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ACT respecting Public Limited Companies No. 2/1995, as amended up to 1 May 2011 (amendments as from Act 43/2008 indicated)

TRANSLATED FROM THE ICELANDIC

SECTION I

General Provisions

Art. 1

The present Act applies to all Public Limited Companies, unless otherwise decreed under Law. The [Minister of Economic Affairs] 1) deals with matters relating to Public Limited Companies in accordance with the present Act, other than those which relate to the registration of Public Limited Companies, but these are dealt with by the Minister of Finance. "Minister" in the present Act refers to the [Minister of Economic Affairs] 1), unless the Minister of Finance be specifically named.

In the present Act a Public Limited Company denotes an association in which no associate is personally responsible for the Company's total liabilities. An Official Public Limited Company denotes in the present Act a Company fully owned directly or indirectly by the authorities, one or more shareholders. Such Companies alone are right and in duty bound to have the words "Official Public Limited Company" contained in their name or the abbreviation "ohf" and the words or the abbreviation may be linked to the name or abbreviation of a Public Limited Company.

A Public Limited Company shall have share capital which is divided into two or more shares. The share capital shall amount to a minimum of ISK 4,000,000,00. The Minister may amend this amount in conformity with changes in the rate-of-exchange of the Euro. The amount shall, however, at all times be in ISK hundreds of thousands. Amendment of the amount shall generally enter into force at year's beginning, provided that notice thereof has been given no later than by December 15th, of the previous year.

Public Limited Companies having obtained approval of registration in an regulated securities market may determine their share capital in a foreign currency. The same applies to other Public Limited Companies, provided that these have obtained authority from the Annual Accounts Register for the entry of books and the preparation of annual accounts in a foreign currency. Companies under sub-paragraphs 1 and 2 shall maintain the new currency unchanged for at least five years, unless the Minister grant an exemption from these time-limits.

In addition to the Icelandic krona share capital may be fixed in the following foreign currencies:- Euro, British pound Sterling, Danish, Norwegian and Swedish kronas, United States dollar, Japanese yens and Swiss francs. In a decision of a shareholders' meeting an account shall be given of the nominal value in the Icelandic kronas and foreign currency. If there is a case of a registered Company in an regulated securities market which has not, upon the issue of share certificates, acquired authority to enter books and prepare annual accounts in a foreign currency, conversion to another currency shall be based on the final rate-of-exchange in accordance with the official foreign exchange reference rate of the Central Bank of Iceland at the end of the immediate past fiscal year prior to the year the decision is made or the rate-of-exchange which applied at the time payments of share capital were effected. In case a Company has obtained authority to enter books and prepare annual accounts in foreign currency the nominal value of share capital upon the issue of share certificates shall be in conformity with the provisions of the Act respecting Annual Accounts concerning the conversion.

The Minister may lay down rules to the effect that other currencies may be used as a reference and may stipulate further conditions for share capital being fixed in another currency than the Icelandic krona and when that conversion may be undertaken.

Public Limited Companies alone are right and in duty bound to include the expression "hlutafélag" (Public Limited Company) in their name or the abbreviation "hf.", ("h/f", "h.f."). In other respects firms of Public Limited Companies are subject to the provisions of the Act respecting Firms.

Letterheads, order forms and similar documents of Public Limited Companies and their branches shall specify the name, identity number and address of the Company as well as the registering party and conceivable registration number other than the identity number. As it pertains to a Company's branch there shall also be specified a conceivable register and registration number of the Company in its home country. In case the share capital be specified in these documents there shall be specified the share capital to which subscription has been obtained and which is paid-up. In case of the use of the name of a Public Limited Company or a branch there shall be added eventual information relating to bankruptcy administration or dissolution of the Company, if any. Information in accordance with the present paragraph shall also be given on the website, if any, of Public Limited Companies and the branches thereof

1) Act 98/2009, Art. 20

Art. 2

In case a Public Limited Company holds such a portion of the share capital in another Public Limited Company or Private Limited Company as to control majority votes in the Company, the former Company will be considered a parent Company, but the latter a subsidiary Company.

In case a subsidiary Company or a parent Company along with one or more subsidiary Companies or more than one subsidiary Company jointly hold as large a share in another Public or Private Company as is referred to in para. 1, the last-mentioned Company will be considered a subsidiary Company of the parent Company.

In case a Public Limited Company does else, on account of shareholding or contracts, hold control in another Public Limited Company or Private Limited Company, the former Company will also be considered a parent Company and the latter a subsidiary Company.

Parent and subsidiary Companies jointly constitute a group.

SECTION II

Establishment of a Limited Company

Art. 3

The founders of a Public Limited Company shall prepare and sign a Memorandum of Association (Charter) in writing. The Memorandum of Association shall contain draft Articles of Association for the Company and decisions relating to the subject specified in Art. 4 and 5.

The founders of a Public Limited Company shall be no fewer than two. The majority of the founders shall be resident in this Country, but half of them in case the number of founders be even, unless the Minister [or he to whom he conveys his power] 1) grant an exemption therefrom. The condition concerning residence does not, however, apply to citizens of the States being parties to the Agreement on the European Economic Area, provided that the citizens concerned be resident in an EEA State. Neither does the condition concerning residence apply to citizens of States being parties to the Convention Establishing the European Free Trade Association or to the Faroese who are resident in an EEA State, a State being a party to the Convention Establishing the European Free Trade Association or in the Faroe Islands. In such incidents evidence of citizenship and residence must be submitted.

The founders may be individuals, the Icelandic State and its institutes, Municipalities and their institutes, registered Limited Companies, registered Co-operative Societies, other registered Companies with limited liability, registered partnership Companies, registered syndicates and freehold institutes which are subject to official supervision. The Minister [or he to whom he conveys his power] 1) may grant an exemption from the conditions of the present paragraph. The aforementioned Companies and establishments resident in an EEA State, a State being a party to the European Free Trade Association or the Faroese Islands may, however, be founders without an exemption. In such incidents evidence of residence must be submitted.

A founder may neither have requested or be subject to moratorium, nor may his estate be subject to bankruptcy administration. In case of an individual, he shall be of legal age.

A party signing Memorandum of Association and other foundation documents for and on behalf of a lawful party shall satisfy the conditions stipulated in respect of individuals. In addition to his principal he shall be responsible as if he were a founder himself, except for the payment of the shares to which his principal has subscribed.

1) Act 68/2010, Art. 1

Art. 4

The following shall at all times be specified in Memorandum of Association:-

1. The names, identity numbers and addresses of the founders.
2. The amount to be paid for each individual share.
3. Respite for subscribing to a share and for payment of the share capital.
4. Within which time an establishment meeting shall be held and also how it shall be called, unless it be consequent of the provisions of Art. 12 that this meeting be held without being specifically called.
5. If the Public Limited Company shall sustain costs of establishment and, in the affirmative, the estimated costs.

The first report of the Board of Directors shall specify the actual costs of the establishment, cf. clause 5, para. 1.

Art. 5

Memorandum of Association shall contain special provisions relating to the following:-

1. In case shares may be paid for by means of other valuables than cash.
2. In case the Limited Company shall accept such valuables against payment by other means than shares.
3. Whether some shareholders or others shall enjoy special rights within the Company.

Memorandum of Association shall specify the items which are necessary in order to facilitate assessment of the monetary value of the valuables which the Limited Company shall take over, cf. clauses 1 and 2 of para. 1. In that connection there shall i.a. be specified the names, identity numbers and addresses of the parties under reference.

Payment by means of valuables other than cash shall be of financial worth. The payment may not consist of the duty to discharge work or render service. Claims on founders or those having subscribed to shares can be considered to constitute payment.

Agreements relating to the take-over or the purchase of firms and other items in connection with the establishment of a Limited Company which are not mentioned in the Memorandum of Association are not valid vis-a-vis the Company.

Art. 6

In case a Public Limited Company is to receive valuables in accordance with clause 1 or 2, para. 1, Art. 5, from the founders or others a specialized report shall attach to a Memorandum of Association. The report shall include:-

1. A description of each payment or that which is received.
2. Information about the method employed upon the assessment.
3. Specification of remuneration for that which is received.
4. A declaration to the effect that the specified valuables be at least equivalent to the agreed remuneration, including the nominal value of the shares which shall be issued plus a conceivable surcharge on account of overprice. The remuneration may not be higher than the amount which may be entered in the books in respect of these valuables as assets in the Company's accounts.

In case a Public Limited Company shall in connection with its establishment take over or purchase a concern in operation there shall upon signatures being affixed to Memorandum of Association be at hand the Balance Sheet and Profit and Loss Account of that concern covering the two immediate past fiscal years or as of its establishment if that occurs later. The Memorandum of Association shall also be accompanied by the initial Balance Sheet of the Company with requisite documentation showing that the status of the concern being taken over by the Company has not been reduced as of the time on which the take-over shall be based and until the establishment of the Public Limited Company. These accounts are deemed to form part of the specialized report and shall be prepared in conformity with the provisions of the Act respecting Annual Accounts.

The report shall be prepared immediately prior to the establishment meeting.

[Art. 6 a

The founders or the Board of Directors may decide that a specialized report shall not be prepared according to clauses 1 – 3, para. 1, Art. 6 or para. 1, Art. 37 on account of the payment of share capital by means of a security or a money-market instrument which has been admitted to trading on a regulated securities market, provided that the price of the security or the instrument be based on the weighted average price at that market during the immediate past six months prior to the payment of the share capital.

In case the value of a security or a money-market instrument has for special reasons changed to a considerable extent at the time when it is to be used for the payment of share capital the founders or the Board of Directors shall reassess the value of the payment and then a specialized report shall be prepared in accordance with clauses 1 – 3, para. 1, Art. 6 or para. 1 of Art. 37.

Art. 6 b

The founders or the Board of Directors may decide that a specialized report shall not be prepared according to clauses 1 – 3, para. 1, Art. 6 or para. 1 of Art. 37 on account of the payment of share capital in valuables other than cash if the value of the payment is directly revealed in an audited, legally prescribed annual account for the latest fiscal year and the entry of assets is undertaken in accordance with the Act on Annual Accounts.

In case new circumstances result in the fact that the value of payment as per para. 1 has changed to a considerable extent within the time payment shall be effected to the Company the founders or the Board of Directors shall reassess the value of the payment and then a specialized report shall be prepared in accordance with clauses 1 – 3, para. 1, Art. 6 or para. 1 of Art. 37.

In case no assessment is undertaken upon the increase of share capital in accordance with para. 2 shareholders controlling a minimum of 5% of the share capital at the time the increase of share capital is decided upon may require of the founders or the Board of Directors that the value of payment be reassessed and that a specialized report be prepared in accordance with para. 1, Art. 37. Such requirement may be made until the payment has been effected to the Company.

Art. 6 c

In case a specialized report has not been prepared in accordance with Art. 6 a or Art. 6 b the founders or the Board of Directors of the Company shall instead prepare a statement which shall specify the following:-

1. Description of payment.
2. The value of the payment, the basis of the assessment of the value and the method of assessment.
3. A declaration to the effect that the value of the payment be at least equivalent to the nominal value of the shares to be issued plus a conceivable surcharge on account of excessive price.
4. A declaration to the effect that no new circumstances of importance have arisen concerning the original assessment of value.

Upon establishment a statement shall attach to the Memorandum of Association. Upon the increase of the share capital the statement shall be contained in the call to the shareholders' meeting or be attached thereto. The statement shall be sent to the Register of Limited Companies within a month as of the time payment was effected to the Company and published in accordance with Art. 151.

In case a Board of Directors decide upon the increase of the share capital in accordance with authority from a shareholders' meeting the payment will not be considered payment of share capital until the Register of Limited Companies has been sent notification of when a decision of the increase of the share capital was made as well as information in accordance with clauses 1 – 4 of para. 1. The notification shall be published in accordance with Art. 151. A statement in accordance with para. 1 may in such an instance be limited to a notification that no new circumstances of importance concerning the assessment of value have arisen.]¹⁾

¹⁾ Act. 47/2008, Art. 1

Art. 7

The specialized report shall be prepared by one or more impartial, specially qualified persons, either State Authorized Public Accountants or Attorneys-at-Law or other specially qualified persons who are appointed by a Court of Law in the Company's venue.

Legal provisions respecting State Authorized Public Accountants apply to the specialists preparing the report as appropriate.

The specialists are entitled to undertake such studies as they consider necessary and may require such information and assistance from the founders or the Company as they deem necessary in order to enable them to discharge their duties.

Art. 8

In case the Company acquires financial valuables other than those specified in Art. 6 from a founder or a shareholder the approval of a shareholders' meeting is required if:-

1. The acquisition of the valuables is undertaken during the period as of the date of the Memorandum of Association and until two years have passed since the registration of the Company.
2. The remuneration amounts to at least a tenth of the share capital.

For the use of a shareholders' meeting there shall be prepared a specialized report in conformity with the provisions of Art. 6. The Board of Directors shall also have a statement in writing prepared concerning the acquisition of the valuables. [The provisions of Art. 6 a – Art. 6 c shall be heeded as applicable.]¹⁾

The provisions of para. 1 do not apply to the acquisition of valuables as an item of the Company's customary commercial arrangements, the acquisition thereof at a Stock Exchange or the acquisition thereof through the intervention or subject to the supervision of the holders of executive or judiciary power.

The statement concerning the acquisition of the valuables and the specialized report shall be submitted and sent to shareholders in accordance with the provisions of para. 4, Art. 88. The documents shall also be submitted at the shareholders' meeting.

No later than a month after the shareholders' meeting has approved of the acquisition of the valuables the specialized report shall be sent to the Register of Limited Companies with the inscription of the Chairman of the shareholders' meeting stating when the arrangement was approved.

¹⁾ Act 47/2008, Art. 2

Art. 9

The founders shall submit proposals for a Company's Articles of Association.

Articles of Association shall i.a. specify the following items:-

1. The Company's name and conceivable foreign byname.
2. [In which Municipality in this Country the Company shall be considered to have its domicile.]¹⁾
3. The Company's object.
4. The share capital. The Memorandum of Association may specify the share capital as the minimum amount for which subscription must be obtained in order to render it possible to establish the Company and a higher amount for which subscription may be obtained.
5. The amount of shares and the shareholders' voting rights.

6. The number or maximum and minimum number of Directors and Reserve Directors as well as Auditors or Inspectors. The electoral period of Directors and Auditors shall also be fixed therein.
7. Provisions relating to how shareholders' meetings shall be called.
8. Which matters shall be submitted to an Annual General Meeting.
9. Provisions relating to what shall be the Company's fiscal year.
10. Provisions as to whether shareholders shall be subject to redemption of their shares in part or in full and respecting the rules applicable.
11. Provisions as to whether limitations be imposed on shareholders' authority for the handling of their shares and, in the affirmative, which.
12. Whether special rights shall attach to any shares in the Company.
13. Provisions concerning the number of Managers if there are more than three of them.

To the extent to which it is not the object of the Company to acquire financial profit for the shareholders, the Articles of Association shall specify how the profit shall be appropriated and how the Company's assets shall be treated upon dissolution of the Company.

¹⁾ *Act 47/2008, Art. 3*

Art. 10

Subscription to shares shall be effected in the Memorandum of Association or in a special subscription list to which a transcription of the Memorandum of Association shall then be attached. [The documentation referred to in Art. 6, cf., however, Art. 6 a – Art. 6 c, shall also accompany the subscription list.] ¹⁾ The Company cannot plead subscription to purchase of shares if the aforesaid rules have not been adhered to, provided that the party having effected the subscription protest to the Register of Limited Companies, prior to the registration of the Company, that the subscription be binding.

In case a party subscribes to shares subject to conditions which are not compatible with the Memorandum of Association the subscription is invalid. In case there be no protest to the Register of Limited Companies prior to registration of the Company the subscription is, however, binding and the condition has been cancelled.

¹⁾ *Act 47/2008, Art. 4.*

Art. 11

The founders will decide whether a subscription shall be approved. In case subscribing parties have subscribed to a larger number of shares than can be sold to them, the founders shall, prior to an establishment meeting being held, decide how many shares each subscribing party shall obtain.

In case a subscription is not approved, the founders deem a subscription invalid or subscriptions are in a higher amount than that which was decided upon and need therefore be reduced, the founders shall forthwith notify the subscribing party accordingly.

Art. 12

A decision relating to the establishment of a Company shall be made at an establishment meeting.

In case subscription be obtained to all shares at an establishment meeting and all accepted subscribing parties are agreed thereto it is possible to reach a decision relating to the foundation of the Company without further meetings. In case this be not so the founders shall call all subscribing parties to an establishment meeting. The rules of the present Act and of the Company's Articles of Association respecting shareholders' meetings will apply to the establishment meeting.

The founders shall see to it that subscription lists and the agreements and documentation attached to the Memorandum of Association be on view for subscribing parties for one week prior to the establishment meeting at a place specified in the call to the meeting.

At the establishment meeting the founders shall submit a Memorandum of Association and all documents referred to in para. 3 along with a list of the number of shares which the founders have approved, the distribution of the share capital between individual subscribing parties and a report relating to the funds which have already been paid. This information shall be placed on record.

Art. 13

In case it be found at the establishment meeting that subscription to the entire share capital which has been decided upon or the minimum amount for which subscription must be obtained, if any, cf. clause 4 para. 2, Art. 9, has not been obtained, the Company may not be established. The amount of share capital which has already been paid shall then be refunded forthwith after deducting costs of establishment and provided that a reservation relating thereto has been made in the Memorandum of Association.

The establishment of a Company may not be decided upon until proposals which may be submitted relating to amendment to Articles of Association or Memorandum of Association in other respects have been debated and despatched. Proposals for amendments to Articles of Association specified in the call to the establishment meeting may be approved in accordance with rules which apply to amendments to Articles of Association. Proposals for amendments to Articles of Association respecting an increase of share capital which have not been specified in the call to the meeting or proposals relating to amendments to the provisions of the Memorandum of Association in other respects may not be approved unless all the founders and subscribing parties be agreed thereto.

A proposal to establish a Company will be considered approved provided it be passed by the majority of those casting votes and controlling at least two-third of the share capital represented at an establishment meeting. In case such approval be not attained the Company will not be established.

After it has been decided to establish the Company a Board of Directors and Auditors shall be elected.

Art. 14

The Board of Directors shall give notice of a Company for registration within six months as of the date of the Memorandum of Association.

A Company may not be registered unless the total share capital for which subscription has been obtained be in conformity with that which is specified in the Articles of Association and thereof at least half shall be paid-up. The same applies to that which shall be paid in excess of nominal value. Never shall a lower amount than that fixed as a minimum according to para. 3, Art. 1, be paid upon registration.

In case notification of the establishment of a Public Limited Company will not be received by the Register of Limited Companies within the respite referred to in para. 1, registration shall be rejected. If that eventuates the obligations of those having subscribed to share capital shall be cancelled, cf. para. 1, Art. 3. The same applies if registration is rejected for other reasons.

Art. 15

An unregistered Company can neither acquire rights nor assume duties. Neither can the Company be a party to Court Cases with the exception of Lawsuits for the collection of share capital for which subscription has been obtained and other Court Cases relating to subscription to share capital.

In case a legal act be performed for and on behalf of a Public Limited Company prior to the registration thereof, those having participated in the legal act or decisions relating thereto will be personally responsible in solidum for fulfilment. Upon registration a Company will assume the duties which were consequent of a Memorandum of Association or which a Company has undertaken after an establishment meeting.

In case a legal act be performed prior to a Company being registered and the other contracting party was aware that the Company had not been registered, he may, unless otherwise agreed, invalidate the act, provided that notification to the Register of Limited Companies be not given within the respite referred to in para. 1, Art. 4, or if registration has been rejected. In case the contracting party was unaware that the Company had not been registered he may invalidate the legal act while the Company remains unregistered.

SECTION III

Payment of Share Capital

Art. 16

Payment for a share may not amount to less than its nominal value.

A subscriber to share capital may not set-off against a claim arising out of the subscription to a claim he may hold against the Company, unless the Company's Board of Directors approve thereof. The Board of Directors may, however, not grant such approval if the credit adjustment might cause a loss to the Company or the Company's creditors.

A Company's claim for payment of share capital may not be endorsed or hypothecated by the Company and it will not be subject to execution.

In case a share which has not been fully paid-up is endorsed the endorsee will, after having given notice of the endorsement, be responsible for payment of the balance of the price of the share in solidum with the endorsing party.

Art. 17

In case a shareholder does not pay for the stipulated share capital upon the date of maturity he shall pay interest on the indebtedness as of that date in an amount equal to interest on general deposit accounts at the highest rate ruling, provided that there be no alternative provisions contained in the Company's Articles of Association.

The Company's Board of Directors shall then without delay either collect the indebtedness by means of legal action or consign to another the right to the share or shares of the subscriber. Prior to shares being delivered to another party the subscriber shall, however, at all times be granted 4 weeks' respite in order to bring his matters into correct order. In case a subscriber has received a provisional share certificate the Company may, after the aforementioned respite has elapsed, require delivery thereof by means of direct enforceable action without prior Judgment or Settlement.

In case it be found that the indebtedness will not be collected the rules of Art. 18 and 19 shall be applied.

Art. 18

Shares to which a party has subscribed upon the establishment of a Public Limited Company shall be paid for in full at the latest within one year as of the time of the registration of the Company. In case notice be not given at the correct time to the effect that the share capital be paid-up in full, the Minister shall grant the Company suitable respite, yet not exceeding six months, to bring this into order. In case this respite be left unused the Register of Limited Companies shall submit to a District Court that the Company be dissolved.

Art. 19

Upon an increase of share capital the shares shall be paid-up in full at the latest one year after notice of the increase has been given to the Register of Limited Companies. In case notice is not given at the correct time to the effect that the new shares be paid-up in full, the Register of Limited Companies shall grant the Company suitable respite, which may, however, not exceed three months, to make amends to shortcomings. In case amends have not been made within the respite and the Board of Directors have neither given notice of a reduction of the share capital in accordance with Art. 53, the Register of Limited Companies shall have it recorded that the share capital has been reduced in the equivalent amount of the nominal value of the shares which remain unpaid and that the Articles of Association be amended accordingly. Increased shares shall be deemed invalid when the reduction has been registered.

SECTION IV

Shares, Share Certificates and Register of Shares

Art. 20

A Public Limited Company shall at all times consist of no less than two shareholders, cf. Art. 107.

All shares shall have equal rights in the Company. It may, however, be determined in Articles of Association that shares shall be divided into special classes, i.a. a class having no voting rights. In that case a mention shall be made in Articles of Association of the difference between classes of shares, the amounts of each class and special provisions relating to the right of subscription to new share capital to which shareholders are entitled upon increase of share capital.

Art. 21

Shares may be sold and hypothecated, unless otherwise decided in Laws or stipulated in the Articles of Association of a Public Limited Company. In Articles of Association provisions relating to trade restrictions may, however, be introduced only as it pertains to shares being in conformity with the provisions of Art. 22 and 23 or of special Acts. Restrictions may, however, not be imposed on transactions involving ordinary shares between parties in Public Limited Companies having 200 shareholders or thereover.

Art. 22

It may be resolved in Articles of Association that upon change in ownership of a share other than one occurring through inheritance or administration of an estate, shareholders or others shall have priority right of purchase. Articles of Association shall then contain more specific rules relating to this subject and the following shall i. a. be specified therein:-

- a. The order of holders of priority right of purchase.
- b. Provisions respecting respite for a holder of priority right of purchase to exercise his right of pre-emption which may be two months at the most and the respite will be counted as of notification to the Board of Directors respecting offers.
- c. Provisions respecting respite for payment of the purchase price which may, however, not exceed three months as of the time the purchase was decided upon. If there is at hand an offer from a third party into which the holder of a right of pre-emption enters, the provisions of that offer relating to terms of payment shall, however, apply.

In case an offer apply to numerous shares of one or more shareholders it is not possible to utilize the priority right of purchase as it pertains to several of these, unless this be specifically permitted in the Articles of Association. In case the Articles of Association contain provisions relating to a computation basis for the purchase price of shares this is invalid if it leads to an obviously unreasonable price for the shares or terms are obviously unreasonable in other respects.

A Company's Board of Directors shall forthwith give holders of priority right of purchase notice in writing about a notification of offers.

In case Articles of Association do not contain provisions respecting a computation basis for purchase price and an accord relating thereto is not reached the purchase price shall be fixed by assessors appointed by a Court of Law in the Company's venue. In case either party will not abide by the decision of the assessors appointed by a Court of Law he may refer the decision to the Courts, but a Lawsuit shall be instituted within three months as of the time the assessors appointed by Court completed their assessment.

Art. 23

It may be resolved in Articles of Association that hypothecation, sale or other assignment of shares may be undertaken only with the Company's approval, cf., however, the 3rd sentence of Art. 21.

The Company's Board of Directors will decide as to whether approval shall be granted unless otherwise resolved in the Articles of Association. A decision as to whether or not approval shall be granted shall be made without delay and never later than two months after approval is requested. The party having sought approval shall forthwith be given notice of the Board's decision on this matter. In case approval has not been received within two months after application in writing therefore, approval shall be deemed to have been granted.

In case the Company's Board of Directors reject sale or other endorsement of shares the shareholder may require the Company to redeem the shares in question. In case a price cannot be agreed upon this shall be fixed within 3 months by assessors who shall be appointed by a Court of Law in the Company's venue. The Company will sustain the costs incurred by the assessment. In case either party will not abide by the decision of the assessors appointed by a Court of Law he may refer the decision to the Courts, but a Lawsuit shall be instituted within 3 months as of the time the assessors appointed by a Court of Law completed their assessment.

Art. 24

In case a shareholder owns over nine-tenth of the share capital of a Company and controls corresponding voting power the shareholder and the Company's Board of Directors may jointly decide that other shareholders of the

Company shall be subject to the shareholder's redemption of their shares. In case this be decided upon notice shall be sent to the named shareholders in the same manner as that which applies to the calling of an Annual General Meeting as appropriate and wherein they are encouraged to endorse their shares to the shareholder within four weeks.

The terms of redemption and the basis of assessment of the redemption price shall be specified in the notification. In case an accord cannot be reached concerning the price it shall furthermore be specified that this will be determined by assessors appointed by a Court of Law in the Company's venue. The provisions of para. 4, Art. 22 apply. Finally information shall be granted in the notice concerning the provisions of para. 3 of the present Article.

In case the determination of assessors leads to a higher redemption price than offered by the shareholder that price will apply also to the shareholders in the selfsame class who have not requested an assessment. Costs of the determination of the price will be paid by the shareholder, unless a Court of Law consider that due to special reasons the minority of shareholders concerned shall pay the costs in part or in full.

Art. 25

In case a share be not endorsed in accordance with the provisions of Art. 24 the value thereof shall be paid into a deposit storage account in the name of the holder of rights. As of that time the shareholder is deemed to be the rightful owner of the share and the previous owners' share certificates are invalid. Further provisions relating hereto may be laid down in Articles of Association.

Art. 26

In case a shareholder owns more than nine-tenth of share capital in a Company and controls corresponding voting powers each individual minority shareholder may require redemption with the shareholder. The provisions of para. 4, Art. 22 and the 2nd sentence, para. 3, Art. 24 apply as appropriate.

Art. 26 a

[A shareholder may, however, despite para. 3, require a Judgment to the effect that the Company redeem his share in the Company provided that strong arguments remain for him being enabled to free himself from the Company because:-

1. the Company's Board of Directors, Managing Director or others representing a Company, as well as shareholders, have violated the provisions of Art. 76 and Art. 95 concerning the acquisition of improper interests,
2. another shareholder of the Company has abused his influence in the Company,
3. there is a serious and long-term dispute between the shareholder and other shareholders concerning the operation of the Company.

In case redemption in accordance with para. 1 leads to a considerable loss for the Company or does in another manner lead to an unfair conclusion for it the request of the shareholder shall not be taken account of. The same applies if the Company finds someone who is prepared to purchase the shares against payment corresponding to the redemption amount. The provisions of para. 4, Art. 22 apply as applicable.

The present provision does not apply to financial undertakings, insurance companies and companies whose shares are admitted to trading on a regulated securities market or at the Multilateral Trading Facility (MTF).] 1)

1) Act 68/2010, Art. 2

Art. 27

Share certificates shall be issued to a named person.

Share certificates shall be issued no later than one year after the recording of the share subscription and these may not be delivered until registration has been undertaken and the share has been paid for in full. Share certificates may be delivered only to the shareholder who is recorded in the register of shares. It is permissible, acting in accordance with a decision by the Company's Board of Directors, to issue share certificates in an electronic manner at a central securities depository in conformity with the Act on the Electronic Registration of Title to Securities. In Public Limited Companies there shall, upon the conversion of the currency of share capital, be a withdrawal of issued share certificates and new ones shall be issued to replace these in a new currency. Comparative amendments shall be effected in case of electronic registration.

A share certificate shall specify the following:-

1. The name, identity number and address of the Company.
2. The number and amount of a share.
3. The date of issue of a share.

The following items shall also be specified in a share certificate if provisions relating thereto are contained in a Company's Articles of Association:-

1. The classification of a share certificate in case of shares being divided into special classes.
2. The limitations imposed on shareholders' authority for the handling of their shares.
3. The right of redemption attaching to a share certificate or the right to exchange it for other shares without the approval of shareholders.
4. Other specific duties imposed on shares in addition to the duty to pay the share capital.
5. Authority to invalidate share certificates without Judgment.

All the Directors shall affix their names to the share certificates. Names may be written in mechanical manner.

A share certificate may apply to two or more shares in the selfsame class. On such a share certificate there shall be specified its number and the nominal value. The provisions of the present Article will in other respects apply to such share certificates. A shareholder is, however, at all times entitled to obtain exchange of such a share certificate for share certificates applying to individual shares.

The share certificates shall contain a reservation to the effect that following upon the issue of the certificates decisions may be made concerning items specified in para. 3 - 5 and alter the shareholders' legal position. In case such amendments be effected a Company's Board of Directors shall, as far as possible, see to it that an inscription concerning the amendments be entered in the share certificates or that these be exchanged for new share certificates.

In case a share certificate which has been issued be lost a Company's Board of Directors may call upon the holder thereof to report to them at three months' notice as of the last publication of a challenge which shall be published twice in the "Legal Gazette". In case nobody report prior to the expiry of the respite all rights against the Company according to the share certificate are dropped. At the request of the original owner of the certificate the Company's Board of Directors shall then issue a new certificate to him or a person proving that he lawfully derive his right from that party. The new certificate shall be subject to the selfsame terms as the previous one. In case a correct owner report at a later stage a dispute shall be decided upon by means of Judgment. The same rules as those concerning share certificates apply to provisional certificates and certificates of subscription as appropriate.

Art. 28

In case a share is not fully paid-up a Company's Board of Directors may issue a provisional voucher which shall be in a name. It shall be mentioned in a provisional voucher that a share certificate will be delivered only against the handing over of the voucher. Subsequent payments shall be recorded in the provisional voucher if this is requested. One Director who has obtained special authority from the Board for the purpose may sign a provisional voucher. In other respects the rules of Art. 27 apply to provisional vouchers.

The subscription certificates referred to in Art. 35 shall specify the name of the Company, the numbers of the shares belonging thereto and the class of shares. Rules relating to signatures of provisional vouchers also apply to documents in respect of subscription right.

Art. 29

Assignment and hypothecation of share certificates shall be subject to the customary rules for commercial bonds unless otherwise clearly stated in the share certificate.

Art. 30

When a Public Limited Company has been established its Board of Directors shall forthwith prepare a register of shares. It is permissible to have the register in a form of a secure loose-leaf or card-index system or to computerize it. [The Board of Directors shall see to it that the register of shares includes correct information at each given time.] 1)

Shares or share certificates shall be recorded in the register of shares in numerical order and a mention shall be made in respect of each share or share certificate of the name, identity number and address of the owner or that of those authorized to effect nominee registration, if applicable, in accordance with the Act respecting Securities Transactions.

In case a share certificate cover two or more shares the register of shares shall also include information about the number of such a share and the nominal value thereof.

The register of shares shall furthermore include a list of shareholders in alphabetic order and a mention shall be made of the holdings of each individual shareholder.

In case of a change in the ownership of a share and provided the provisions of Art. 22 and Art. 23 do not obstruct this, the name of the new shareholder shall be entered in the register of shares when he or his lawful agent gives notice of the change in ownership and proves this. A mention shall furthermore be made of the change in ownership and date of registration.

When the name of a new owner is entered in a register of shares, the entry shall also be inscribed on the share certificate. [In the register of shares information shall be entered regarding the voting right of shareholders and therein mention shall also be made of all group connection which the Public Limited Company is a party to.] 1)

A register of shares shall at all times be kept at the office of a Public Limited Company and all shareholders and the authorities have access thereto and may acquaint themselves with the contents thereof.

1) Act 13/2010, Art. 1

Art. 31

A person having acquired a share cannot exert his rights as a shareholder unless his name has been recorded in the register of shares or he has given notice and produced evidence of his ownership of the share. This does, however, not apply to the right to dividend or another payment and the right to new shares upon the raising of the share capital. In case dividend is sent to shareholders or paid out without the presentation of share certificates the Company will, the immediate past sentence notwithstanding, be considered to have completed payment of dividend if the Company pays to a person who is on the date of payment the registered owner of share certificates in the register of shares or has on that date given notice of and proved his ownership of the share. Public Limited Companies are authorized to determine that the right to dividend be based on another time-limit than the paying out of dividend, provided that this time-limit be specified in a shareholders' meeting's decision on the payment of dividend. In case of Public Limited Companies listed on a regulated securities market such a notice shall be sent to the market concerned prior to an Annual General Meeting.

Art. 32

In case many persons own a share together they can exert their rights within the Company by means of a joint representative only.

SECTION V

Increase of Share Capital and Subscription Rights

Art. 33

A shareholders' meeting alone can decide upon an increase of share capital, either by means of subscription to new shares or the issue of compensation shares, cf., however, Art. 41 and Art. 43. An increase of share capital may not be decided upon until the Company has been registered.

A proposal for the increase of share capital shall be available for study by shareholders and shall be sent to them in accordance with the rules which are specified in para. 4, Art. 88. The proposal shall furthermore be submitted at a shareholders' meeting. If the accounts for the immediate past fiscal year are not to be debated at the selfsame shareholders' meeting the following documentation shall also be submitted:-

a. Transcription of the accounts for the immediate past fiscal year inscribed respecting the despatch of an Annual General Meeting and transcription of Auditors' report relating to such accounts.

b. A report by the Board of Directors wherein information is granted relating to the items which are of major importance concerning the Company's financial status and which have been subject to changes after the accounts were prepared.

c. Auditors' statement relating to the aforementioned report by the Board.

The call to a shareholders' meeting at which a decision is to be made about an increase of share capital shall contain information about the right of shareholders or others to subscription, cf. Art. 34, and details as to how those holding subscription right shall act if they wish to avail themselves of that right. In case shareholders' subscription right is to be deviated from the reasons therefore shall be explained and proposals for subscription rate shall be substantiated.

Art. 34

Upon an increase of share capital shareholders are entitled to subscribe to new shares in direct proportion to their holdings. In Public Limited Companies not imposing restrictions upon transactions in shares between parties the shareholders may convey to other parties their right to subscription in part or in full, but entire shares only. In case one of the older shareholders does not use or convey, cf. the second sentence, his right to subscription in full, other older shareholders possess an increased right to subscription which they cannot convey to others.

In case of more than a single class of shares where voting right or entitlement to dividend or allocation of the Company's assets varies it is possible in the Company's Articles of Association to grant shareholders in these classes priority right to subscribe to shares in their own classes. In such instances shareholders in other classes can first avail themselves of the priority right to subscription in accordance with para. 1 after the shareholders specified therein.

A shareholders' meeting may with the number of votes stipulated in Art. 93 decide to deviate from the rule specified in para. 1, provided that shareholders be in no way treated with discrimination. A shareholders' meeting cannot, however, decide upon a more extensive deviation from shareholders' right to subscription than that specified in the call to the meeting without the approval of those shareholders who are subject to an abridgment of their right of subscription. There shall be published in the "Legal Gazette" at the notifying party's expense the principal subject of a shareholders' meeting's decision concerning deviation from the right of shareholders to subscription.

Art. 35

Every shareholder is entitled to obtain a certificate of subscription in respect of each share certificate he possesses and therein it shall be specified what be the requirements for subscription to new shares. In case share capital is to be raised by means of the issue of compensation shares every shareholder is entitled to obtain a certificate relating to his participation in the overall issue.

Share certificates shall be inscribed to the effect that subscription vouchers have been issued.

Art. 36

The following shall be mentioned in a decision relating to an increase of share capital by means of subscription to new shares:-

1. How much the share capital shall be raised. A maximum and minimum may be laid down in respect of the increase.

2. The class of shares to which the new shares shall belong if the Company has or shall have a classification of shares.
3. Priority right of shareholders or others for subscription to shares or who can alternatively subscribe to shares.
4. Respite for subscription and shareholders' respite to avail themselves of their priority right to subscription and the respite shall be no less than two weeks as of notification to shareholders of a decision to raise the share capital, cf. para. 2, Art. 38.
5. Respite for the payment of shares along with rules as to how shares shall be divided in case those who do not hold priority option have subscribed to a higher amount of share capital than that invited, provided that the Board of Directors be not charged with the division.
6. The nominal price of shares and their rate.
7. The Company's estimated costs on account of the increase of the share capital.

In case restrictions shall be imposed upon trading in the new shares or the new shareholders shall be obligated to be subject to redemption of their shares, this shall be mentioned in the decision.

The new shares shall grant rights within the Company as of the date of registration of the increase of share capital, provided that there be no alternative decision contained in the resolution of the shareholders' meeting relating to the increase.

The next report of the Board of Directors shall specify the actual costs of the increase of share capital, cf. clause 7, para. 1.

Art. 37

In case the new shares may be paid for by means of the set-off of indebtedness or in another manner than with cash, rules relating thereto shall be laid down in the decision by the shareholders' meeting relating to the increase of share capital. [The provisions of Art. 5 – 6, Art. 6 a – Art. 6 c and Art. 7 – 8 shall apply hereto as applicable.]¹⁾

The provisions of para. 1 do not apply to an increase of share capital occurring upon merging of Public Limited Companies in accordance with Section XIV.

¹⁾ Act 47/2008, Art. 5

Art. 38

Subscription to new shares shall be effected in a subscription list which the Company's Board of Directors will sign. The subscription list shall specify the decision by a shareholders' meeting respecting the increase of share capital. Upon subscription the Company's Articles of Association and the documentation specified in para. 2, Art. 33 shall be submitted. In case payment of the share capital shall be subject to the provisions of para. 1, Art. 37, the documentation referred to in para. 2, Art. 37 shall also be submitted upon subscription.

Those shareholders or others who have priority right to subscription shall, immediately following upon a decision to raise the share capital, be given notice thereof in accordance with the same rules as those applying to the calling of a shareholders' meeting along with information about the nominal value and rate of the shares to the purchase of which the shareholder is entitled, respite for subscription and terms of payment.

In case subscription by those who are entitled to subscribe to new shares in accordance with the decision by the shareholders' meeting be obtained at the meeting in respect of all the shares, subscription may be completed by means of a recording in the Record of Minutes for the meeting.

Art. 39

In case subscription be not undertaken in accordance with the rules of Art. 38 or subscription is made subject to reservation the rules of Art. 10 shall be applied.

Art. 40

In case subscription has not been obtained in respect of the fixed minimum of increase of share capital prior to the elapse of the respite for subscription the decision relating to the rise of share capital is cancelled and so is the obligation of the shareholders who have already subscribed to shares.

In case subscription has been obtained for the fixed minimum of increase of share capital at the correct time and at least a quarter thereof has been paid plus that which shall be paid in excess of nominal value, notice shall be given to the Register of Limited Companies about the amount of share capital for which subscription has been obtained, the Board have approved and not invalidated in accordance with the provisions of Art. 19 and the amount which has already been paid for the shares. In case notification has not been made within a year from the time a decision was made or if registration is rejected the rules of para. 1 apply.

In case subscription to shares is effected as the basis of securities entitling subscription to shares (subscription rights), the respite to subscription according to the subscription list is longer than one year, subscription has been obtained to the specific minimum of the increase of share capital and a minimum of a quarter thereof has been paid in addition to that which is to be paid in excess of nominal price, the Company's Board of Directors shall within a month as of the end of each fiscal year give notice to the Register of Limited Companies of the amount of increase of share capital which has been effected during the year. In case notice has not been given within a month as of the end of the respite for subscription or registration is rejected the rules of para 1 apply as appropriate. The Board of Directors may effect the requisite amendments to the Company's Articles of Association on account of the increase of the share capital. When registration has been effected the share capital is deemed to have been raised by an amount corresponding to the paid-up share capital.

Art. 41

Provisions contained in a Company's Articles of Association may authorize the Board of Directors to increase the share capital by means of subscription to new shares.

The Articles of Association shall then include a mention of the maximum amount by which the Board of Directors are authorized to raise the share capital, the respite for the utilization of this authority which may, however, not exceed five years and the items referred to in clauses 2 and 3, para. 1, para. 2 and para. 3 of Art. 36. In case it be permitted to effect the increase in part or in full without cash payment this shall be mentioned in the Articles of Association.

Art. 42

Amendments to Articles of Association consequent of an increase of share capital in accordance with Art. 41 may be effected by the Board of Directors, provided that no other amendments to the Articles of Association in connection with a decision relating to the increase of share capital be made.

The shareholders having priority right to subscribe shall, immediately following upon the Board's decision relating to an increase of share capital, have notification thereof sent to them in accordance with the same rules as apply

to the calling of shareholders' meetings along with information as to how they shall act if they wish to avail themselves of their priority right to subscribe.

The subscription list shall contain the information referred to in para. 2, Art. 41, as well as the Board's decision on respite for subscription, payment, nominal value of shares and their rate, cf. clauses 4 - 7, para. 1 and 4, Art. 36. In other respects the rules of Art. 35 and Art. 37 - 40 shall be applied upon subscription as applicable.

Art. 43

An increase of share capital by means of the issue of compensation shares may proceed in such a manner that transfer be effected of amounts which may in accordance with Art. 99 be paid as dividend or upon transfer from a lawful reserve fund as per para. 3, Art. 100.

A decision relating to an increase of share capital by means of the issue of compensation shares shall specify to what extent share capital shall be raised. A shareholders' meeting may, however, grant a Company's Board of Directors authority to decide upon the issue of compensation shares during a current fiscal year by an amount up to a specific maximum. The provisions of clause 2, para. 1, para. 2 and para. 3 of Art. 36 apply to the decision.

The provisions of para. 1, Art. 42 apply to amendments to the Articles of Association on account of the issue of compensation shares.

This increase of share capital is not valid until the decision has been recorded.

Art. 44

In case five years have passed since the recording of an increase of share capital on account of the issue of compensation shares and a party who is entitled to such share certificates has not presented a claim for delivery thereof, the Board of Directors may by means of an announcement in the "Legal Gazette" call upon those concerned to collect their share certificates within six months. When that respite has passed and a shareholder has not applied to the Company, the Board of Directors may sell the share certificates at the shareholders' expense through the intermediary of parties who are under Law authorized to deal in such shares. The sale price of these share certificates, after deduction of costs, shall be deemed to be the shareholders' property, but if he has not called for it within five years from the date of sale these funds will accrue to the Company.

Art. 45

A shareholders' meeting may determine the issue of subscription rights, provided it will simultaneously in conformity with Art. 33 - 37 decide upon the requisite increase of share capital.

In the shareholders' meeting's resolution there shall be laid down further conditions for the issue of the subscription rights, i.a. a decision on the maximum of the increase of share capital for which one may subscribe on the basis of the subscription rights and in which class of shares the new shares shall be. It shall furthermore be mentioned in the shareholders' meeting's resolution as to how utilization of the subscription rights shall be arranged and which be the position of holders of rights if the share capital is increased or reduced, new amendable bonds are issued or new subscription rights or dissolution of the Company occur, i.a. by means of merger or division, prior to it being possible to utilize the subscription rights. As it pertains to a decision concerning the issue of subscription rights and the right to subscribe thereto the provisions of Art. 33 and 34 and the former part of clause 3 and clauses 4 - 7 of para. 1, as well as para. 4, Art. 36 and 38 apply, as appropriate.

The resolution of a shareholders' meeting shall be adopted to a Company's Articles of Association. When the respite for subscribing to an increase of share capital has come to an end the Company's Board of Directors can delete the provision from the Articles of Association.

Art. 46

A shareholders' meeting may authorize a Company's Board of Directors to decide upon the issue of subscription rights, provided that it decide simultaneously in conformity with Art. 41 to authorize the Company's Board of Directors to implement the requisite increase of the share capital. Authority may be granted once or more often, but not for a longer time, however, than five years at a time and the amount may not be higher than that of half of the share capital on the date of the decision. The authority shall be adopted to the Company's Articles of Association.

The Articles of Association shall specify the final day of the period in accordance with para. 1, the maximum amount of the increase of share capital on the basis of the subscription rights and the class of shares to which the new shares shall belong. Whereas the provisions of Art. 34 apply as appropriate an account shall also be given of the resolution of the shareholders' meeting concerning conceivable deviations from the rights of older shareholders to subscribe to subscription rights.

In case a Company's Board of Directors utilize their authority they shall lay down further provisions for the issue of subscription rights, i.a. determining the maximum increase of share capital on the basis of the subscription rights and to which class of shares the new shares shall belong. As it pertains to the decision of a Company's Board of Directors on the issue of subscription rights the provisions of clauses 4 - 7, para. 1, as well as para 4, Art. 36, Art. 38 and the 2nd sentence, para. 2 of Art. 45 apply as appropriate.

The resolution of the Company's Board of Directors shall be adopted to the Company's Articles of Association. The Board may effect such amendments to the Articles of Association as are necessary in accordance with para. 3.

SECTION VI

The Taking of Credit on Specific Conditions

Art. 47

A shareholders' meeting may resolve with the plurality of votes required for the amendment of Articles of Association that the Company take a bond issue loan which entitle a creditor to convert his claim on the Company into shares in it.

The resolution of a shareholders' meeting in accordance with para. 1 shall specify terms of credit and rules relating to the conversion of the claim to shares in the Company. This shall also stipulate the creditor's legal position in case of an increase or reduction of share capital, an issue of new convertible bonds or subscription rights or in case of winding up of the Company, i. a. by means of merger or division, prior to the claim being converted to shares. The resolution and priority right of subscription will be subject to the provisions of Art. 33 - 35, clauses 1 - 5, para. 1, para. 2 and 3 of Art. 36 and Art. 37 - 38.

In a resolution according to para. 1 the shareholders' meeting shall grant the Company's Board of Directors authority to raise the share capital by the amount consequent of the conversion of the bonds to shares. A shareholders' meeting's resolution shall be adopted to a Company's Articles of Association. When the respite for the taking of credit has come to an end a Company's Board of Directors may delete the provision from the Articles of Association.

In case the amount paid for a share certificate is lower than the nominal value of the share or shares to which the bond may be converted in accordance with credit terms, the conversion may be undertaken only provided the balance be paid to the Company or met by means of the Company's free capital and reserves (equity).

Art. 48

A shareholders' meeting can authorize a Company's Board of Directors to take a bond issue which entitle a creditor to convert his claim on the Company to a share therein, provided that he decide simultaneously in conformity with Art. 41 to authorize the Company's Board of Directors to implement the necessary increase of share capital. Authority may be granted once or more often, but not for a period exceeding five years at a time and the amount must not exceed half the share capital on the date of decision. The authority shall be adopted to the Company's Articles of Association.

The Articles of Association shall specify the final date of the period according to para. 1, the maximum amount of the loan and, having regard for the application of Art. 36, as appropriate, conceivable deviations from the priority right of previous shareholders to subscription on account of the credit. In case it be possible to pay a loan in another manner than cash this shall be mentioned in the Articles of Association.

The provisions of clause 1 - 5, para 1, as well as para. 2 - 3, Art. 36, Art. 37 - 38 and the 1st and 2nd sentence, para. 2, Art. 47, apply to the approval of the Company's Board of Directors of the taking of the credit, as appropriate.

The decision of the Company's Board of Directors shall be adopted to the Company's Articles of Association and the Board of Directors may amend these.

Para. 4, Art. 47, applies to the conversion of a bond to shares, as appropriate.

Art. 49

Notice of a resolution in accordance with Art. 47 and Art. 48 shall be given within two weeks to the Register of Limited Companies. The notification shall specify the amount by which the share capital may be raised and the respite within which a bond must be converted to shares.

When the respite under para. 1 has expired the Company's Board of Directors shall forthwith advise the Register of Limited Companies of the number of bonds which have been converted to shares. In case the respite be longer than one year the Board of Directors shall, no later than a month after the end of each fiscal year, give notice of how many bonds have been converted into shares during the year. When notice of the conversion has been registered the share capital will be deemed to have been raised by the amount of the total of the nominal value of these shares.

The Company's Board of Directors may effect amendments to the Articles of Association which result from the increase of share capital.

Art. 50

A shareholders' meeting or the Company's Board of Directors, after having been duly authorized by a shareholders' meeting, may decide to take credit against bonds at interest based in full or in part on the dividend paid to shareholders or on a year's profit, provided that the provisions of Laws and instructions relating to the fixing of interest be heeded.

Authority for a Company's Board of Directors may be granted once or more often, but not for a longer period than five years at a time.

SECTION VII

Reduction of Share Capital

Art. 51

Except for a reduction of share capital in accordance with the rules of Art. 54 a shareholders' meeting alone may render a decision relating to reduction. Such a decision may not be made until the Company has been registered. A call to a meeting shall i.a. specify the reasons for the reduction and how this shall proceed.

The provisions of para. 2, Art. 33, apply as appropriate to decisions concerning the reduction of share capital. A decision shall make a mention of the amount by which the share capital is to be reduced along with information as to how the reduction funds shall be appropriated, but these may be appropriated as follows:-

1. For meeting a loss which will not be met in another manner.
2. For payment to shareholders.
3. For depreciation of shareholders' payment obligation.
4. For contribution into a special fund which may be used in accordance with the decision of a share-holders' meeting only.

A shareholders' meeting may decide upon a reduction of share capital for the purpose specified in clauses 2, 3 and 4 of para. 2, only provided the Board of Directors submit or approve of such a proposal. After the reduction of share capital there shall remain at hand assets corresponding to at least the share capital and legally prescribed reserve funds.

If payment is to be rendered out of a Company's assets of an amount higher than that of the reduction, this shall be stated both in the decision and an announcement in accordance with Art. 53 along with the amount being in excess thereof.

Notice of a decision concerning a reduction of share capital shall be given to the Register of Limited Companies in conformity with the rules of Section XVII. The decision will be invalidated if notice is not given at the correct time, cf. para. 1, Art. 149.

Art. 52

In case the entire amount of reduction is to be appropriated for the purpose of meeting loss, immediate notice shall be given of a reduction of share capital having been effected. During the three years immediately following upon the recording of this notification it is not permissible to decide upon a higher payment of dividend than representing ten per cent of the share capital annually, unless the share capital has again been raised by an amount corresponding to the reduction or the provisions of Art. 53 have been heeded.

Art. 53

In case the amount of reduction is to be appropriated in part or in full for the purpose specified in clauses 2, 3 and 4, para. 2, Art. 51, there shall, unless the share capital increase at the same time by a corresponding amount, be published twice in the "Legal Gazette" a call to the Company's creditors to file their claims with the Company's Board of Directors within two months as of the first publication of the call. Provided the claims filed and fallen due are not paid and a satisfactory guarantee placed in respect of the payment of claims which have not fallen due or which are in dispute, the reduction of share capital may not be implemented. In case a dispute arise between a

Company and claimants as to whether a guarantee which is offered be sufficient the parties concerned may within two weeks as of the time the guarantee is offered submit the matter before a District Court in the Company's venue.

In case a Company prove that its assets exceed its liabilities, the Minister [or he to whom he conveys his power] 1) is authorized to grant it an exemption from the duty to issue a call to creditors in accordance with para. 1 if it is considered clear that the Company's claimants will not sustain loss thereby.

Notice of a reduction of share capital shall, in addition to the requisite evidence, be accompanied by a declaration which has been signed by [all principal members of a Company's Board of Directors and, where applicable, individual reserve members to replace them, as well as an auditor] 1) to the effect that liabilities to the Company's creditors will not prevent a reduction of share capital.

In case notice of the implementation of a reduction of share capital has not been received within a year as of the recording of the decision, it will be invalidated and the notice given in accordance with para. 5, Art. 51, shall be deleted from the Register of Limited Companies.

1) Act 68/2010, Art. 3

Art. 54

Reduction of share capital by means of redemption of shares in accordance with specific rules may be adopted to a Company's Articles of Association. A Company's Board of Directors may implement such a reduction as it pertains to shares to which subscription has been obtained after the provisions relating to reduction were adopted to the Articles of Association. The Board of Directors may approve requisite amendments to the Articles of Association for this reason. A shareholders' meeting shall, however, in all instances make decisions concerning the redemption of the Company's own shares if satisfactory authority on its part is not at hand according to the 1st sentence.

Upon completion of a reduction of share capital there shall be at hand funds corresponding at least to the share capital and the funds which have been contributed to legally prescribed reserve funds.

Reduction of share capital may occur without a call to creditors in accordance with Art. 53, if:-

1. The reduction occurs by means of the invalidation of shares which are fully paid-up.
2. The shares have been acquired without payment or by means of payment amounting to no more than that which may be appropriated as dividend.
3. An amount corresponding to the nominal value of invalidated shares is contributed to a special reserve fund.

The provisions of para. 5, Art. 51 and para 3 - 4, Art. 53 apply to this reduction of shares, as appropriate.

SECTION VIII

Own Shares

Art. 55

A Public Limited Company may not against remuneration acquire own shares by means of purchase or obtain these as mortgage if the nominal value of the total shares held by the Company and its subsidiary Companies in the Company amounts to more than or will amount to more than 10% of the share capital. There shall be included shares which a third party has acquired in his own name, but on the Company's account.

A Company can acquire shares only in accordance with authority of a shareholders' meeting to a Company's Board of Directors. The authority will be granted temporarily only and for no longer a period than [five years].¹⁾

The authority shall specify the maximum number of shares which the Company may acquire and the minimum and maximum amount which the Company may pay as remuneration for the shares. [In a Company whose shares are admitted to trading on a regulated securities market or at the Multilateral Trading Facility (MTF), however, the last spot market rate at the end of the day be used as reference prior to an agreement being concluded. In other Public Limited Companies shareholders controlling a minimum of 5% of shares can require the Company's Board of Directors, within a month after the Board gives notice of an agreement, that an auditor will be charged with assessing to which extent the price be reasonable and substantially argued.]²⁾

The Company can acquire shares only provided its capital and reserves (equity) exceed the amount which may not be appropriated for allocation of dividend. When own shares have been deducted after the Company has acquired shares the share capital may not amount to less than ISK four millions.

Only shares which are fully paid-up may be acquired.

The provisions of para. 1 - 5 apply as appropriate when a subsidiary Company acquires or takes as mortgage shares in a parent Company against remuneration.

¹⁾ Act 47/2008, Art. 6

²⁾ Act 68/2010, Art. 4

Art. 56

A Public Limited Company may acquire own shares in accordance with Art. 55 without the authority of a shareholders' meeting if that proves to be necessary in order to prevent a considerable and impending loss with the Company.

In such an incidence the Board of Directors shall give the next shareholders' meeting an account of:-

1. The reasons for and the aims of the acquisition of the shares.
2. The number and nominal price of the shares which the Company has acquired.
3. The shares' proportion of the share capital.
4. Remuneration for the shares which the Company has acquired.

Art. 57

The provisions of Art. 55 do not obstruct a Public Limited Company from being able to acquire own shares:-

1. As a part of a scheme to reduce the share capital in accordance with Section VII.
2. On the basis of legal duty or a Court Decree to protect minority shareholders.
3. In order to meet legally prescribed duty to effect redemption to which the Company is subject.
4. Upon the purchase at compulsory auction of shares which are fully paid for in order to satisfy a claim possessed by the Company.

Art. 58

A Public Limited Company may acquire own shares without recompense only provided that these be fully paid for.

The provisions of para. 1 apply, as far as appropriate, to shares which a subsidiary Company acquires in the parent Company without recompense.

Art. 59

Shares which a Company has acquired in conformity with the rules of clauses 2 - 4, Art. 57 or Art. 58 shall be surrendered by it when it is possible to do so without loss to the Company and at the latest three years following upon the acquisition thereof, unless the total nominal value of the Company and its subsidiary Companies of shares in the Company does not exceed 10% of the share capital.

Art. 60

Shares which the Company has acquired contrary to the provisions of Art. 55 - 58 shall be surrendered by it as soon as possible and no later than six months following upon its acquisition thereof. In case the Company has in the same manner taken the shares as mortgage the hypothecation shall be relaxed within the end of the selfsame respite.

Art. 61

In case shares are not surrendered at the correct time in accordance with Art. 59 and Art. 60 the Board of Directors shall see to the reduction of the share capital amounting to the nominal value of these shares, cf. Section VII.

Art. 62

A Public Limited Company may not register itself in respect of own shares.

Shares for which a third party has registered itself in its own name but for the account of the Company are considered to have been registered for the account of the subscribing party.

Where subscription is contrary to para. 1 the founders are considered to have subscribed to shares for their own account and they shall be responsible in solidum for the purchase price. The same applies to members of the Board of Directors and Managers when there is a case of an increase of share capital. The provisions of the 1st

and 2nd sentence do not, however, apply to founders, Directors or Managers who show that they have neither known nor been able to know that the subscription to the shares was unlawful.

The provisions of para. 1 apply, as appropriate, to a subsidiary Company's subscription to shares in the parent Company. The Board of Directors and Managers of the subsidiary Company are considered to have subscribed to the shares under reference in the same manner as specified in para. 3.

SECTION IX

Respecting Company Board of Directors,

Manager(s) and Representative Committee

Art. 63

[A Public Limited Company's Board of Directors shall consist of a minimum of three persons. On Boards of Directors of Official Public Limited Companies and Public Limited Companies with more than 50 employees generally on an annual basis each sex shall be represented on the Board when the Board consists of three persons and when members of the Board of Directors are more than three in such Companies it shall be ensured that sex ratio be not lower than 40%. The same applies to sex ratios among Reserve Directors in such Companies, but ratios on the Board and the Reserve Board shall though in total be as equal as possible. In case a satisfactory result will not be reached a necessary amendment can be approved with a new decision of the shareholders' meeting, but a provision regarding this matter shall be entered into the Articles of Association of a Company. In notifications regarding Boards to the Register of Companies information regarding sex ratios on a Board shall be detailed. In Public Limited Companies with more than twenty five employees generally on an annual basis information regarding sex ratios among employees and the management of the Company shall also be detailed.] 1)

A shareholders' meeting will elect a Board of Directors. It is permissible for Articles of Association to grant authorities or others the right to nominate one or more Directors. The majority of a Board of Directors shall, however, at all times be elected by a shareholders' meeting. The Directors who are elected shall all be elected at the same meeting.

Majority elections, proportional elections or multiplication elections may be applied upon the election of a Board of Directors and there shall be chosen between individuals or lists with the names of one or more individuals.

It may be decided in Articles of Association how Directors shall be elected and also upon the implementation of the elections.

In case Articles of Association do not stipulate the arrangement of elections the elections shall proceed as majority elections between individuals.

In case Articles of Association do not contain instructions concerning the implementation of elections these shall proceed as follows:-

a. Majority Election. In case of election between individuals each vote may be used as often as the number of persons to be elected. In case lists be offered the list receiving the greatest number of votes will have its men elected.

b. Proportional Election. Elections may be between lists or individuals. In case of elections between lists there shall, in order to establish how many candidates have been elected from each list, be written down the number of votes of the lists, each below the identifying mark of each list, thereupon half the figures, thereafter the third thereof, then a quarter etc., depending on how many shall be elected and a maximum each list can obtain,

so that the conclusive figures be in a row for each list. Thereupon the highest conclusive figures shall be marked, an equal number to the Directors to be elected, and each list will get as many persons elected as it possesses of these figures. In case there be too few names on a list to render it possible to complete the allocation of Directorships to it that list shall be bypassed and allocation shall occur to other lists in accordance with the rules described herein. In case of elections between individuals a shareholder may split his votes in any proportions he chooses himself on as many persons as are to be elected or fewer. In case a ballot ticket does not mention the division of votes between those for whom these are cast they shall be divided equally.

c. Multiplication Election. There shall be election between individuals. The weight of each vote shall be multiplied by the number of Directors to be elected and a shareholder may divide his voting power, thus computed, in any proportion he chooses himself on to as many persons as are to be elected or fewer. In case a ballot ticket does not mention the division of votes between those for whom these are cast, they shall be divided equally.

If shareholders controlling a minimum of a fifth of the share capital so require proportional ballot or multiplication elections shall be applied upon the election of the Company's Directors. In Companies where there are 200 or more shareholders those controlling a minimum of a tenth of the share capital may also submit such a requirement. A requirement relating hereto shall have been received by the Company's Board of Directors at least five days in advance of a shareholders' meeting. In case requirements be received from more than a single group of shareholders and both proportional ballot and multiplication elections are demanded, the latter shall be applied.

A Director's commission will remain valid during the period which is specified in the Articles of Association. The electoral period shall be concluded upon the completion of an Annual General Meeting and at the latest 4 years after election.

The provisions of the Act relating to Directors apply to their Reserves.

1) Act 13/2010, Art. 2. The 2nd – 4th sentences of para. 1 enter into effect on 1 September 2013.

Art. 63a

Notice shall be given in writing at the latest five days prior to a shareholders' meeting where a Company Board of Directors shall be elected about the candidature for the Board of Directors of a Public Limited Company, in duty bound to elect an Auditor in accordance with para. 1-3, Art. 98 of Act No. 3/2006 respecting Annual Accounts, or of a Public Limited Company in which the Treasury holds half the shares or thereover and which is subject to audit in accordance with para. 2, Art. 6 of Act No. 86/1997 respecting the National Audit Office.

In a notification about candidature for the Board of Directors there shall be quoted, in addition to a candidate's name, an Identity Number and address, information about main occupation, other Directorships, education, experience and holdings of share capital in the Company. There shall also be disclosed interest links with the principal business parties and competitors of the Company as well as with shareholders holding over 10% shares in the Company.

The Company's Board of Directors shall check the notifications of candidature and afford the parties concerned in a verifiable manner an opportunity of improving upon the shortcomings to the notification within a specified respite. If shortcomings to the notification of candidature are not improved upon within the specified respite the Company's Board of Directors will decide upon the validity of candidature. It is possible to refer the conclusion of the Board of Directors to a shareholders' meeting which wields final decisive power concerning the validity of candidature.

Information concerning candidates to the Board of Directors of a Public Limited Company shall be submitted on display to shareholders at the Company's office no later than two days in advance of an Annual General Meeting.

Art. 64

A Director may give notice of the termination of his office at any time. He shall send notification thereof to the Company's Board of Directors and also to the person who has nominated him if he has not been elected by a shareholders' meeting. A person who has elected or nominated a Director may dismiss him. The provisions of para. 3 - 7, Art. 63 must, however, be heeded if a proportional or multiplication election has proceeded, so that dismissal will require over three-quarters of the votes on a three-person Board of Directors, over four-fifth on a four-person Board, over five-sixth on a five-person Board, over six-seventh on a six-person Board, over seven-eight on a seven-person Board, over eight-ninth on an eight-person Board, over nine-tenth on a nine-person Board etc. A shareholders' meeting may at all times dismiss all the members of the Board of Directors it elected and have elections to the Board undertaken anew.

If a Director's office is concluded prior to the completion of an electoral period or if he no longer meets the conditions of Art. 66 to be able to remain on the Board and there is no Reserve to replace him, the remaining Directors are subject to the duty of arranging for the election of a new Director for the remainder of the electoral period of the former or request a nomination. If the election pertains to a shareholders' meeting it is, however, possible to postpone the election of a new Director until the next Annual General Meeting when an election of a Board of Directors is to be held, provided that the Board be able to make decisions with the Directors and Reserves remaining.

In case a Company become without a Board of Directors those who latest discharged Board duties shall be formally deemed to act as spokesmen until a new Board of Directors takes over.

Art. 65

A Board of Directors shall engage one to three Managers, unless a larger number of Managers be stipulated in a Company's Articles of Association. [Attention shall be paid to sex ratios upon the hiring of Managers and information shall be given in notifications to the Register of Companies regarding sex ratios among Managers.] 1)

The majority of a Board of Directors shall be formed by persons who are not Managers of the Company.

1) Act 13/2010, Art. 3

Art. 66

Members of the Board of Directors or Managers shall be of legal status, in control of their finances and may not during the immediate past three years have in connection with business operations been subject to Judgment for a punishable act according to the Penal Code or Acts respecting Public Limited Companies, Private Limited Companies, book-keeping, annual accounts, bankruptcies or official charges.

Managers and at least half of the Directors shall be resident in this Country, unless a Minister [or he to whom he conveys his power] 1) grant an exemption therefrom. Condition of residence does, however, not apply to citizens of the States being parties to the Agreement on the European Economic Area, provided that the citizens concerned be resident in an EEA State. The condition concerning residence does not, however, apply to citizens of the States being parties to the Agreement on the European Economic Area, the Convention Establishing the European Free Trade Association or to Faroese, provided that the parties concerned be resident in an EEA State, a State being a party to the Convention or in the Faroe Islands. In such incidents evidence must be given of citizenship and residence.

1) Act 68/2010, Art. 5

Art. 67

Upon assuming office Directors and Managers shall render a report to the Board of Directors relating to their holdings in the Company and in Companies within the selfsame group of Companies. Members of the Board of

Directors and Managers of Official Public Limited Companies shall report to the Board of their holdings in Companies which are of importance concerning their work. They shall also subsequently report on their purchase and sale of such shares.

Directors and Managers may not abuse their position in dealings involving shares in the Company or in Companies within the selfsame group.

Art. 68

The Company's Board of Directors undertake Company affairs and shall see to it that the Company's organization and activities be at all times in correct and good order. The Company's Board and the Manager undertake the administration of the Company.

The Manager undertakes the daily operation of the Company and shall in that respect follow the policy and instructions which have been laid down by the Company's Board of Directors. Daily operations do not extend to unusual or major arrangements. The Manager may make such arrangements only in accordance with special authority from the Company's Board of Directors, unless it be impossible to await the decisions of the Board without considerable inconvenience for the Company's operations. In such instances the Company's Board shall be advised about the arrangement without delay.

The Company's Board of Directors shall see to it that the book-keeping and the handling of Company funds be sufficiently supervised. The Manager shall see to it that the Company's books be entered in accordance with Laws and customs and that the handling of the Company's assets be performed in a secure manner.

The Company's Board of Directors alone may grant Powers of Procuration.

Art. 69

When a group of Limited Companies is formed the Board of Directors of the parent Company shall notify the Board of a subsidiary Company accordingly. The latter shall grant the former any information which is necessary relating to an assessment of the financial status of the group and its activities.

A parent Company shall grant the Board of Directors of a subsidiary Company information relating to matters of importance for the subsidiary Company. The Board of Directors of a subsidiary Company shall be given notice of contemplated decisions which are of importance for the subsidiary Company prior to a final decision being made.

Art. 70

The Company's Board of Directors shall elect a Chairman, unless it be decided in Articles of Association that a shareholders' meeting shall elect a Chairman separately. The provisions of para. 3 - 7, Art. 63 on proportional and multiplication elections shall, however, be heeded. In case of even votes lots shall be drawn to decide the issue. The Manager of a Company may not be elected Chairman of the Company. [The Chairman of the Board of Directors shall not undertake other duties for the Company than those which form a normal part of his duties as a Chairman of the Board of Directors, excluding special assignments which the Board of Directors charges him with.] 1)

The Chairman will call Board meetings and sees to it that other Directors be called to attend these. A meeting shall also be held at all times if required by a Director or the Manager. The Manager attends meetings of a Company's Board of Directors although he be not a Board member and he has the right to debate and to submit proposals there, unless the Company's Board of Directors decide otherwise in individual instances.

It is possible to hold Board of Directors' meetings with the assistance of electronic media as far as this is in conformity with the implementation of the tasks of the Company Board of Directors. The provision of the first sentence of the present paragraph notwithstanding a Director or Manager may require that a Board meeting be

held in a conventional manner. In other respects the provisions of the Act on Board meetings and the use of electronic documents apply, as appropriate, to electronic Board meetings and relations in connection therewith.

A Record of Minutes shall be kept to show what occurs at Board meetings and this shall be signed by those attending a meeting. A Director or Manager who are not in agreement with a decision by the Board are entitled to have their dissenting opinion entered in the Record of Minutes.

A Company's Board of Directors shall lay down their working rules wherein there are further stipulations concerning the execution of the Board's functions. The working rules of the Boards of Directors of Official Public Limited Companies shall be published on the Company's website, if any, or alternatively elsewhere on the Internet.

1) Act 13/2010, Art. 4

Art. 71

A Company's Board of Directors are competent to make decisions when the majority of Directors attend a meeting, provided that stricter requirements be not stipulated in a Company's Articles of Association. An important decision may, however, not be made unless all the Directors have been in a position to debate the matter, if possible. In case a Director be excused on account of indisposition, absence and the like and a Reserve has been selected he shall be afforded an opportunity of participating in Board meetings for the duration of the unavoidable absence.

A simple plurality of votes will decide issues at Board meetings, unless Articles of Association stipulate otherwise. It may be stipulated in Articles of Association that the Chairman's vote decide the issue when votes break even.

Art. 72

A Director or Manager may not participate in the handling of a matter relating to the preparation of an agreement between the Company and themselves, concerning legal action against themselves, or the preparation of an agreement between the Company and a third party or legal proceedings against a third party if they have considerable interests to safeguard there and which might be in conflict with the Company's interests. A Director and a Manager are in duty bound to disclose information about such incidents.

Art. 73

It may be decided in Articles of Association that there shall be a Representative Committee in addition to a Board of Directors. If a Representative Committee will be elected their power and scope shall be stipulated further by means of provisions in Articles of Association. A shareholders' meeting will elect the Committee. It may, however, be decided in Articles of Association that one or more members of a Representative Committee shall be nominated in another manner, but the majority of the Committee shall, however, at all times be elected by a shareholders' meeting.

A Representative Committee shall consist of a minimum of five persons. Managers and Directors may not be members of a Representative Committee. Further provisions respecting the Committee and the members' tenure of office shall be contained in Articles of Association.

The Representative Committee shall supervise the way in which the Company's Board of Directors and Manager direct Company affairs and shall furnish the Annual General Meeting with a statement as to whether the Company's annual accounts and the Board's proposal relating to the appropriation of profit shall be approved. The Representative Committee shall render a report on their work at the Annual General Meeting.

The provisions relating to a Board of Directors and individual Directors contained in Art. 64, 66 - 67, 70 - 72, Art. 79, Art. 104 and Art. 134, pertain to a Representative Committee and individual Committee members as appropriate.

Art. 74

A Company's Board of Directors will represent and sign for the Company.

A Company's Board of Directors may grant Directors, Managers or others authority to sign for the Company, provided that the Articles of Association do not make alternative stipulations. The provisions of Art. 66 and 72 apply to those authorized to sign for the firm and who are not Directors or Managers.

The right of signature may be limited to such an extent that more than one person shall jointly wield it. It is not possible to register other limitation to the right of signature.

A Company's Board of Directors may at any time withdraw authority to sign for the firm which they have granted.

Art. 75

A Manager may at all times represent the Company in matters being within his scope in accordance with the provisions of Art. 68.

Art. 76

A Company's Board of Directors, Manager and those others being authorized to represent the Company may not make any such arrangements as are [...] 1) suited to acquire improper interests for specific shareholders or others at the expense of other shareholders or the Company.

A Company's Board of Directors and Manager may not carry out the decisions of a shareholders' meeting or other parties administering the Company if the decisions are invalid on account of the fact that these are in conflict with Laws or Company Articles of Association.

1) Act 68/2010, Art. 6

Art. 77

In case a party representing a Company in accordance with the provisions of Art. 74 - 75 performs a legal act for and on behalf of the Company that act binds the Company, unless:-

1. He has exceeded the limits of his authority which are determined in the present Act,
2. he has exceeded the limits of his authority in another manner, provided that his negotiating party has or should have been aware of the lack of authority and it must be considered unreasonable for the other party to pursue his right.

The publication of a notice in accordance with para. 1, Art. 151 concerning the object of the Company according to its Articles of Association will not individually and separately be considered to constitute sufficient evidence to

the effect that the negotiating party has or should have been aware of the lack of authority in accordance with clause 2, para. 1 of the present Article.

Art. 78

After notice has been published in the "Legal Gazette" of the election or nomination of members of the Board of Directors or the engagement of a Manager in conformity with Art. 151 the Company cannot plead vis-a-vis a third party defects upon the election, nomination or engagement, unless the Company show that he has been aware of the defect.

Art. 79

An Annual General Meeting will decide upon the annual wages of Directors and Representative Committee members.

A Company's Board of Directors will decide upon the wages and terms of a Manager.

Art. 79a

[A Board of Directors of a Company which is in duty bound to elect an Auditor in accordance with para. 1 – 3, Art. 98 of Act No. 3/2006 respecting Annual Accounts shall approve the Company's remuneration policy concerning wages and other payments to the Chief Executive Officer and other supreme Officers of the Company as well as its Directors, but not wages and other payments to a Chief Executive Officer of a Limited Company the majority of shares of which is owned by the Treasury and a Chief Executive Officer of a Limited Company owned by it.] 1) The remuneration policy shall reveal the basic items concerning the remuneration of Officers and Directors and a Company's policy concerning agreements with Officers and Directors. It shall also be revealed there whether and under which circumstances and within which framework it be permissible to pay or compensate Officers and Directors in addition to basic wage, i.a. in the form of:-

1. The delivery of shares.
2. Performance-linked payments.
3. Share certificates, purchase and sale rights, priority purchase right and other kinds of payments which are linked to share certificates in the Company or development of the price of shares in the Company [(does not apply to Directors, cf. clause 5, para. 2)] .
4. Loan agreements (thereunder special credit terms), provided that these be permitted under the present or other Acts.
5. Pension agreements.
6. Retirement agreements.

[Upon the preparation of remuneration policy the following fundamental features shall be taken into account:

1. There shall be limitations on variable components of remuneration which shall be connected to previously decided upon and measurable performance criteria where long-term interests of the Company are kept in mind.
2. Payment on account of variable components of remuneration shall be postponed for a suitable period of time and repayment shall be assumed if payments have been rendered on the basis of obviously inaccurate data.

3. Payments at termination of employment shall not exceed a previously decided amount and shall not be based on more than two years salary. The payments at termination of employment shall not be rendered if termination of employment occur on account of unsatisfactory performance.

4. Shares shall not be delivered until at least three years after the party concerned acquires right thereto. Purchase right may not be used for shares until after a three year waiting period. A specific proportion of shares shall be kept until at termination of employment.

5. Directors shall not enjoy shares, option to buy or sell, stock option and other types of payments linked to shares in the Company or price trends of shares in the Company.] 2)

The remuneration policy is binding for the Company's Board of Directors as it pertains to payments under clause 3, para. 1. In other respects the remuneration policy is guidance for the Company's Board of Directors, unless it has been determined in the Company's Articles of Association that this shall be binding. The Company's Board of Directors shall publish the remuneration policy in connection with the Company's Annual General Meeting. The Company's Board of Directors shall also enlighten the parties with whom it negotiates about what be contained in the remuneration policy, including to which extent it be binding.

The remuneration policy shall be approved at the Company's Annual General Meeting with or without amendments. There the Company's Board of Directors shall also give an account of the remuneration of the Company's Officers and Directors and the estimated costs on account of the right of share purchase options and explain the implementation of a previously approved remuneration policy.

In case the Company's Board of Directors deviate from the remuneration policy this shall be substantiated in each individual instance in the Record of Minutes of the Company's Board of Directors.

1) Act 87/2009, Art. 11

2) Act 68/2010, Art. 7

SECTION X

Shareholders' Meetings

Art. 80

A shareholders' meeting wields supreme power over the affairs of a Public Limited Company in accordance with that which is decided in Laws and the Company's Articles of Association.

Shareholders wield their power to decide upon Company affairs at shareholders' meetings.

All shareholders are authorized to attend a shareholders' meeting and to speak there.

Representatives of the media are authorized to attend an Annual General Meeting of an Official Public Limited Company. Elected representatives of owners, Members of the Althingi (Legislative Assembly) if the State is an owner and County Councillors concerned if a Municipality is an owner, are authorized to attend an Annual General Meeting with the right to submit enquiries in writing.

Art. 80a

In case there is no different stipulation in a Company's Articles of Association a Board of Directors may determine that shareholders may participate electronically in shareholders' meetings, including the casting of votes, without being present. Companies registered on a regulated securities market are, however, in duty bound to afford shareholders an opportunity of casting votes on issues on the agenda of a shareholders' meeting by letter or electronically

A shareholders' meeting may decide that a shareholders' meeting will be held electronically only. It shall be revealed in the decision how electronic media in connection with participation in the shareholders' meeting shall be used. The decision shall be adopted in the Company's Articles of Association. The provisions of Art. 93 shall apply to the decision and amendments thereof.

The Company's Board of Directors will determine which requirements shall be specified for technical outfit for use at shareholders' meetings which are held electronically in part or in full. In a call to a shareholders' meeting there shall be presented information on technical outfit and details of how shareholders can give notice of their electronic participation and where they can obtain information about the implementation of electronic participation at a shareholders' meeting.

A condition for the holding of an electronic shareholders' meeting is that the Company's Board of Directors see to it that the meeting may proceed in a secure manner. The equipment which is used shall be such that it be ensured that legal conditions stipulated for a shareholders' meeting be met, including the right of shareholders to attend a shareholders' meeting, speak there and cast votes. The technical outfit shall also render it possible to confirm in a secure manner which shareholders attend the meeting and the votes they wield as well as the conclusions of the castings of votes.

A shareholders' meeting may determine that shareholders participating in an electronic shareholders' meeting shall submit questions about the agenda or documents submitted et al., which are connected with the shareholders' meeting, within a respite which shall be determined in the Articles of Association. A decision by a shareholders' meeting shall be incorporated into the Company's Articles of Association. The provisions of Art. 93 apply to the decision and amendments thereof.

In other respects the provisions of the present Act on shareholders' meetings apply, as appropriate, to electronic shareholders' meetings.

Art. 80b

A shareholders' meeting may render a decision on the use of electronic communications of documents and electronic mail in communication between the Company and its shareholders instead of sending or submitting documents written on paper. It is possible to use electronic communication between the Company and its shareholders, formal requirements which have been made in decisions concerning the pertaining documents and notifications notwithstanding.

In a decision on the basis of para. 1 it shall be revealed to which notifications and communications the decision extends and how it is permitted or obligatory to use electronic communications. It shall also be revealed in the decision where shareholders can find information concerning the implementation of electronic communication and the requirements relating to technical outfit.

A decision by a shareholders' meeting on the basis of para. 1 and para. 2 shall be incorporated into the Company's Articles of Association. The provisions of Art. 93 apply to the decision and amendments thereof.

Although a shareholders' meeting has not rendered a decision to adopt electronic communications between the Company and shareholders on the basis of para. 1 it is permissible to use electronic communications between the Company and the shareholders who have negotiated this.

Where Laws stipulate that notifications from the Company, i.a. to shareholders, shall be communicated by means of official calling in or notice in the "Legal Gazette" electronic notifications on the basis of para. 1 cannot replace this.

Art. 81

A shareholder may have his representative attend a shareholders' meeting on his behalf. A shareholder is authorized to attend a meeting along with an advisor. An advisor has neither the right to [...] 1) submit proposals nor to vote at shareholders' meetings. [A shareholder is authorized to let his advisor speak on his behalf.] 1)

A representative shall submit [a written or electronic Power of Attorney and this shall be dated.] 2) Power of Attorney will never remain valid for more than [one year] 1) as of its date. Power of Attorney may be withdrawn at any time.

1) Act 68/2010, Art. 8

2) Act 126/2009, Art. 1

Art. 82

Each share grants the right to vote. It may be decided in Company Articles of Association that increased voting value attach to specific shares and that shares may even be without voting rights.

It may be decided in Company Articles of Association that nobody can on his behalf or that of others control more than a limited share of the aggregate votes in the Company

A Company's own shares and those held by a subsidiary in a parent Company will not enjoy voting rights. Such shares shall not be included when the approval of all shareholders, a specific majority of the total share capital or that which is wielded at a shareholders' meeting, is required.

A shareholder himself, acting with a representative or as a representative for others, is not permitted to participate in voting at a shareholders' meeting on legal proceedings against himself or on his liability toward the Company. The same applies to legal action against others or relating to the liability of others if a shareholder has considerable interests to safeguard there and which might be in conflict with the Company's interests.

Art. 83

A shareholders' meeting shall be held at a Company's domicile unless Company Articles of Association stipulate that a meeting shall or may be held at another place. It is permissible to hold a shareholders' meeting elsewhere if that is necessary due to special reasons.

Art. 84

An Annual General Meeting shall be held as fixed in Company Articles of Association, but no less than once a year and never later than eight months as of the end of each fiscal year. Annual accounts and Auditors' or Inspectors' report shall be submitted at an Annual General Meeting. A consolidated account shall also be submitted in a parent Company.

A decision on the following shall be made at an Annual General Meeting:-

- a. Confirmation of the annual accounts.
- b. How the Company's profit or loss during the fiscal year shall be handled.
- c. A Company Board of Directors' proposal concerning the remuneration policy of a Company in duty bound to elect an Auditor, cf. Art. 79a, relating to wages and other payments to the Chief Executive Officer and other senior Officers of the Company as well as Directors.

d. Other matters pertaining to an Annual General Meeting in accordance with the Company Articles of Association.

If shareholders controlling a minimum of a third of the share capital so require in writing at an Annual General Meeting, decisions on the matters specified in clauses (a) and (b) para. 2 shall be deferred until an extended Annual General Meeting which shall be held at the earliest one month and at the latest two months later. Further postponement cannot be required. [The Board of Directors shall prepare a short summary and submit to an Annual General Meeting regarding ownership of shares of individual shareholders and their right to cast votes as well as regarding changes which have taken place during the year. Equivalent information shall be at hand regarding the group connection which the Public Limited Company is a party to.] 1)

A Company's Board of Directors shall see to it that a shareholders' meeting be held within six months as of the time capital and reserves (equity) according to the Company's books has become less than half of its registered share capital. At the shareholders' meeting the Board of Directors shall give an account of the Company's financial status and, if necessary, submit proposals relating to the requisite arrangements, including dissolution of the Company.

1) Act 13/2010, Art. 5

Art. 85

An extraordinary meeting shall be held when the Company's Board of Directors or the Representative Committee deem this necessary. An extraordinary meeting shall be called within 14 days if elected Auditors or shareholders controlling a minimum of a [twentieth] 1) of the share capital, provided a lower limit be not fixed in Company Articles of Association, so require in writing, specifying the agenda.

1) Act 68/2010, Art. 9

Art. 86

Each shareholder is entitled to have a specific matter taken for consideration at a shareholders' meeting if he [submits a requirement in writing or electronically.] 1) relating thereto to the Company's Board of Directors at such advance notice that it be possible to introduce the matter to the agenda of the meeting.

1) Act 126/2009, Art. 2

Art. 87

The Company's Board of Directors will undertake the calling of shareholders' meetings.

If the Company has no active Board of Directors or the Company's Board omit calling a shareholders' meeting which shall be held in accordance with Laws, Company Articles of Association or a decision by a shareholders' meeting, the Minister shall have the meeting called if a Director, a member of a Representative Committee, a Manager, an Auditor, an Inspector or a shareholder so require. The representative of the Minister shall direct shareholders' meetings which the Minister has had called, cf. para. 3, Art. 90, and the Company's Board of Directors are in duty bound to hand over to him a register of shares and the Company's Record of Minutes and Audit.

The Treasury will temporarily pay costs on account of the meeting. It is, however, permissible to impose a condition to the effect that the party requesting a meeting to be called lay down security for the payment of costs. The Company will finally sustain the costs. In case the Company does not pay an invoice within three months as of the date thereof the party requesting the meeting, however, forfeits his security funds, but possesses in its stead a claim on the Company.

The provisions of Art. 80a notwithstanding the Minister may decide that a shareholders' meeting and which the Minister calls in accordance with para. 2 shall be held in a conventional manner.

Art. 88

A shareholders' meeting shall be called at the earliest four weeks in advance of a meeting and, in case longer notice be not stipulated in Company Articles of Association, at least [a week before a meeting (two weeks before a General Meeting).] 1) [Yet there may be held a shareholders' meeting which is called with at least one weeks' notice if shareholders, controlling at least 90% of capital, agree in advance thereto in writing.] 1) In case it be approved to postpone a shareholders' meeting for more than four weeks the extended meeting shall be called. If the validity of a decision by a shareholders' meeting is under Company Articles of Association subject to the approval of two meetings the call for the latter meeting shall not be undertaken until the former meeting has been held. The call for that meeting shall specify the decision of the previous meeting.

Meetings shall be called in the manner decided by Company Articles of Association. A call shall, however, be in writing to all the shareholders having requested this and who are recorded in the register of shares. A call in accordance with para. 2, Art. 38, shall, however, at all times be in writing. In the Articles of Association of an Official Public Limited Company it shall be stipulated that the Company's Board-members, Managers and Auditors shall at all times be called to a shareholders' meeting, and also representatives of the media to an Annual General Meeting.

A call to a meeting shall specify the matters to be taken for consideration at a shareholders' meeting. In case a proposal for amendment to a Company's Articles of Association is to be taken for consideration at the meeting the main subject of the motion shall be specified in a call to a meeting.

[At the latest a week in advance of a shareholders' meeting (two weeks in advance of a General Meeting unless calling respite be less)] 1) an agenda, final proposals and annual accounts (in a parent Company also a consolidated account), the Board's report and Auditors' or Inspectors' report and the proposals of the Board of Directors on the remuneration policy in Companies in duty bound to elect an Auditor, cf. Art. 79a, in case of an Annual General Meeting, shall be submitted on view for shareholders at a Company's offices and simultaneously sent to any registered shareholder who requests this.

1) Act 68/2010, Art. 10

[a. (Art. 88 a)

In Companies whose shares are admitted to trading on a regulated securities market a shareholders' meeting shall be called at least three weeks before a meeting.

In case a Company whose shares are admitted to trading on a regulated securities market has decided that all shareholders can vote electronically at shareholders' meetings, cf. Art. 80 a, the shareholders' meeting can decide that a shareholders' meeting be called, though not Annual General Meeting, at least two weeks before a meeting, as this be called in general in the European Economic Area or notifications thereof sent to registered shareholders based on the register of shares. A decision shall be made with the majority which is needed to amend the Articles of Association and this shall not be valid longer than until the next Annual General Meeting.

It is not required to comply with the provisions regarding minimum respite in para. 1 and 2 if one or more extended shareholders' meetings are called in Companies mentioned therein on account of lack of quorum at the meeting which was called first. However, that depends upon the first meeting having been called in accordance with Laws and no new matter has been introduced to the agenda. At least ten days must pass between the latest call to a meeting and the date of a shareholders' meeting.

b. (Art. 88 b)

In addition to possible further requirements by a state where a Company is registered, whose shares are admitted to trading on a regulated securities market, regarding notification of a call to a meeting or its publication a Company shall call a meeting in accordance with Art. 88 a in a manner that fast access be ensured thereto on an equal ground. It is compulsory to use reliable media which ensure active circulation of information to the general public in the European Economic Area. It may not be provided for that media operated in one state can only be used.

It is not compulsory to apply para. 1 regarding the use of medium concerning a Company mentioned therein which has names and addresses of shareholders registered in a register of shares, but it be in duty bound to send each registered shareholder a call to a meeting.

Whether complying with para. 1 or 2, there shall not be collected cost specifically for issuing of a call to a meeting.

c. (Art. 88 c)

In a call to a meeting according to Art. 88 a in a Company whose shares are admitted to trading on a regulated securities market a mention shall at least be made of:-

1. Place of meeting, cf. Art. 83, time of meeting, cf. para 1, Art. 84 and Art. 85 and a draft of an agenda, cf. Art. 84 and para. 3, Art. 88.

2. Explicit and accurate rules regarding participation and casting of votes at a shareholders' meeting. Information shall i.a. be provided on:-

a. Shareholders' right to have matters introduced to an agenda of a shareholders' meeting, cf. Art. 86 and 89, and present resolution proposals if this be possible after the issuing of a call to a meeting, cf. Art. 88, as well as asking questions, cf. para. 5, Art. 80 a, in addition to a respite in order to exercise this right. In a call to a meeting it is sufficient to only mention a respite if it refers to further information regarding the right on a Company's website.

b. Rules regarding the casting of votes with the assistance of a representative, where applicable forms on account of such a casting of votes and how a Company be prepared to approve electronic notifications regarding an appointment of a representative.

c. Rules regarding written or electronic casting of votes as applicable, cf. Art. 80 a and Art. 82.

3. Where and when an unabbreviated text according to clauses 3 and 4, para. 1, Art. 88 d can be obtained.

4. Website address where information according to Art. 88 d can be found.

d. (Art. 88 d)

A Company whose shares are admitted to trading on a regulated securities market shall continuously for 21 days prior to a shareholders' meeting and also on the date of the meeting grant its shareholders on the Company's website at least information regarding the following:-

1. A call to a meeting in accordance with Art. 88 a.

2. The total number of shares and votes on the date of the calling of a meeting, itemized by classes if applicable.

3. Documents which will be presented to a shareholders' meeting.

4. A resolution proposal or where applicable remarks from a competent lawful body in the Company for statutes regarding each matter in the draft of a shareholders' meeting agenda. Shareholders' resolution proposals shall also be added to the Company's website as soon as possible after receipt thereof.

5. Where applicable forms which the representative shall use upon the casting of votes or shall be used upon casting of votes in writing, unless these be sent to each shareholder.

Where it is technically impossible to put forms in accordance with clause 5, para. 1 on the Company's website in accordance with para. 1 it shall mention on its website how the forms can be obtained in paper. In those instances the Company shall send the forms by mail to each shareholder that so wishes, free of charge for the party concerned.

In case a call to a shareholders' meeting in a Company according to para. 1 be issued later than three weeks prior to a meeting, cf. Art. 88 a, respite shall be shortened by the same amount of time.

Within fifteen days from a shareholders' meeting in a Company according to para. 1 the result of elections at the meeting shall be published on the Company's website, unless it has decided to grant more detailed information regarding casting of votes.

e. (Art. 88 e)

The Financial Supervisory Authority can exempt management companies of securities funds and investment funds from provisions of Art. 88 a – Art. 88 d.] 1)

1) Act 126/2009, Art. 3

Art. 89

It is not possible to take for final decision at a shareholders' meeting matters which have not been specified in an agenda unless this meets the approval of all the Company's shareholders, but resolution thereon may be made as guidance for the Company's Board of Directors. Although a matter has not been mentioned in an agenda this will not prevent a decision to the effect that an extraordinary meeting be called to debate the matter, but an Annual General Meeting may also at all times despatch a matter which it is obligatory to take for consideration there in accordance with Laws or Company Articles of Association.

Art. 90

A Chairman will direct a shareholders' meeting. The meeting will elect a Chairman from among shareholders or others, unless Company Articles of Association stipulate otherwise.

The Chairman of a Company's Board of Directors or another person nominated by the Board will open a shareholders' meeting and direct elections to the Chair.

In case a shareholders' meeting be called in accordance with para. 2, Art. 87, the representative of the Minister will decide upon a Chairman.

When a meeting has been opened a list shall be prepared of shareholders and shareholders' representatives attending the meeting in order that it be clear how many shares and number of votes each of them controls. This list shall be used until a shareholders' meeting might effect amendments to it.

A Chairman of a meeting shall have a Secretary elected to keep a Record of Minutes. Decisions by a shareholders' meeting and the results of elections shall be entered in the Record of Minutes. A list of shareholders and representatives present shall be entered in the Record of Minutes or attached thereto. The

Minutes shall be read aloud at the end of a meeting and comments shall be entered therein, if presented. The Chairman and Secretary of the meeting shall sign the Record of Minutes.

At the latest fourteen days after a shareholders' meeting shareholders shall have access to the Record of Minutes or a certified transcription of Minutes at the Company's offices. A Record of Minutes shall be preserved in a secure manner. Representatives of the media shall at the latest fourteen days following upon an Annual General Meeting gain access to the Record of Minutes on account of an Annual General Meeting of an Official Public Limited Company or a certified transcript of the Minutes of an Annual General Meeting at the Company's office.

Art. 91

When a shareholder so requires and that may be done without [considerable] 1) loss to the Company in the opinion of the Company's Board of Directors, the Board and the Manager shall submit to a shareholders' meeting information relating to such matters as are of importance for assessment of the Company's annual accounts and its status in other respects or which may have an effect upon the shareholders' attitude to matters which are to be decided upon at the meeting. The duty to grant information also applies to the Company's connection with other Companies within the selfsame group [and ownership of shares of individual shareholders and their voting right.] 2) Information submitted in Official Public Limited Companies may i.a. be based on shareholders' questions to the Company's Board of Directors and Manager(s).

If information is not available at a shareholders' meeting, shareholders shall within fourteen days thereafter have access to information in writing with the Company and this shall also be sent to the shareholders who have so requested.

1) Act 68/2010, Art. 11

2) Act 13/2010, Art. 6

Art. 92

A simple plurality of votes will decide issues at a shareholders' meeting, unless otherwise stipulated in Laws and Company Articles of Association. In case votes break even at elections in the Company lots drawn will decide issues, unless otherwise stipulated in Company Articles of Association.

Art. 93

A decision relating to an amendment to Company Articles of Association in instances other than those referred to in Art. 19, 40, 42, 43, 45, 46, 49, 54 and 124 shall be made at a shareholders' meeting. A decision will become valid only provided it obtain the approval of a minimum of two-third of the votes cast and also the approval of shareholders controlling at least two-third of the share capital in respect of which votes are wielded at the shareholders' meeting. In the instances dealt with in para. 2, Art. 80a, and para. 3, Art. 80.b, it is also a condition for amendments of the Company's Articles of Association that shareholders controlling a quarter of the share capital do not cast votes against the decision.

A decision shall in other respects meet further instructions which may be stipulated in Company Articles of Association in addition to the special provisions of Art. 94.

Notice of the approval of amendments to a Public Limited Company's Articles of Association shall be given forthwith to the Register of Limited Companies and the amendment will not enter into force until it has been recorded.

Art. 94

The approval of all shareholders is required in order that decisions relating to the following amendments to Company Articles of Association enter into force:-

1. To abridge shareholders' rights to the payment of dividend or to other allocation from the Company for the benefit of others than shareholders.
2. To increase shareholders' liabilities toward the Company.
3. To limit shareholders' authority for the handling of their shares under the provisions of Art. 22 and 23 or to obligate shareholders to be subject to redemption of their shares without there being a case of dissolution of the Company.

A decision relating to amendment to Company Articles of Association which abridges the right of shareholders to dividend or another payment out of the Company's assets without, however, clause 1, para. 1 applying, will be valid only provided shareholders controlling over nine-tenth of the share capital in respect of which votes are wielded at a shareholders' meeting vote for it.

A decision relating to amendment to Company Articles of Association which deranges the judicial relationship between shareholders will be valid only provided those shareholders who are to be subject to the abridgment of rights vote for it. In case there be more than a single class of shares in the Company it is possible to effect amendment to Company Articles of Association which causes derangement of the judicial relationship between the classes of shares if shareholders owning more than nine-tenth of the share capital in the class of shares due to be subject to abridgment and whose votes are represented at a meeting and more than half of that class of shares as a whole vote for the amendment.

Art. 95

A shareholders' meeting may not reach a decision which is [...] 1) suited to acquire improper interest for specific shareholders or others at the expense of other shareholders or the Company.

- 1) Act 68/2010, Art. 12

[Art. 95 a

An agreement between the Company and shareholders, the shareholders' parent company, Director or Managing Director of the Company, amounting to in real terms at least a tenth of the shares at the time of signing of the agreement, will not bind the Company unless having obtained the approval of a shareholders meeting. This does not, however, apply to:-

1. Agreements which have been concluded in conformity with rules of Art. 5 – 6, Art. 6 a – Art. 6 c, Art. 7 – 8 and Art. 37 regarding the procurement of a specialist report upon the establishment of a company and raising of capital.
2. Agreements and decisions regarding salaries and remuneration of senior management in accordance with Art. 79 and Art. 79 a.
3. Agreements on transfer of financial instruments in accordance with their recorded value at an regulated securities market.

4. Agreements concluded in connection with standard operation of a company containing prices and other terms naturally included in such agreements.

5. Agreements below general minimum of share capital in public limited companies.

6. Agreements of financial undertakings, insurance companies and companies whose shares are admitted to trading on a regulated securities market or at the Multilateral Trading Facility (MTF).

In case an agreement comes under this article a Company's Board of Directors is in duty bound to procure a specialist report in conformity with Art. 6, cf. Art. 6 a – Art. 6 c and Arts. 7 – 8. The report shall include a declaration to the effect that there be co-ordination between the Company's payment and the compensation obtained by the Company, cf. clause 4, para. 1, Art. 6. The specialist report shall be attached to the call to a shareholders' meeting and shall be sent to the Register of Limited Companies.

In case an agreement is not binding for the Company payments shall be returned to the effect that these have been rendered. The provisions of Art. 102 apply as applicable.

Provisions of para. 1 – 3 also apply to agreements which a company has concluded with a party who is closely connected with a shareholder or the parent company of a shareholder or someone represented as per an agreement or in another manner with authority from any of those mentioned in para. 1. Closely connected in the present article means:-

1. Married couple and those in a common law marriage, parties in a registered partnership or parties in a registered cohabitation.

2. Those with direct relation or first link aside, but relationship in this connection relates also to relations formed by adoption or fostering.

3. Those connected by marriage, common law marriage, registered partnership or registered cohabitation in the same manner as stated in clause 2.

4. A company which is controlled by the party concerned himself or any of those mentioned in clauses 1 – 3 as defined by Art. 2.] 1)

1) Act 68/2010, Art. 13

Art. 96

A shareholder, a Director or a Manager may institute legal proceedings on account of a decision by a shareholders' meeting which has been made in an unlawful manner or is in conflict with the present Act or the Company's Articles of Association.

Legal action shall be instituted within three months as of the time a decision is made, else it will be considered to be valid.

The provisions of paragraph 2 do not apply:-

a. When the decision is unlawful, even with the approval of all shareholders.

b. When the approval of all or specific shareholders is required in order that a decision enter into force and such approval has not been obtained.

c. When a call to a shareholders' meeting has not been undertaken or the rules applying to a call to a meeting have not been abided by to a considerable extent.

d. When the shareholder who has instituted legal action after expiry of the respite specified in para. 2, but yet within 2 years after a decision was made, has had a presentable reason to delay legal action and the application of the provisions of para. 2 would obviously be unreasonable.

In case the conclusions of a Court Case be to the effect that a decision by a shareholders' meeting be deemed invalid the decision shall be rendered null and void or amended. It is, however, possible to effect an amendment to a decision by a shareholders' meeting only provided this be required and that it be within the Court's jurisdiction to decide how the decision should rightly have been. Judgment in such a Lawsuit will be binding also for those shareholders who have not been parties to legal proceedings.

Transcriptions of Judgments in such Cases shall be sent to the Register of Limited Companies and the findings thereof shall be recorded there if there is deemed to be reason therefore.

SECTION XI

Special Investigations

Art. 97

At an Annual General Meeting or another shareholders' meeting where the matter is on the agenda a shareholder may submit a proposal to the effect that an investigation be conducted into the establishment of a Company, specific items relating to the activities of the Company or certain sectors of the book-keeping or the annual accounts. In case the proposal obtain the support of a group of shareholders controlling a minimum of one tenth of the share capital a shareholder may at the latest a month after the completion of the meeting request the Minister to nominate investigators. The request shall be taken into account provided that the Minister consider there to be sufficient reason therefore. The Minister shall afford the Company's Board of Directors and Auditors and, when applicable, those concerned with the matter an opportunity of expressing their opinion of the requirement prior to his reaching a decision. The Minister will fix the number of investigators and they shall include both a State Authorized Public Accountant and a Lawyer.

The provisions of the Act respecting Annual Accounts concerning conditions of qualifications, facilities, attendance at meetings and the granting of information to Auditors or Inspectors also apply to Special Investigators as appropriate.

The Investigators shall render a report in writing to shareholders' meetings. They shall be paid remuneration from the Company and this shall be fixed by the Minister. [The Minister is instead authorized to stipulate the condition that a party requesting an investigation shall place a collateral for the payment of costs. The Company will then ultimately bear the cost. In case the Company does not pay an invoice within three months as of the date thereof the applicant for the investigation does, however, forfeit his collateral, but does instead hold a claim on the Company.] 1)

A report from Investigators shall be available on show for shareholders at the Company's offices for at least a [two weeks] 1) before a shareholders' meeting.

1) Act 68/2010, Art. 14

SECTION XII

Allocation of Dividend, Reserve Funds et al.

Art. 98

It is not permissible to allocate Company funds to shareholders unless this be in accordance with rules relating to the allocation of dividend, a refund owing to a reduction of share capital or reserve fund or on account of the dissolution of the Company.

Art. 99

It is only permissible to allocate as dividend profit in accordance with approved annual accounts for the immediate past fiscal year, profit brought forward from previous years and free funds after deducting loss which has not been met and the moneys which according to Laws or Company Articles of Association shall be contributed to a reserve fund or for other use.

In a parent Company it is not permissible to allocate an amount of dividend which would be in conflict with good operational practice having regard for the financial status of the group although allocation of dividend be else permitted.

Art. 100

At the least ten per cent of the profit which is not devoted to meeting conceivable loss of previous years and is not contributed to other legally stipulated funds shall be contributed to a reserve fund until this amounts to ten per cent of the share capital. When that limit has been reached contribution shall be a minimum of five per cent until the fund amounts to a quarter of the share capital. It is possible to stipulate higher contributions in Company Articles of Association.

If a Company has been paid more than a nominal price for shares at the time of establishment or the share capital has been raised, the moneys paid in excess of nominal price shall be transferred to a share premium account of paid share capital in accordance with the Act respecting Annual Accounts after deducting costs of establishing the Company or increasing the share capital. The moneys which the Company has acquired on account of the sale of share certificates in accordance with Art. 44 shall also be contributed to a reserve fund.

It is permissible to use a reserve fund to meet a loss which cannot be met by means of transfer from other funds. In case a reserve fund exceed a quarter of the share capital it is permissible to use the excess amount to increase the share capital or, if the instructions contained in Art. 53 are heeded, for other needs.

Art. 101

A shareholders' meeting will decide upon the allocation of dividend after a Company's Board of Directors have submitted proposals in that respect. It may not be decided to allocate more dividend than a Company's Board of Directors propose or approve.

Shareholders holding a total of at least a tenth of the share capital may at an Annual General Meeting, provided that a Company's Board of Directors be advised thereof in accordance with the provisions of Art. 86, require an Annual General Meeting to decide upon the allocation of a sum as dividend amounting to a minimum of a quarter of the remainder of annual profit when the loss of previous years has been met and that which shall be contributed to a reserve fund in accordance with Laws or Company Articles of Association or which cannot be allocated as dividend for other reasons has been deducted. It is, however, not permissible to require allocation of more than the equivalent of two per cent of the Company's capital and reserves (equity).

The date of maturity of dividend shall be no later than six months after a decision relating to the allocation thereof has been made.

Art. 102

If payment to a shareholder has been effected in conflict with the provisions of the present Act he shall refund that which he has received with interest which shall be equal to the maximum rate of interest on general savings accounts, cf. para. 1, Art. 17. This does not, however, apply to the allocation of dividend if the shareholder neither knew nor could have known that the payment was unlawful.

In case it be found that the moneys cannot be refunded those having participated in a decision on the payment, its implementation, in preparation or approval of the incorrect accounting shall be held responsible under the provisions of Art. 134 - 136.

Art. 103

A shareholders' meeting may decide to make presents from the Company's funds to public welfare, humanitarian issues or for similar purposes as far as this will be considered suitable having regard for the object of the gift, the Company's financial status and circumstances in other respects.

A Company's Board of Directors are authorized to devote minor amounts, having regard for the Company's financial status, to the purpose referred to in para. 1.

Art. 104

A Public Limited Company is neither authorized to grant shareholders, Directors or Managers of the Company or its parent Company credit nor to place security for them. A Company is also forbidden to grant credit or place security for a party who is married to or a co-habitant of a party under the 1st sentence or related thereto through paternity or descentence or who is specially close to the party concerned in another respect. The provisions of the present paragraph do, however, not extend to ordinary commercial credit.

A Public Limited Company may not grant credit in order to finance the purchase of shares in the Company or its parent Company, irrespective of whether the parent Company is a Public or a Private Limited Company. Neither may a Public Limited Company contribute funds nor place security in connection with such purchases. The provisions of the 1st and 2nd sentence do not, however, apply to purchases by employees of the Company or an associate Company of shares or the purchase of shares for them. The provisions of Art. 99 shall be heeded.

The Company's security placed for the aforementioned parties in conflict with the provisions of para. 1 and 2 is, however, binding, unless the negotiating party has been or should have been aware of the fact that the security has been placed contrary to these provisions.

In case the Company has rendered payments in connection with arrangements which are contrary to para. 1 and 2 these shall be refunded with deferred interest.

If it is not possible to refund the moneys or withdraw a security those who made or subsequently implemented arrangements in accordance with para. 1 and 2 are responsible for the Company's loss.

The provisions of para. 1 and 2 do not apply to credit or contribution to a parent Company and security for the obligations of a parent Company.

The provisions of para. 1 and 2 will not be applied concerning deposit money banks or other financial establishments.

A mention of every credit, contribution and security in accordance with the present Article shall be made in the Record of Minutes of the Company's Board of Directors.

SECTION XIII

Dissolution of a Company

Art. 105

A Company's Board of Directors are in duty bound to surrender the Company's estate for bankruptcy administration as stipulated in the provisions of the Act respecting Bankruptcy Administration et al.

In case assets remain when an estate has been subjected to bankruptcy administration after all creditors' claims have been met these shall be divided between shareholders in proportion to their holdings, unless a Company's Articles of Association stipulate an alternative arrangement. A lawful shareholders' meeting may, however, decide to continue the operation of the Company, provided that legally prescribed conditions therefor be met.

Art. 106

Shareholders controlling over a fifth of the share capital may require a Judgment to the effect that a Company be dissolved on the grounds that shareholders have deliberately abused their position within the Company or participated in offences against the present Act or the Company's Articles of Association.

In case it be required before a Court of Law on the part of the Company it may be decided in a Judgment that dissolution of a Company may be replaced by the Company redeeming shares belonging to the shareholders who have required dissolution of the Company in accordance with para. 1.

Art. 107

The estate of a Public Limited Company shall be subjected to administration upon the requirement of the Minister:-

1. When a Company shall be dissolved in accordance with provisions of Laws, but a shareholders' meeting does not decide upon winding-up of the Company.
2. In case shareholders become fewer than two and that situation will not be improved upon within three months.
3. In case the Company does not give the Register of Limited Companies notice about the Board or Directors who meet legally stipulated conditions within a year as of the lawful respite for the purpose or if the Company does not have a Manager, cf. Art. 65.
4. When the audited and approved annual accounts have not been sent to the Register of Limited Companies during the immediate past three fiscal years, cf. the provisions of the Act respecting Annual Accounts concerning the delivery of annual accounts.
5. If the Register of Limited Companies rejects or invalidates the authorization of a Winding-up Committee in accordance with para. 4 - 6 of Art. 111.

The estate of a Public Limited Company shall be subjected to administration upon the requirement of shareholders:-

1. When a Company shall be dissolved in accordance with provisions contained in its Articles of Association, but dissolution of a Company is not decided by a shareholders' meeting.

2. In case a requirement in accordance with para. 1, Art. 106 has been taken into account by means of a Judgment.

The estate of a Public Limited Company shall be subject to administration upon the requirement of a Company's Board of Directors in case shareholders controlling a minimum of two-third of the Company's total share capital have agreed to dissolve the Company in that manner or if the conditions of para. 2, Art. 110 for the appointment of a Winding-up Committee are not met.

Art. 108

In case the Register of Limited Companies consider there to be information at hand, i.a. from the Register of Annual Accounts, to the effect that a Public Limited Company have ceased operations, the Company is without an active Board of Directors, an Auditor or an Inspector or it does not attend to its reporting duty to the Register, the Register shall send those being or who may be expected to be spokesmen for the Company according to its registration or the latest registered Board Chairman or Directors a warning to the effect that the Company be struck off the Register of Limited Companies, provided that information will not be forthcoming within the respite prescribed by the Register giving probabilities of the Company still being operated.

In case no reply or an unsatisfactory reply be received within the stipulated respite a warning of deregistration to the Company's spokesmen or others having interest to safeguard shall be published once in the "Legal Gazette". In case no satisfactory reply or comments be received within the respite specified therein registration of the Public Limited Company may be dropped.

Within a year as of deregistration shareholders or creditors can file a claim to the effect that the Public Limited Company's estate be taken for administration in conformity with Art. 109. The Register of Limited Companies may also alter registration to the effect that a deregistered Company be registered anew, provided that an application relating thereto be received within a year as of deregistration in accordance with the present Article and special circumstances justify the renewed registration. The Company's name may not be disposed of during this period.

Despite the fact that a Public Limited Company has been deleted from the Register of Limited Companies in accordance with the present Article this does in no way alter the possible personal responsibility of Directors or shareholders owing to the Company's obligations.

Art. 109

When a District Judge has received a requirement relating to administration in accordance with para. 1 or 2 of Art. 107 or para. 3, Art. 108 he shall process this in accordance with the instructions contained in the Act respecting Bankruptcy Administration et al. concerning a creditor's requirement to the effect that a debtor's estate be subjected to bankruptcy administration.

A District Judge shall pronounce a decree as to whether a requirement to the effect that the estate of a Public Limited Company shall be subjected to administration shall be approved. In case the requirement be taken into account the estate shall be handled in accordance with instructions contained in the Act respecting the Administration of Death Estates et al. concerning the handling of a death estate where heirs do not assume responsibility for the liabilities of the deceased, except for the fact that shareholders do not enjoy the same position as heirs do upon such administration until it is revealed following upon the completion of the respite for declaring claims that the assets of the estate will suffice to meet liabilities.

Art. 110

In case shareholders controlling a minimum of two-third of a Company's total share capital have made a decision at a shareholders' meeting to the effect that the Company shall be dissolved and do not desire that administration proceed in accordance with para. 3, Art. 107, the Company's Board of Directors shall forthwith have a Balance Sheet and Profit and Loss Account prepared for the Company. These accounts shall be accompanied by an opinion from a State Authorized Public Accountant as to whether the Company's assets suffice to meet its liabilities.

Within a month as of the time a shareholders' meeting has decided upon the dissolution of a Company in accordance with para. 1 another shareholders' meeting shall be held and there the accounts according to para. 1 shall be submitted. In case it be revealed that the Company's assets suffice to meet liabilities a Winding-up Committee shall be elected at the meeting. In case it be revealed that the Company's assets will not for certain suffice to meet its liabilities the Company's Board of Directors shall request administration of the Company's estate in accordance with para. 3, Art. 107.

Art. 111

A minimum of two and a maximum of five persons shall be elected to a Winding-up Committee by means of proportional ballot. A group of shareholders controlling a minimum of a third of the total share capital is entitled to have the choice of one member of the Winding-up Committee.

At least one member of a Winding-up Committee shall be a District Court Attorney, an Advocate to the Supreme Court of Iceland or a State Authorized Public Accountant.

When a Winding-up Committee have been elected they shall give the Register of Limited Companies notice of a decision on the dissolution of the Company and their election and they shall request the Register's authorization of their function. When authorization has been obtained the Winding-up Committee will take over the rights and duties of the Company's Board of Directors and Manager(s).

The Register of Limited Companies is right to reject the authorization of a Winding-up Committee if the documentation at hand does not show that the decision about dissolution of the Company or the election of the Winding-up Committee have been correctly performed or if it is deemed doubtful that the Company's assets suffice to meet its liabilities.

In case a person who has been authorized to function on a Winding-up Committee desire to be relieved of his duties or if a member of a Winding-up Committee dies before the Committee have completed their task the Winding-up Committee shall forthwith give the Register of Limited Companies notice thereof and call a shareholders' meeting within a month to elect a new person to replace the former. In case authorization of a new member of a Winding-up Committee be not sought without undue delay the Register of Limited Companies is authorized to invalidate the authorization of the Winding-up Committee.

In case the Register of Limited Companies consider undue delay to have occurred in the work of a Winding-up Committee or that the Committee have in another manner violated their duties it shall admonish them and grant a respite for the making of amends. In case matters will not have been brought into correct order within such a respite the Register of Limited Companies is authorized to cancel the authorization of a Winding-up Committee.

Members of a Winding-up Committee guarantee one for all and all for one for the Company's shareholders and creditors the entire loss which they may deliberately or through gross inadvertence cause the latter by means of their work.

Art. 112

When a Winding-up Committee have been authorized they shall cause to be published twice in the "Legal Gazette" an announcement relating to the dissolution of the Company along with a call to creditors to declare their

claims in the Company to the Winding-up Committee within two months as of the time of the former appearance of the announcement. The judicial effects of such a call for claims shall be the same as those applied to the bankruptcy administration of the estate of a Public Limited Company.

In an announcement in accordance with para. 1 a Winding-up Committee shall call a meeting with a Company's creditors and shareholders in order to deal with claims on the Company and that meeting shall be held within a month as of the completion of the respite for the declaration of claims.

The authorization of a Winding-up Committee and the call for claims will not alter the right of creditors to seek fulfilment of their claims in accordance with general rules.

As it pertains to claims on the Company and its mutual agreements there shall apply the provisions of Sections XV and XVI of the Act respecting Bankruptcy Administration et al., as appropriate.

Art. 113

When the respite to declare claims comes to an end a Winding-up Committee shall prepare a list of the claims which they have received. They shall express their opinion as to whether or to which extent they consider that each declaration of claim or claim should be admitted. In case the Winding-up Committee do not deem it possible to admit a declaration of claim or a claim in full in the form in which it has been declared they shall give the claimant concerned notice thereof in a verifiable manner and call him specifically to the meeting at which declared claims will be dealt with.

In case there be no protests against the attitude of the Winding-up Committee to declared claims at a meeting which is held for the discussion of declared claims their attitude shall be considered to be finally approved of by all those concerned.

In case a creditor protest the attitude of a Winding-up Committee to the recognition of his declaration of claim or claim or if a claim be subject to protest by another creditor or shareholder and their dispute is not resolved at the meeting, the Winding-up Committee shall forthwith refer this for resolution to a District Judge in the venue of the Company and the Judge will pronounce a decree relating thereto.

In case a Winding-up Committee receive a claim after the completion of the respite for the declaration of claims the handling thereof shall be subject to the provisions of Art. 118 of the Act respecting Bankruptcy Administration et al., as appropriate.

In case a Winding-up Committee consider there to be reason to doubt that the Company's assets suffice to meet its liabilities upon completion of the respite for the declaration of claims they shall without delay hand its estate over for bankruptcy administration. It shall then be announced twice in the "Legal Gazette" that the estate has been subjected to bankruptcy administration, but the call for claims by the Winding-up Committee and the respite for the declaration of claims in accordance with para. 1, Art. 112 shall be final upon the bankruptcy administration. In other respects there apply to the administration the general rules of the Act respecting Bankruptcy Administration et al.

In case the estate of a Public Limited Company be subjected to bankruptcy administration in the manner stated in para. 5 the date of respite shall upon proceedings concerning the administration of estate be deemed to be the day on which a shareholders' meeting has fixed for dissolution of the Company in accordance with para. 1, Art. 110, but the date of decree or the commencement date of administration shall be deemed to be the day when the Winding-up Committee have obtained the authorization of the Register of Limited Companies.

Art. 114

Immediately after the completion of a meeting in accordance with Art. 113 and when sufficient assets of the Company have fetched a price a Winding-up Committee shall effect payment of admitted claims on the Company. The Committee shall reserve funds for the payment of claims in dispute.

A Winding-up Committee shall call shareholders to a meeting about the arrangement of the dissolution of the Company as required.

Upon completion of the payment of claims and when funds have been detailed for payment of claims in dispute in accordance with para. 1 and when shareholders' attitude as to which extent the Company's assets shall be realized has been revealed, the Winding-up Committee shall prepare a proposal for allocation to shareholders and the Company's final accounts. Payments to shareholders shall be in correct proportion to their holdings, unless otherwise decided in the Company's Articles of Association.

A Winding-up Committee shall call a shareholders' meeting to discuss the final accounts and proposal for allocation. In case the proposals be not protested or observations passed on the accounts a Winding-up Committee shall pay out the shareholders or convey assets to them in conformity with the proposals.

Art. 115

In case a Winding-up Committee have not completed work within a year as of their being authorized they shall give the Register of Limited Companies an account in writing of the reasons therefor and thereafter twice a year until they complete their work.

In case a dispute arise upon proceedings of a Winding-up Committee which would upon bankruptcy administration be dealt with according to special rules of the Act respecting Bankruptcy Administration et al., a Winding-up Committee shall without delay refer the matter in dispute to a District Judge who will pronounce a decree relating to the dispute. General rules apply to the appealing of such decrees.

Art. 116

In case a creditor or a shareholder does not collect funds which are to be allocated to him upon the dissolution of the Company or in case a dispute concerning the validity of a claim according to para. 3, Art. 113 remains unresolved upon allocation by a Winding-up Committee, the Committee shall place the amount concerned on a deposit account in a money deposit bank authorized to receive deposit storage funds. In case the funds be not collected within ten years, according to circumstances as of the resolution of a dispute concerning a creditor's claim, these shall accrue to the Treasury.

When a Winding-up Committee have completed allocation to shareholders or placed funds on deposit accounts in accordance with para. 1 they shall give the Register of Limited Companies notice of the completion of their work and deliver to it the Company's final accounts, their report on allocation, the receipts of those who have accepted payments and documentation for deposit accounts as well as the Company's entire documents and books.

A Winding-up Committee shall announce the completion of their work and the conclusion of matters in the "Legal Gazette".

Art. 117

When payment of claims on the Company has been completed or funds for the settlement of claims in dispute have been placed on a deposit account a shareholders' meeting may decide that the work of a Winding-up Committee shall be completed and that the Company resume activities if shareholders controlling a minimum of two-third of the total share capital approve thereof. The Register of Limited Companies shall be given notice of the resolution, but it is not permissible to resume activities until the resolution has been recorded and the Company meets legally prescribed conditions in other respects.

Art. 118

In case a Company's assets be revealed after a Winding-up Committee have completed work or if a dispute about the validity of a creditor's claim ends with funds which have been placed on a deposit account owing to the claim not being utilized in full for settlement thereof, the Winding-up Committee shall resume their work without a call for claims and shall allocate assets in conformity with their original allocation report. The provisions of para. 2 and 3, Art. 116, apply to the completion of continued administration.

In case it be not possible for a Winding-up Committee to undertake continued administration in accordance with para. 1 the Register of Limited Companies shall legally appoint without nomination one or more persons to a special Winding-up Committee to undertake the continuation of the administration.

SECTION XIV

Merger, Conversion of Public Limited Companies to

Private ones and Division

Merger

Art. 119

The provisions of the present Section concerning merger apply upon the dissolution of a Public Limited Company without settlement of debts in such a manner that the Company is entirely merged with another Public Limited Company by means of the take-over of assets and liabilities (merger with take-over) and when two or more Public Limited Companies merge into a new Public Limited Company (merger with the establishment of a new Company).

In case a Private Limited Company is taken over upon merger the provisions of Section XIV of the Act respecting Private Limited Companies apply to the dissolution of that Company.

Art. 120

The Boards of Directors of the merging Companies shall jointly prepare and sign a merger schedule which shall contain information and provisions concerning the following:-

1. The names and forms of the Companies, i.a. whether a name or a conceivable foreign byname shall be maintained as an extra name of the take-over Company.
2. The Companies' address.
3. Remuneration for the shares in the Company which has been taken over.
4. As of which time the shares which are conceivably handed over as payment grant the right to dividend and special conditions pertaining to that right.
5. Which rights in the take-over Company are obtained by conceivable owners of shares and bonds with special rights in the Company which is taken over.
6. Other conceivable arrangements for the benefit of the owners of the shares and bonds referred to in clause 5.

7. Delivery of share certificates in respect of shares delivered in lieu of payment.
8. As of which time-limit the rights and duties of the Company which has been taken over shall in terms of accounting be considered to have ceased, cf. para. 2, Art. 121.
9. Some special emoluments which Directors, Managers and members of a Representative Committee, Assessors as per Art. 122 and supervisory parties of the Companies enjoy.
10. Draft Articles of Association if a new Company is to be formed upon the merger.

Art. 121

The Board of Directors of each of the Companies shall prepare a statement wherein the merger schedule is explained and substantiated. The statement shall deal with the economic and legal reasons forming the basis of the merger schedule as well as the determination of remuneration for the shares, including specific difficulties in connection with the decision.

There shall attach to the statement an audited joint Balance Sheet and Profit and Loss Account showing the entire assets and liabilities of each individual Company, the changes which the merger is considered to entail and a draft commencement Balance Sheet of the take-over Company. The provisions of the Act respecting Annual Accounts apply as appropriate to the commencement account and explanatory notes contained therein. The layout of the joint Balance Sheet and Profit and Loss Account for the Companies shall be based on the date of settlement which may not be more than six months prior to signatures being affixed to the merger schedule.

Art. 122

In each individual merger Company one or more impartial specialist assessors, cf. para. 1, Art. 7, shall render a report on the merger schedule. The Companies may have one or more joint assessors.

The provisions of para. 2 and 3, Art. 7, apply to the assessors' relationship to the Companies concerned as appropriate.

The report shall contain a declaration stating to which extent the remuneration for the shares in the Company which is taken over be reasonable and substantiated. The declaration shall describe the method or methods which were used upon determining the remuneration and include an assessment as to whether the method or methods be adequate in this instance. The declaration shall furthermore specify the price to which each method individually leads as well as which internal interpretation shall be applied to methods upon the determination of prices. In case the determination of price has been subject to special difficulties these shall be specified in the declaration.

[In case all shareholders in merger Companies approve it is not required that independent, specialized assessors prepare a report on the merger schedule, i.a. regarding price of shares, cf. para. 1 – 3.] 1)

The assessors shall [always]) give a declaration stating to which extent the merger may diminish the possibilities of creditors for recourse in the individual Companies.

1) Act 81/2009, Art. 1

Art. 123

At least a month following upon signatures being affixed to the merger schedule each merger Company shall send to the Register of Limited Companies a copy of the schedule certified by the Company's Board of Directors. Simultaneously there shall also be sent to the Register of Limited Companies the Assessors' declaration in accordance with [para. 5, Art. 122] 1)

Information on the receipt of documents referred to in para. 1 shall be published in accordance with para. 1, Art. 151. In case assessors do in their declaration in accordance with [para. 5, Art. 122] 1), consider that the merger may diminish the possibilities of creditors for recourse notification shall contain information pertaining thereto and the attention of creditors shall be directed to their rights under Art. 122 and Art. 126.

1) Act 81/2009, Art. 2

Art. 124

A decision concerning merger of a Company which has been taken over will be made by a shareholders' meeting in conformity with the provisions of Art. 93 and further rules which may be contained in Company Articles of Association concerning dissolution or merger of a Company, cf., however, Art. 129. In case a Company is subject to dissolution administration merger may be decided upon only provided allocation to shareholders has not been commenced and that the meeting simultaneously decide that the work of the Winding-up Committee shall cease.

A decision on a merger in a take-over Company will be made by the Company's Board of Directors, unless a shareholders' meeting need effect amendments to the Articles of Association in other respects than that which pertains to the name of the take-over Company. A shareholders' meeting will furthermore make a decision if shareholders holding 5% or thereover of the share capital, cf., however, para. 3, so require in writing within two weeks as of the time the receipt of a merger schedule has been announced in accordance with para. 1, Art. 151. In such an instance a decision shall be made with the majority specified in Art. 93. The Company's Board of Directors will call a shareholders' meeting within two weeks as of the receipt of the requirement.

In the take-over Company a shareholders' meeting will furthermore decide upon merger if the shareholders who may in accordance with the Company's Articles of Association and in conformity with Art. 85 require a shareholders' meeting do request this. The provisions of the 3rd and 4th sentence, para. 2 apply, as appropriate.

A shareholders' meeting may at the earliest be held a month following upon the publication of a notice of the receipt of the merger plan under Art. 123 and the Assessors' declaration as per [para. 5, Art. 122] 1) and no later than four months following upon the publication. In case the merger be not approved on the basis of such a merger plan or the meeting be not held within the time-limit as per the first sentence the merger plan is deemed to be dismissed.

At the latest a month prior to the shareholders' meeting the following documents shall be submitted for inspection by shareholders at the offices of each individual merger Company and furthermore handed to each registered shareholder free of charge upon request:-

1. A merger schedule.
2. Annual accounts of all the merger Companies covering the immediate past three years or a shorter period if the Company has been operated more briefly.
3. Balance Sheet and Profit and Loss Account in respect of the past portion of the current fiscal year prior to a commencement Balance Sheet referred to in para. 2, Art. 121, being prepared for the take-over Company.
4. Statement by the Board of Directors, i.a. a Balance Sheet and Profit and Loss Account and a commencement Balance Sheet, cf. para. 2, Art. 121.
5. Assessors' report and declaration, cf. Art. 122.

Creditors requesting this shall obtain information relating to the date of decision in accordance with para. 1 - 3.

1) Act 81/2009, Art. 2

Art. 125

Shareholders in one or more Companies which have been taken over may require compensation from the Company concerned if they have made a reservation in respect thereof at the shareholders' meeting and provided that remuneration for the shares be neither reasonable nor substantiated, cf. para. 3, Art. 122. In this instance a Lawsuit shall be instigated at the latest two months after merger has been decided upon in all merger Companies.

Art. 126

In case assessors do consider in their declaration under [para. 5, Art. 122] 1), that creditors' possibilities of recourse deteriorate upon merger creditors holding claims having been established prior to the publication of a notice of the merger schedule under Art. 123 and for which no special security has been placed can declare these their claims within a month as of the making of decision concerning merger in all the merging Companies.

Demands may be made for payment of declared claims which have fallen due and it may also be required that satisfactory security be placed for declared claims which have not fallen due.

In case the contrary be not shown it will not be considered necessary to place security in accordance with para. 2 if the redemption of the claims is secured on the basis of the provisions of special Acts respecting the merger Companies.

In case a dispute arise between a Company and creditors who have declared claims as to whether security shall be placed or an offered security be sufficient both parties can within two weeks of a declaration of claims submit the matter to a District Court in the Company's venue.

Creditors are not permitted to convey in a binding manner the right to require security in accordance with para. 2 in the agreement forming the basis of the claim.

Owners of securities other than share certificates to which special rights attach shall not be granted lesser rights in the take-over Company than they had in the Company which was taken over, unless a meeting of the owners of the certificates, if such a meeting is stipulated in Laws, has approved of the amendments to rights, the owners thereof have individually approved of the amendments or if the owners are entitled to the take-over Company's redemption of their certificates.

1) Act 81/2009, Art. 2

Art. 127

A Company which has been taken over is deemed to be dissolved and its rights and duties are considered to have as an entity been passed on to a take-over Company when:-

1. The merger has been approved in all the merger Companies.
2. The conditions of para. 5 are met.
3. Claims in accordance with Art. 125 have been resolved, unless satisfactory security for these be placed.
4. Claims in accordance with Art. 126 have been resolved.

As and when the conditions of para. 1 have been met the shareholders of a Company which has been taken over who obtain payment in shares become shareholders in the take-over Company.

In case the merger Companies hold shares in a Company which has been taken over it is not possible to exchange these for shares in the take-over Company.

The provisions of Art. 38 do not apply to an increase of the share capital of the take-over Company on the basis of assets and liabilities of the Company which is taken over.

In case a new Company be formed upon merger, but this shall be registered separately, and the Company's Board of Directors and Auditors or Inspectors are not elected immediately following upon a shareholders' meeting's approval of the merger, a shareholders' meeting of the new Company shall be held within two weeks in order to elect a Company's Board of Directors and Auditors or Inspectors.

Art. 128

The Board of Directors of each merger Company shall give the Register of Limited Companies notice of the decision on merger within two weeks following upon the introduction of the judicial effects of the merger in accordance with para. 1, Art. 127. The take-over Company may give notice of the merger for and on behalf of the Companies. To the notice there shall be attached such documentation as is specified in clauses 3 - 5, para. 5, Art. 124, originals or copies, certified by the Company's Board of Directors, along with Records of Minutes of the shareholders' meetings having decided upon the merger.

Art. 129

In case a Public Limited Company be dissolved without the refunding of debts so that it be entirely merged with another Public Limited Company owning all the shares in the Company being taken over the Board of Directors of the latter may render a decision on merger. In other respects there apply, as appropriate, the provisions of clauses 1 - 2, 5 - 6 and 8 - 10, para. 1, Art. 120; 1st sentence, para. 1, Art. 121; Art. 123; 2nd sentence, para. 1 and para. 2 - 6, Art. 124; Art. 126; Art. 127 and Art. 128.

Respite in accordance with para. 5, Art. 124, if any, shall be calculated as of the decision by the Company's Board of Directors concerning merger. Audited consolidated Balance Sheet and Profit and Loss Account shall also be prepared in accordance with para. 2, Art. 121.

One or more assessors, cf. para. 1, Art. 122, shall prepare a declaration in conformity with [para. 5, Art. 122]. 1)

1) Act 81/2009, Art. 2

Art. 130

In case a Public Limited Company be dissolved without the refunding of debts by means of take-over by the Icelandic State or an Icelandic Municipality of the Company's entire assets and liabilities there shall, as appropriate, be applied the provisions of Art. 120; para. 1, Art. 121; [Art. 122] 1); 1st sentence, para. 1 and 1st sentence, para. 2, Art. 123; para. 1, 4 and 5, Art. 124; Art. 125; clause 1, para. 1, Art. 127 and Art. 128.

1) Act 81/2009, Art. 3

Art. 131

Shareholders in the Company or Companies which are merged with others who have voted against amalgamation or merger to form a new Company are entitled to redemption of their shares if this is required in writing within a month as of the time the shareholders' meeting was held. In case it has been requested of shareholders prior to the voting that those wishing to avail themselves of the right of redemption indicate their will in that respect this is then subject to the condition that the parties concerned have given a declaration accordingly at the shareholders' meeting. The Company shall purchase the shares from them at a price corresponding to the value thereof and, in case there be not a question of an accord, this shall be fixed by assessors appointed by a Court of Law in the Company's venue. Either party may consult Courts of Law about the assessors' decision. Legal action must be taken within three months as of the time an assessment has been undertaken.

Conversion of a Public Limited Company to

a Private Limited Company

Art. 132

A shareholders' meeting can, with the number of votes required for amending Company Articles of Association, agree to convert a Public Limited Company to a Private Limited Company. Notification of the resolution shall be sent to every registered shareholder within two weeks.

The conversion of a Public Limited Company to a Private Limited Company is deemed to have occurred when Company Articles of Association have been amended in such a manner as to meet the requirements of the Act respecting Private Limited Companies, provided that amendments of the Articles of Association have been registered and notice pertaining thereto has been published in the "Legal Gazette".

When the amendment has occurred the share certificates which the Company issued are deemed to be invalidated.

If five years have passed as of the time of the conversion without all rightful parties having given notice of themselves for recording in the share register of the Private Limited Company the Board of Directors of the Private Limited Company may by means of an announcement in the "Legal Gazette" call upon the parties to send such a notification within six months. When the respite has elapsed without a notice having been received the Board of Directors may, at the expense of the shareholder concerned, sell the shares in the Private Limited Company through the intermediary of a party who is under Law authorized to deal in such shares. The Company may deduct the cost of the announcement and the sale from the sales value. In case the sales value has not been collected within five years as of the sale the amount will accrue to the Company.

Division

Art. 133

With the number of votes required for amendments to the Public Limited Company's Articles of Association a shareholders' meeting may render a decision on the division of the Company. Upon the division more than one Public Limited Company or Private Limited Company take over the entire assets and liabilities against remuneration to the shareholders of the Company being divided. A shareholders' meeting may with the same majority decide upon the division so that one or more Companies take over part of its assets and liabilities. The receipt of assets and liabilities may proceed without creditors' approval.

The provisions of Art. [6, 7 and 8] ¹⁾, para. 1, Art. 37 and Art. 119 - 128 apply to the division, as appropriate. The schedule of division, cf. Art. 120, shall contain a precise description of the assets and liabilities to be transferred and which are being allocated to each recipient Company. There shall be specified the methods which form the basis of the decision of allocation to the shareholders of the Company being divided of shares in the Companies receiving the remuneration. Statements of Company Board of Directors, cf. para. 1, Art. 121, shall furthermore explain the method or methods forming the basis of the allocation of shares. Therein a special account shall be given of the preparation of a specialized report on the basis of Art. [6, 7 and 8] ¹⁾ due to payment by other means than cash to the shareholders of the Company being divided and also that the report will be sent to the Register of Limited Companies. The Board of Directors or Managers of the Company being divided shall advise a shareholders' meeting of that Company of all considerable alterations which have occurred to the Company's assets and liabilities as of the time of the preparation of the schedule of division and until the holding of the Company's shareholders' meeting intended to render a decision on the schedule and also the Board of Directors or Managers of the recipient Companies in order that the knowledge will be passed on to shareholders' meetings of the recipient Companies.

In case a claimant on the Company which has participated in the division does not obtain satisfaction of his claim on the Company due to effect payment of the claim, each of the other participating Companies will be responsible in solidum for the liabilities which had been established at the time information about the schedule of division was published. The responsibility of the other recipient Companies will, however, be limited to the net value of that which was added in each individual recipient Company at the time of publication of the schedule, but the responsibility of the Company being divided and continuing operations will be limited to the net value remaining in the Company at the same time.

¹⁾ Act 47/2008, Art. 7

Section XIV A

Cross-Border Merger and Cross-Border Division

Cross-Border Merger

Art. 133 a

Cross-border merger means a merger where merger Companies are subject to the legislation of at least two States in the European Economic Area, a Member State of the Convention Establishing the European Free Trade Association or the Faroe Islands as well as other countries in accordance with authority contained in Regulations laid down by the [Minister of Economic Affairs] 1) in consultation with the Minister of Finance.

The provisions of Art. 119 – 129 and 131 do with requisite amendments, cf. [Art. 133 a – 133 c and Art. 133 e – Art. 133 f] 2), extend to cross-border merger as applicable.

1) Act 98/2009, Art 20

2) Act 81/2009, Art. 4

Art. 133 b

A merger schedule, cf. Art. 120, for cross-border merger shall contain information concerning the likely effects of the merger on the Company's activities.

Art. 133 c

Upon a cross-border merger the statement of the Board of Directors, cf. para. 1, Art. 121, shall also contain information on the merger's effect on shareholders, creditors and personnel.

[Art. 133 d] 1)

1) Act 81/2009, Art. 5

Art. 133 e

Upon a cross-border merger shareholders in the Company or Companies being merged with others, having at a shareholders' meeting voted against the merger with take-over or merger with the establishment of a new Company, are entitled to claim that the Company redeem their shares, provided that this be required within a month after a shareholders' meeting. In other respects the provisions of Art. 131 apply as appropriate.

Only when a satisfactory security has been pledged in respect of the value of shares as per para. 1 the Register of Limited Companies may issue a certificate which shall be issued in accordance with Art. 133 f, to the effect that all necessary pre-merger acts and formalities have been completed. Assessors appointed by a Court of Law at the Company's venue will determine whether the security be sufficient. In case the assessors' decision be referred to a Court of Law the institution of legal proceedings will not prevent the Register of Limited Companies from issuing a certificate as per Art. 133 f unless the Court of Law decree otherwise.

Art. 133 f

Upon completion of all necessary pre-merger acts and formalities the Register of Limited Companies will forthwith issue a certificate thereon to the merger Company or Companies being subject to Icelandic Laws.

If a Company continuing operations following upon a cross-border merger, cf. para. 1, Art. 133 a, shall be subject to Icelandic Laws there shall on account of registration of the merger be sent to the Register of Limited Companies a certificate concerning each merger Company from the Registers of the foreign Companies. The certificate shall constitute final evidence to the effect that all necessary pre-merger acts and formalities in the country concerned have been completed and that the foreign Register will register the merger as it pertains to the Company ceasing operations, after the receipt of notification from the Register of Limited Companies, cf. para. 3. Following upon the receipt of certificates concerning all the merger Companies the Register of Limited Companies will register the implementation of the cross-border merger for the Company continuing operations. [As applicable upon registration attention shall though be paid to Art. 12 of Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for European Company which has legal force here in this Country in accordance with Art. 1 of Act No. 26/2004 respecting European Companies.] 1)

If a Company continuing operations following upon a cross-border merger, cf. para 1, Art. 133 a, shall be subject to Icelandic Laws the Register of Limited Companies will notify the Registers where other merger Companies are registered, as soon as possible when the implementation of a cross-border merger concerning the Company continuing operations has been registered, cf. para. 2.

A cross-border merger where the Company continuing operations shall be subject to Icelandic Laws has effect as from the date when the Register of Limited Companies registers the merger.

If a Company continuing operations following upon a cross-border merger, cf. para. 1, Art. 133 a, shall not be subject to Icelandic Laws the Register of Limited Companies registers the implementation of the cross-border merger for the Companies ceasing operations but being subject to Icelandic Laws at the time the Register has received an identical notification as in para. 3 from the Register concerned about the Company continuing operations.

1) Act 86/2009, Art. 25

Cross-border Division

Art. 133 g

Cross-border division means a division where division Companies are subject to the legislation of at least two States in the European Economic Area, a Member State of the Convention Establishing the European Free Trade Association or the Faroe Islands as well as other countries in accordance with authority contained in Regulations laid down by the [Minister of Economic Affairs] 1) in consultation with the Minister of Finance.

The provisions of Art. 133 extend with necessary amendments, cf. para. 3 and 4 of the present Article, to cross-border division as applicable.

It is a condition for cross-border division that the legislation to which the other division Companies are subject permit the division.

The provisions of [Art. 133 a – Art. 133 c and Art. 133 e – Art. 133 f] 2) do with necessary amendments extend to cross-border division as applicable.

1) Act 98/2009, Art. 20

2) Act 81/2009, Art. 4

SECTION XV

Compensation et al.

Art. 134

The founders, Directors, Managers and Auditors and Inspectors of a Public Limited Company as well as Assessors and Investigators are in duty bound to compensate a Public Limited Company in respect of the loss which they have caused the Company in the course of their duties, irrespective of whether this has been willful or through inadvertence. The same applies when a shareholder or others sustain loss on account of offences against the provisions of the present Act or Company Articles of Association.

A shareholder is in duty bound to compensate loss which he has deliberately or through gross inadvertence caused to the Company, other shareholders or a third party by means of violation of the present Act or the Company's Articles of Association.

An amount of indemnity may be reduced having regard in a suitable measure for the extent of the guilt and the loss, the financial situation of the party causing the loss and other circumstances.

Art. 135

A decision to the effect that a Company shall submit a claim for compensation, cf. Art. 134, shall be made at a shareholders' meeting.

In case a shareholders' meeting has concluded a resolution relating to a person's diminished responsibility or rejected motions to apply financial liability groups of shareholders controlling a minimum of one tenth of the Company's share capital may file the claim for compensation on account of and in the name of the Company. Costs incurred through such a Case are of no concern to the Company. Those taking action may, however, require that costs be paid by the Company up to the amount which the Company would be awarded as damages.

The decision of a shareholders' meeting respecting diminished responsibility or to the effect that liability for financial indemnity shall not be applied will not be binding for the Company's bankruptcy estate if the Company is deemed to have been insolvent at the time the decision was made or the date of respite is commenced within a year as of the decision.

Art. 136 [...] 1)

- 1) Act 68/2010, Art. 15, cf. para 2, Art. 31 of the same act

SECTION XVI

Branches of Foreign Public Limited Companies

Art. 137

Foreign Public Limited Companies and Companies in a corresponding legal form having legal domicile and venue in a State within the European Economic Area, a State being a party to the Convention Establishing the European Free Trade Association or outside the Faroe Islands may engage in activities with the operation of a branch in this Country.

Other foreign Public Limited Companies and Companies in a corresponding legal form may engage in activities with the operation of a branch in this Country if this is permitted in an International Treaty to which Iceland is a party or the Minister deems it right to authorize this. The Minister may lay down rules relating to these items.

Art. 138

All legal dealings resulting from the activities of a branch of a foreign Company in this Country shall be subject to Icelandic Laws and jurisdiction.

Art. 139

The name of a branch of a foreign Public Limited Company shall specify the name of the foreign Company and mention shall be made of the fact that this be a case of a branch.

Art. 140

One or more Branch Managers shall head a branch. A Branch Manager shall be of legal age and in control of his financial affairs. In other respects there apply the provisions of the present Act respecting Managers concerning residence et al., as appropriate.

A Branch Manager will sign undertakings of the branch and will be responsible for the heeding of Icelandic Laws concerning its operation. A Company's Board of Directors may, however, grant Powers of Procuration for the branch, provided that holder of Powers of Procuration meet the conditions of para. 1 relating to Branch Managers.

Art. 141

Notice of the establishment of a branch of a foreign Limited Company shall be given to the Register of Limited Companies. The provisions of Section XVII respecting registration of Public Limited Companies regarding notifications of the Companies' establishment shall apply, as appropriate. In a notice of the establishment of a branch it shall be stated in clear words by which country's Laws the foreign Public Limited Company operates. A mention shall also be made of the Register where the foreign Limited Company is registered along with the Company's registration number in that Register as well as the form of the Company. In a notification of a branch of a foreign Public Limited Company or a Company having a corresponding legal form and having legal domicile and venue in a State outside the European Economic Area, outside a State being a party to the Convention Establishing the European Free Trade Association or outside the Faroe Islands, a mention shall be made of the Company's legal form, headquarters and object and at least once a year the amount of share capital if this information is not disclosed in the Memorandum and Articles of Association or in documents with amendment thereof. When a Public Limited Company has more than one branch it is sufficient to send only once the Memorandum and Articles of Association and notices of amendments thereof as well as the Company's annual accounts, but there must be a clear reference to the registration of an earlier branch, including the registration number (Identity No.) of the branch, cf. Art. 142.

The Branch Manager will sign such notice and be responsible for its subject and appendices.

A branch may not commence operations until it has been registered.

Art. 142

A Branch Manager shall give the Register of Limited Companies notice of all amendments of that which is registered, cf. para. 1, Art. 141 and Art. 149.

A Branch Manager shall send to the Register of Annual Accounts the annual accounts of the principal Company and branch in accordance with the Act respecting Annual Accounts.

Art. 143

If the foreign Company is taken for bankruptcy administration or the handling of Company dissolution the Branch Manager shall give notice thereof without delay to the Register of Limited Companies as well as the identity of those in charge of the bankruptcy proceedings or the handling of the dissolution of the Company, their powers and the end of the administration. Comparable information shall be granted concerning moratorium, compositions and comparable acts. The provisions of para. 8, Art. 1 shall be heeded.

Art. 144

A branch shall be deleted from the Register of Limited Companies:-

1. If the foreign Public Limited Company decides to abolish the branch.
2. If this is required by a creditor who has proved by means of fruitless execution or act of sequestration or a Branch Manager's admission that the Company's assets in this Country do not suffice for the settlement of his claim. This clause does not apply to branches owned by Companies in the European Economic Area., States being parties to the Convention Establishing the European Free Trade Association or in the Faroe Islands.
3. If a Branch Manager no longer meets the conditions of Art. 140 or leaves his post. The Register of Limited Companies may, however, grant a Company suitable respite to bring matters into correct order in this respect.
4. If the foreign Company has been deleted from a Register of Limited Companies abroad.
5. If the branch does not meet the provisions of the Icelandic legislation concerning operations at this end.

Art. 145

In case a branch is to be deleted from the Register of Limited Companies the claims of creditors which have originated through the operations of the branch will fall due.

The provisions of the present Article will be implemented only provided bilateral or international treaties do not obstruct this.

Art. 146

A Branch Manager will be responsible for liabilities which he establishes for and on behalf of the branch prior to its registration as well as after having become aware of the Company's bankruptcy, cf. Art. 143, or of incidents causing a branch to be deleted from the Register of Limited Companies, cf. Art. 144.

SECTION XVII

Registration of Limited Companies

Art. 147

The Director of Internal Revenue registers Icelandic Public Limited Companies and branches of foreign Public Limited Companies and operates a Register of Limited Companies for that purpose.

The Minister of Finance is authorized to lay down by means of Regulations further provisions relating to the registration of Public Limited Companies, including the organization of the registration, the operation of the Register of Limited Companies, access to the Register and the collection of charges, i.a. in respect of the issue of certificates and use of the information which the Register of Limited Companies has in computerized form. [It shall be possible to grant information from the Register of Limited Companies in an electronic manner.] ¹⁾

Notifications to the Register of Limited Companies along with appendices and the stipulated fees for registration and announcement shall be sent direct to the Register of Limited Companies.

[It is permissible to send notifications and attachments to the Register of Limited Companies in an electronic manner, and this is equally valid as notices which are sent in writing.]¹⁾

¹⁾ Act 43/2008, Art. 1

Art. 148

Notice concerning the establishment of a Public Limited Company shall specify the following:-

1. The provisions of the Company's Articles of Association concerning the subject referred to in clauses 1 - 3, 5 and 9 - 13, para. 2, Art. 9.
2. The amount of share capital and how large a part thereof is paid-up. In which manner payment has been effected and when the balance remaining is to be paid.
3. The names, identity number and addresses of the Company's founders, Directors, Managers and all those authorized to sign for the Company and also the names, identity number and addresses of Auditors or Inspectors. The same applies to reserves.

A Notice shall be signed by all the Directors of a Company and the signatures shall be confirmed by Notary Public, a Lawyer, State Authorized Public Accountant or two witnesses.

A notice shall be accompanied by the following:-

1. Memorandum of Association, accounts documentation referred to in [para. 2, Art. 6, cf., however, Art. 6 a – Art. 6 c]¹⁾, as well as other documentation and papers in connection with the establishment of the Company.
2. A certified transcription of the Record of Minutes for the establishment meeting.
3. Evidence to the effect that the founders meet the conditions referred to in Art. 3, the Directors and Managers those stated in Art. 66 and the Auditors or Inspectors those conditions of qualifications referred to in the Act respecting Annual Accounts along with confirmation in writing to the effect that they have undertaken the auditing.

The Register of Limited Companies may furthermore require any such documentation and information as will be necessary for adopting an attitude as to whether the Laws and the Company's Articles of Association have been adhered to upon the establishment of the Company. The Register may i.a. require a declaration from an Attorney-at-Law or a State Authorized Public Accountant to the effect that information contained in a notice of the establishment of a Limited Company be correct.

¹⁾ Act 47/2008, Art. 8

Art. 149

Amendments to Company Articles of Association or other items notice of which has been given shall be notified within a month, unless otherwise stipulated in the present Act. Evidence of the legality of amendments may be

required. Notification of amendments shall be signed by the majority of the Board of Directors or holders of Powers of Procuration. The provisions of para. 4, Art. 148 will remain in force as appropriate. When notices are given of amendments to the Articles or Memorandum of Association in other respects a new overall text shall be submitted with the amendments included. The Company's Board of Directors or the party replacing them shall give notice of the beginning and end of the administration of dissolution of the Company.

Official Public Limited Companies shall publish their Articles of Association on their website, if any, but alternatively elsewhere on the Internet. Thereon shall also be published the annual account, consolidated account and the six-months' account of an Official Public Limited Company.

Art. 150

Registration shall be rejected if notices do not meet the instructions of the present Act or a Company's Articles of Association or if decisions are not made in the manner resolved by Laws or in Articles of Association.

In case defects may be remedied in a simple manner by means of a decision by a shareholders' meeting or a resolution by the Board of Directors, the Company shall be granted sufficient respite to make amends accordingly. Registration shall be rejected if amends have not been made within the respite.

The notifying party shall be advised by letter of a rejection and the reasons for it.

In case registration of a notice may be of importance for a third party the Register of Limited Companies shall have arrangements made to have that party advised accordingly in a satisfactory manner.

If the notifying party will not abide by decisions in accordance with para. 1 and 2 of the present Article he may submit the matter to Courts of Law. Legal action shall be initiated within 6 months as of the time the notifying party obtained knowledge about a decision.

In case someone deem himself to be wronged by means of a registration, he may submit the matter to Courts of Law, provided legal action be initiated within 6 months as of the time notice was published in the "Legal Gazette". If a party so desires comments on the findings in a Case shall be recorded free of charge in the Register of Limited Companies and subsequently published in accordance with Art. 151.

Art. 151

The Register of Limited Companies shall, at the expense of the notifying party, have published in the "Legal Gazette" the main subject of that which has been recorded concerning the establishment of new Public Limited Companies and reference to the principal subject of extraordinary announcements, e.g. respecting the receipt of a specialized report on the acquisition of financial values according to Art. 8 and assessors' declaration according to para. 4, Art. 122, about creditors' inferior possibilities of achieving recourse due to a merger schedule on the basis of Art. 123. In case of reference to the aforementioned assessors' declaration the attention of creditors shall be aroused to their right to security in accordance with Art. 126. In other instances the Register of Limited Companies can arrange for the publication of more than a reference in the main subject of an extraordinary announcement if it deems this necessary.

That which has been recorded and published in the "Legal Gazette" shall be considered to be known to a person, unless circumstances be such that he may be deemed to have been unaware thereof and unable to know about it. The provisions of the 1st sentence do not, however, apply to arrangements which are made within sixteen days following upon publication if the person concerned proves that he has been unable to acquire knowledge about that which was published.

In case publication in the "Legal Gazette" has not been undertaken, notice will not be valid except for those who may be proved to have been aware thereof.

In case of lack of conformity between that which is recorded and that which is published in the "Legal Gazette" the Company cannot plead the published text vis-a-vis a third person. He may, on the other hand, plead the published text vis-a-vis the Company, unless it be proved that he has been aware of that which was recorded.

SECTION XVIII

Penalties et al.

Art. 152

In case founders, Directors, a Manager, Auditors or Inspectors, members of a Winding-up Committee or a Branch Manager of a foreign Public Limited Company and others neglect their duties in accordance with the present Act, Company Articles of Association or resolutions by a shareholders' meeting, the Register of Limited Companies may invite them to discharge duties subject to a daily or weekly fine. Courts of Law may be consulted about the legality of a decree within a month as of the serving thereof.

Art. 153

The following is subject to fines or imprisonment for up to two years:-

1. To report deliberately incorrectly or in a mis-leading manner on the status of a Public Limited Company or other factors relating thereto in an official advertisement or announcement, in an official invitation for participation in the establishment of a Company or in an invitation to tender for shares, in reports, annual accounts or in declarations to a shareholders' meeting or the wardens of a Company or in notices to the Register of Limited Companies.
2. Wilfully to violate the provisions of the present Act relating to the acquisition of certain financial values (para. 1, 2 and 5, Art. 8), the payment of share capital, the issue of share certificates or provisional certificates, the register of shares, own shares (para. 1 and 2, Art. 55 and Art. 58 - 61), the Chairman's duty concerning the calling of Board meetings (para. 2, Art. 70), [summary regarding group connection et. al (para. 4, Art. 84),] 1) the calling of a shareholders' meeting if the Company's capital and reserves (equity) according to the Company's books has become less than half of its registered share capital ([para. 5, Art. 84] 1)), contributions to reserve fund, allocation of dividend, refund of share capital contributions, credit or security to shareholders et al. (Art. 104) and notification of the establishment of a branch and the operation thereof (Art. 141). The same applies to violations of the rules respecting share capital in a foreign currency in accordance with para. 4, Art. 1, and the giving of information in accordance with para. 8, Art. 1.
3. To deliver without authority or use a password or another comparable expression to be present or participate in an electronic Board meeting or an electronic shareholders' meeting, including the casting of votes.
4. To deliver without authority or use a password or another comparable means to read, alter or send electronic messages et al., coming under the provisions of the Act respecting Electronic Communications.

1) Act 13/2010, Art. 7

Art. 154

Anyone deliberately spreading incorrect reports or in another corresponding manner creating incorrect ideas about the status of a Limited Company or other factors relating thereto so that this may have an effect on the sale or sales price of shares in the Company shall be subject to fines, detention or imprisonment for up to two years.

If a person managing a Public Limited Company or representing a Company in other respects deliberately reports incorrectly or in a misleading manner on the status or assets of a Company in documents, letters to customers, circular letters or notices or reports to official parties, this will be subject to fines or detention, provided that the provisions of Art. 153 or para. 1 of the present Article do not apply thereto.

Art. 155

A person who becomes guilty of the following acts as it pertains to the casting of votes at a shareholders' meeting shall be subject to fines, detention or imprisonment for up to two years:-

1. Acquires for himself or others an unlawful opportunity to participate in the casting of votes or confuses voting in another manner.
2. Endeavours by means of unlawful compulsion, abridgment of freedom or abuse of the position of a superior to induce a shareholder or his representative to cast votes in a specific manner or to abstain from voting.
3. Sees to it by means of a fraudulent act that a shareholder or his representative abstain from voting although he has intended to do so or that his vote becomes void or has another effect than that which was intended.
4. Pays, promises to pay or offers a shareholder or his representative money or other profit for not availing himself of the right to cast a vote or to vote contrary to the interests of the Company.
5. Accepts, asks for or has himself or others offered profit for not using his right to vote or to cast a vote contrary to the interests of the Company.

Art. 156

A person neglecting to give notice to the Register of Limited Companies in accordance with the present Act shall be subject to fines or detention.

Art. 157

In case a person managing a Company or another having represented the Company has been sentenced to a fine on account of a violation of his duties for the Company, the Company will be responsible for the payment of the fine if collection from the culprit himself has proved fruitless. If there are no provisions in penal Judgment relating to a Company's responsibility, the fine will be collected by means of execution with the Company only provided the Company's duty be adjudged in a special [criminal Case] ¹⁾

1) Act No. 88/2008, Art. 234

SECTION XIX

Art. 158

The Minister may by means of Regulations lay down further provisions relating to the implementation of the present Act, cf., however, para. 2 of Art. 147.

SECTION XX

Partnerships Limited by Shares

Art. 159

The present Act applies to Partnerships Limited by Shares as applicable, unless an alternative stipulation be contained in the Act.

A Partnership Limited by Shares is the type of Limited Partnership where one or more Company members (guarantors) are directly or indirectly in solidum responsible for the Company's liabilities, but other Company members (shareholders), one or more of them, are subject to limited liability on the basis of contributions forming the Company's share capital. Guarantors may also be shareholders.

Partnerships Limited by Shares alone are right and obligated to have the words Partnership Limited by Shares contained in their names or the abbreviation slhf.

The Articles of Association shall in addition to other appropriate items contain information about:-

1. the name, Identity Number, position and address of guarantor,
2. as to whether a guarantor be in duty bound to contribute share capital and, in the affirmative, how much,
3. rules on the guarantor's influence on the Company's affairs and his part in the appropriation of profit and loss and
4. as to whether any Company member enjoy special rights or duties within the Company.

The Articles of Association of a Partnership Limited by Shares shall i.a. contain rules relating to internal legal relationship of Company members, i.e. guarantors and shareholders.

Art. 160

In the Articles of Association of Partnerships Limited by Shares engaging in investment activities there may be deviations from the provisions of the present Act as stipulated herein.

Guarantor, one or more jointly, can discharge the task of a Board of Directors if they are not elected as well as that of Manager or charge another therewith and may sign for the Company's firm. In case the guarantor be a legal person he will be represented by a specified individual. A guarantor shall at all times have a seat on the Board of Directors if they are elected.

The power of shareholders' meeting may be transferred to a guarantor. Amendments to the Company's Articles of Association shall, however, be submitted to a shareholder' meeting. Therein may be special stipulations

relating to the form of voting at a shareholders' meeting and which rules apply to the casting and proportion of votes, i.a. conditions may be made concerning unanimous approval. It shall also be possible to hold shareholders' meetings if Articles of Association are considered to have been violated. An Annual General Meeting shall be held and annual accounts shall i.a. be approved.

Company's Articles of Association may also specially stipulate concerning endorsement and hypothecation of shares, redemption duty and payments of dividend, i.a. the frequency of dividend payments as well as the dissolution of the Companies, e.g. on the specific lifetime thereof.

Art. 161

The approval of all shareholders is required to amend a Company's Articles of Association if a Public Limited Company is to be converted to a Partnership Limited by Shares. Upon the amendment the Partnership Limited by Shares will take over the entire assets and liabilities of the Public Limited Company and creditors' approval is not required.

Notification of a decision in accordance with para. 1 shall be sent within two weeks to all registered shareholders as well as guarantors.

The conversion of a Public Limited Company into a Partnership Limited by Shares is considered to have occurred when Company's Articles of Association have been amended to the effect that the requirements of Section XX be met, provided that the amendments of the Articles of Association have been recorded and notice thereof has been published in the "Legal Gazette".

When the amendment has occurred share certificates which the Public Limited Company has issued are deemed invalid.

If five years have passed since the amendment without all rightful parties having given notice of themselves for recording in the register of shares of the Partnership Limited by Shares the Board of Directors of the Partnership Limited by Shares may by means of an announcement in the "Legal Gazette" call upon parties to send such notice within six months. If the respite has passed without notice having been received the Board may at the expense of the shareholder concerned sell the shares in the Public Limited Company through the intermediary of a party who is under Law authorized to deal in such shares. The Partnership Limited by Shares may deduct the cost of the announcement and the sale from the sales value. If the sales value has not been collected within five years as of the sale the amount will accrue to the Company.

Art. 162

A shareholders' meeting in a Partnership Limited by Shares may, with the number of votes required for amendments of Company's Articles of Association and the approval of guarantors, agree to convert a Partnership Limited by Shares to a Public Limited Company. The provisions of Art. 6-8 apply as applicable. The presentation of a report and the sending thereof will, however, be subject to para. 4, Art. 88. Upon the amendment the Public Limited Company will take over the entire assets and liabilities of the Partnership Limited by Shares without the approval of creditors being required.

Notification of a decision in accordance with para. 1 shall be sent within two weeks to all registered shareholders as well as guarantors.

The conversion of a Partnership Limited by Shares into a Public Limited Company is considered to have occurred when Company's Articles of Association have been amended to the effect that these meet the requirements of the present Act, provided that the amendments of the Articles of Association have been recorded and notice thereof has been published in the "Legal Gazette". Guarantors, however, continue to be responsible for liabilities as of the time prior to the conversion of the Company.

Share certificates in a Public Limited Company shall be issued before a year has passed as of the conversion. It is forbidden to issue these prior to the conversion.

In case five years have passed as of the conversion without all rightful parties having presented an application to have their share certificates in the Public Limited Company delivered the Public Limited Company's Board of Directors may by means of an announcement in the "Legal Gazette" call upon parties to call for the share certificates within six months. When the respite has elapsed and nobody has presented himself the Board of Directors may at the expense of the shareholders concerned sell share certificates in the Public Limited Company through the intermediary of a party who is under Law authorized to deal in such certificates. The Partnership Limited by Shares may deduct costs of the announcement and the sale from the sales value. If the sales value has not been collected within five years as of the sale the amount will accrue to the Company.

Art. 163

Where the present Act stipulates or provides for a document being signed this condition will be met by the use of an electronic signature.

Temporary Provisions

I.

The Public Limited Companies which are lawfully registered at the time of the entry into force of the present Act shall, in case they desire registration in accordance with the Act, submit evidence to the Register of Limited Companies at the latest by October 1st, 1995 to the effect that they meet the conditions laid down by the Act and have amended their Articles of Association in conformity therewith. The rules of the Act concerning the establishment of Public Limited Companies do not, however, apply to the Companies which were established and registered before the entry into force thereof, except for the fact that all Public Limited Companies are required to meet the requirement concerning minimum share capital in accordance with para. 3, Art. 1.

In case request for registration meeting conditions in accordance with para. 1 be not received the Register of Limited Companies shall advise the registered Companies concerned that the Companies will be registered as Private Limited Companies if amendments be not made at the latest by December 31st, 1995.

Public Limited Companies which have not met the conditions of para. 1 and 2 at the latest by December 31st, 1995 shall be registered as Private Limited Companies.

Public Limited Companies having been registered in accordance with the present Act shall adhere to the instructions contained therein.

No registration fees shall be collected on account of the registration of older Limited Companies as Public Limited Companies in accordance with the present provision or the re-registration thereof as Private Limited Companies.

II.

The Public Limited Companies which are lawfully registered at the time of entry into force of the present Act may in accordance with their wish until December 31st, 1995 be re-registered as Private Limited Companies and upon

the re-registration they shall include the expression "einkahlutafélag" (Private Limited Company) in their name or the abbreviation "ehf". They shall meet the instructions contained in the Act respecting Private Limited Companies and shall amend their Articles of Association in conformity therewith. They are not required to raise their share capital.

Public Limited Companies which are re-registered as Private Limited Companies in conformity with the provisions of para. 3 of Temporary Provision I shall act in accordance with the provisions of para. 1 of the present Article. In case the Register of Limited Companies consider upon the re-registration or subsequently that the Company will not meet the conditions of the Act respecting Private Limited Companies to the extent that it obstruct registration the Register shall afford the Company's Board of Directors a suitable respite to improve upon the defects. In case there be no improvement within the respite the Company may be dissolved in accordance with the provisions of para. 1, Art. 107.

No registration fees shall be collected on account of the re-registration of older Public Limited Companies as Private Limited Companies in accordance with para. 1.

As it pertains to the re-registration of Public Limited Companies which are legally registered as such following upon the entry into force of the present Act Art. 132 of the Act will apply.