partnerships with international banks.

"We have been developing a relationship with China UnionPay and have integrated their services into our system," Thorkelsson says. "I am a strong believer in using software technology solutions to help consumers. Our issuing and acquiring software solutions do that in a unique way."

As Valitor continues to establish effective business relations across Europe, Thorkelsson has his eye on the Asian market.

"We have seen our company grow in Europe during the last few years and we've been successful in exporting our knowledge and solutions to our European partners. We have a dynamic development team delivering tailor-made solutions to customers. While our strategy has focused on Europe, we find the increasingly important Chinese market a very interesting option for future development."

www.valitor.com

Strengthening the Iceland-China partnership

As part of China National BlueStar (Group), Elkem Iceland has become a leading manufacturer of ferro-silicon for the steel industry. The company exemplifies the numerous investment and manufacturing opportunities that Chinese investors can discover in Iceland.

"Whenever there are Chinese delegations visiting Iceland, we offer them a tour of our facility to show them that Chinese investments are already successfully reaching Iceland," says Gestur Petursson, CEO of Elkem Iceland. "Chinese companies are already capitalising on investment opportunities in the Icelandic economy, and we expect this trend to continue". Elkem's group headquarters are



located in Oslo, and the company is committed to the environmentally friendly production of materials for the global market. Principal products are solar-grade silicon, silicon, special alloys for the foundry industry, carbon and microsilica. The group's Icelandic plant is the second-largest ferro-silicon plant in the world, and the largest of the group's subsidiaries to focus on the production of foundry products. Elkem offsets the high energy costs involved in manufacturing ferro-silicon by

utilising Iceland's cost-competitive and environmentally friendly energy market, derived from renewable geothermal and hydroenergy resources.

"Iceland's abundance of green energy harnessed from renewable sources and the country's skilled workforce create a very attractive offering for Chinese investors interested in the country's manufacturing sector," Petursson says.

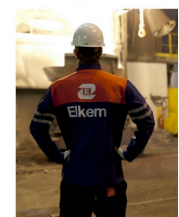
Strict environmental standards complemented by structured monitoring programmes ensure minimisation of the environmental footprint. "We are very proud of the country's environmental initiatives, and we work according to a zero-landfill policy," Petursson says. "We

are taking firm steps towards 100 per cent recycling of all our byproducts in an economically sustainable manner."

As the only company in Iceland with a Chinese parent company, Petursson recognises the importance of the Sino-Icelandic partnership.

"Iceland has been given an opportunity that others have not, and it will be interesting to see how we will rise to the occasion. We have received a tremendous amount of respect from one of the world's most important economies, and Iceland is in a strong position to build on its already strong relationship with China."

www.elkem.is/english



Iceland's abundance of green energy and its skilled workforce are attractive to Chinese investors.

MP banki is a leading investment institution

Following the financial crisis of 2008, Iceland's successful recovery remains a point of reference for countries with past and current economic challenges. Strong leadership and financial stability ensured MP banki was the only privately-held bank in Iceland to emerge intact from the country's financial crisis.

MP banki offers comprehensive solutions in asset management and private banking for private entities and investors. The bank is a broker-dealer of securities on domestic and international markets, and provides all major services in the field of corporate finance, including financing for clients.

The Free Trade Agreement (FTA) between Iceland and China has created opportunities within the financial sector for both countries. MP banki aims to be the first point of contact for Chinese investors looking for investment opportunities in Iceland.

"We have already established



contacts in China with Chinese financial institutions and energy companies," says Sigurdur Atli Jonsson, CEO of MP banki.

"There is a great deal of interest from China in the opportunities to be found within the Icelandic economy and we are playing an important role in advising investors looking at the resources and energy sectors."

"Our corporate finance team has specialised in the Icelandic energy sector and the bank has participated in projects in China and Southeast Asia. Our location in the North Atlantic and our close proximity to both Europe and the Arctic provides investors with a spring-board from Iceland into key regions of interest."

MP banki's dedication to support the growth and success of their customers remains at the heart of



the bank's offering. World Finance, a leading financial magazine, recently awarded MP banki "Best Investment Management Company in Iceland 2014".

"We understand our clients' cross-border transaction requirements and are well positioned to build on our hard-earned reputation for success after the crisis," Jonsson says. "As we strengthen our relations in China, we intend to ensure MP

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Sigurdur Atli Jonsson CEO

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www.english.mp.is