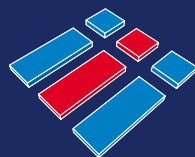




IT & TELECOM IN ICELAND



Invest in Iceland Agency

Summary

- *Iceland has a large-scale infrastructure extremely well suited to the new technological requirements of enterprises.*
- *Telecommunications networks and services have a highly-advanced infrastructure.*
- *Reykjavik offers one of the largest optical-fibre networks currently available in any capital city.*
- *Mobile phone penetration is among the highest in the world.*
- *Internet penetration is among the highest in the world; Iceland leads Europe in per-capita use of xDSL.*
- *Telecommunications costs are among the lowest in nearby countries according to OECD.*
- *The labour force is of high standards.*
- *Iceland offers competitive business costs, especially in software and content development.*
- *Expertise exists in formulating solutions for retail sales, the health sector, mobile telecommunications, and Internet solutions and content development.*
- *It is easy to start a business; companies can be registered in one day.*
- *The corporate income tax rate of 18% is among the lowest in Europe.*



Invest in Iceland Agency

The Invest in Iceland Agency is an independent agency of the Ministry of Industry and Commerce. The Agency's advisors provide information free-of-charge and expert confidential service on all aspects of investments in Iceland.

This report was compiled and written by the Invest in Iceland Agency and Gagarin Ltd. The sources are official data, reports, and information supplied by individual companies.

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ICT infrastructure

According to the IMD World Competitiveness Yearbook, 2002, Iceland has built up a large-scale infrastructure that is very well-suited to meeting the new technological requirements of enterprises. This infrastructure has undoubtedly served as a major support for fast growth in the ICT industry and the fast adoption of technological solutions throughout society. Mobile phone penetration in Iceland is among the highest in the world, as well as Internet penetration – over 85% of Iceland’s population has access to the Internet, either at home or work, if not both.



Recent trends in telecommunications

The most significant changes in the telecommunications sector in Iceland during the past decade have been the deregulation of telecommunications markets and the increased number of companies and players on these markets. In Oct. 2003, for instance, the Post and Telecom Administration confirmed 48 license holders in Iceland for some form of telecommunications.

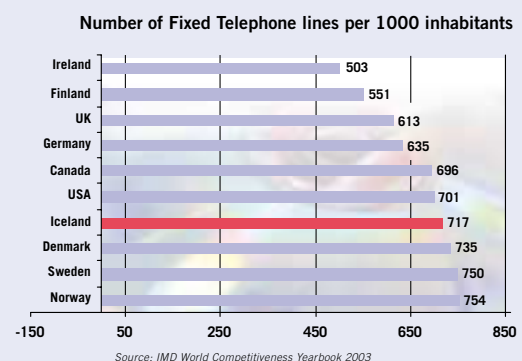
Enormous development and investment have taken place in telecommunications and telecom systems in recent years, partly as a result of deregulation and competition in the sector. The government has also undertaken major initiatives to encourage market penetration by foreign players, passing legislation to ensure nationwide access to state-of-the-art telecommunication services.

The legal environment has been substantially deregulated, so that Icelandic legislation on telecommunications is now fully compatible with that in the EU and is based on current telecommunications directives in the European Economic Area. In July 2003, revised legislation on

telecommunications, telecommunications services and telecommunications networks took effect. The new Act ensures efficient and secure telecommunications in Iceland and promotes competition in the telecommunications market. As in the EU, it will be easier to enter the market and start operating in telecommunications. Companies do not need any permit to start operations, unless limited frequency is involved.

Among the important changes to telecommunications legislation is that new companies are now allowed to offer services through a local loop, i.e. a line from households/businesses/institutions to telephone stations, which Iceland Telecom was previously exclusively authorized for. Unbundled access to a local loop was secured through a regulation from the European Commission, implemented by Iceland in March 2002. This means that users can freely choose the service provider for their fixed telecommunications line.

Síminn (www.siminn.is) – Iceland Telecom – was the only company permitted to offer telecommunications services in Iceland until January 1, 1998. Although the company was state-owned, its privatization is in progress. Síminn is now listed on the Alternative Market of the Iceland Stock Exchange (www.icex.is) and remains today the largest telecommunications company in the country. Following deregulation, competition in telecommunications began in 1998, with the establishment of a new mobile telecommunications company that commenced business in May 1998.



Tal Ltd. had a major impact on telecommunications competition in Iceland. Initiative for establishing the company came from Western Wireless in the USA, under its strategy of operating telecommunications systems in markets that were too small for larger companies to be interested in. Tal was co-financed by Icelandic investors. In August 1999, several private individuals established the telecommunications company Islandssimi Ltd. According to the strategy of the company, its aim was to develop comprehensive telecommunications services, both mobile and fixed. A few months later, some institutional investors placed money in the company, and in October 1999 the company started operations in Iceland.

Og Vodafone (www.ogvodafone.is)

Tal and Islandssimi merged under the name of Islandssimi in November 2002. Since April 2003, the merged companies have used the trademark Og Vodafone (www.ogvodafone.is) in all their Icelandic business. Now formally named Og fjarskipti hf., the company emphasizes extensive cooperation with Vodafone and has signed a Partner Network Agreement to this effect. The company will cooperate with Vodafone in the development and marketing of international mobile services. Og fjarskipti hf. is 40% owned by the US corporation Columbia Ventures. Other major investors are two of Iceland's largest banks, Landsbanki Íslands (www.landsbanki.is) and Kaupthing Bank (www.kbbanki.is), along with private and institutional investors.

Connections with the world

Reliable communications with the rest of the world are vital for an island nation such as Iceland. Iceland is connected to other countries through submarine cables and satellite systems, and international communications links are continually being enhanced.

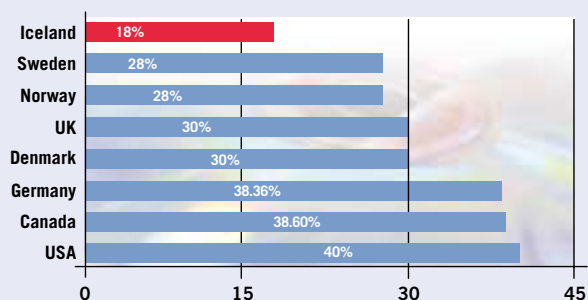
The CANTAT - 3 fibre-optic submarine cable, connecting to Europe and North America, has a capacity of 5 Gb/sec in both directions, with an extra 2.5 Gb/sec to spare. This has been the most important link in communications with other nations since its implementation in 1994.



Farice Ltd., a company owned by the Icelandic State and private telecommunications companies in Iceland and the Faroe Islands, operates a new fibre-optic submarine system between Iceland and Scotland. It is a 1,400-km-long, state-of-the-art, submarine, fibre-optic system, accounted among the world's most technologically advanced. This system is based on DWDM (Dense Wavelength Division Multiplexing) submarine optical-transmission technology. It interconnects the Icelandic, Faroese and Scottish telecommunications networks, supporting the growth of Internet-based services and data networking in Iceland. The system has an ultimate transmission capacity of 720 Gb/sec, equivalent to more than 10 million simultaneous phone calls, and the standard equipped capacity is 20 Gb/sec, upgradeable in accordance with future traffic requirements. With the Farice cable in place, Iceland offers highly reliable telecommunications connections to other countries.

Other connections with the world as a whole are via satellite systems: Intelsat, Eutelsat, Iridium, Inmarsat and New Skies Satellites.

Corporate Income Tax Rate



Source: OECD 2003

Infrastructure for networks and services

The Icelandic infrastructure for telecommunications networks and services is highly advanced, and unique for such a small nation. The system ranks among the most sophisticated anywhere, and is the world's first fully digitalized telephone system, according to Iceland Telecom. Major investments have been made in infrastructure over the past five years. The government has been instrumental in ensuring good service and active competition in this field.

Fibre-optic system

Four companies provide fibre-optic cable service in Iceland. The largest is Iceland Telecom, which has cables connecting most parts of Iceland. Fjarski and Lina.net are gradually building up their systems, while Og Vodafone (formerly Islandssimi) leases cable from other companies.

Fjarski (www.fjarski.is) is a dedicated business-to-business cable service owned by Landsvirkjun (the National Power Company - www.lv.is) and providing sales of broadband and remote facilities or hosting from its remote stations around Iceland.

Lina.net (www.lina.net) was established by Reykjavik Energy (www.or.is) and is still majority-owned by that company. According to Lina.net, the company offers one of the largest optical-fibre networks currently available in any capital city.

Iceland Telecom's fibre-optic system is 3,700 km in extent around the country, excluding the Greater Reykjavik Area (capital city area). The main system consists of eight fibres, of which Iceland Telecom uses five and the Icelandic Air Defense System, operated by the US Air Force, reserves three. The fibre-optic system in the Greater Reykjavik Area is 400 km in length. Iceland Telecom is implementing a DWDM system that will increase the transmission capacity of the fibre-optic system many times over. With current DWDM technology, it is possible to transfer up to 160 Gb/sec through one pair of fibre-optic cables, meaning that Iceland Telecom will have a total of 1,600 Gb/sec.

The number of fixed telephone lines per 1,000 capita is well above the OECD average. According to the World Competitiveness Yearbook, 2003, there were 717 lines per 1000 inhabitants in Iceland compared to 613 in the UK and 701 in the USA. The share of ISDN lines in 2001 was 32 per cent of all fixed lines.

The entire population of Iceland is ensured data transmission at 128 kb/sec for the same price, irrespective of residential location. This connection is more extensive than in most other countries, making it easier for homes to use the Internet.

Telecom providers in Iceland offer leased lines that ensure secure, rapid transmission of data between two locations. The transfer speed is from 64 kb/sec to 2 Mb/sec.

IP networks

Iceland Telecom operates an IP (Internet Protocol) network for voice, data and video transmission which is accessible in most urban areas and is used by many major corporations. Connections are via ADSL and ADSL+, i.e. using MPLS technology for the routing of IP data packages.

Lina-net has built an IP Network, or IP-MAN (Internet Protocol – Metropolitan Area Network). Lina.net operates an urban Cisco IP network serving 2,600 users at the National University Hospital. Other systems connected to the IP Network are the Microwave system, the Power Line Communication system and the Fibre-to-the-Home Network.

Companies in Iceland also have the option of efficient connections to the Internet through the ATM and Frame Relay service as well as access to specialized systems such as X.25 and X.400.

Microwave wireless Internet

A microwave wireless Internet network has been set up serving most of the Greater Reykjavik Area. Several companies have installed such networks: Lina.net (www.lina.net) and eMax (www.emax.is). Wireless LAN is gaining popularity among companies and schools in Iceland.

Tetra system

Development and implementation of the TETRA system has been under way in Iceland since 1999, specially designed for emergency services such as the police and fire brigade. The long-range digital TETRA network combines the advantages of three wireless technologies – CB, NMT and GSM – for entirely secure communications. The TETRA bandwidth is 7.2 Kb/sec, upscalable to 28.8 Kb/sec.

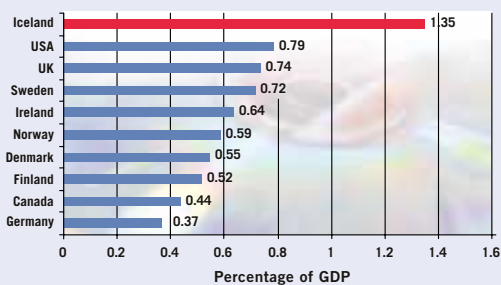
Software and engineering companies have developed solutions for the Tetra system. Among them are HNIT Consulting Engineers (www.hnit.is) – solutions for the police and the emergency system – and Trackwell (www.trackwell.com) and Isgraf (www.isgraf.is).

(more info on companies on pages 20-23)

Internet broadband access

The availability of broadband access creates possibilities for developing novel services. The development in Iceland of broadband access to the Internet has been quicker than in most countries, and Iceland is a leader in Europe for using ADSL. Approx. 90% of the population has access to ADSL service and nearly 25,000 households and companies had already installed ADSL connections in 2003.

Investments in telecommunications, 2000

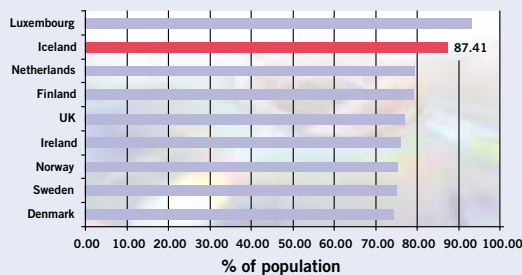


Source: IMD World Competitiveness Yearbook, 2003

Mobile telecommunications networks

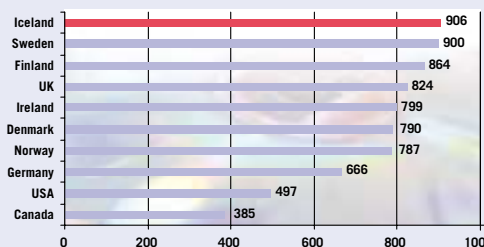
Iceland has one of the highest figures in the world for mobile penetration. The telecom companies' official figures in April 2003 are 235,000 subscribers to GSM services in Iceland, out of a population of 287,000. Iceland Telecom has 150,000 users, including pre-paid, and O2 Vodafone has 85,000. The share of pre-paid mobile subscriptions in Iceland is 35%, compared to 31% in Denmark, 45% in Norway and 49% in Sweden. The use of SMS is high in Iceland, as in many other countries. In 2001, users sent over 90 million SMS text messages and approx. 110 million in 2002.

Mobile phone penetration, 2002



Source: Mobile Communications, December 2002

Mobile telephone subscribers



Source: IMD World Competitiveness Yearbook, 2003

The mobile network, GSM, reaches 97% of the population through the networks of service providers. While Iceland Telecom has the largest network, O2 Vodafone operates two systems, one previously operated by Tal and one by Islandssimi, although it will have only one system in the future. The NMT network covers most parts of the country and is run by Iceland Telecom.

Value-added services

Value-added services for GSM have been very popular in Iceland. Icelandic software companies have developed a wide range of value-added services, sold both to Iceland Telecom and O2 Vodafone, as well as in international markets. WAP services are available, SimToolkit and SMS games. News and flight schedules are available through SimToolkit technology and banking is possible through the GSM system.

3G

In Parliament in 2003, the Minister of Communications presented a bill on 3G telephony which assumed that up to four companies would be licensed in a closed tender, with lower fees for wider mobile coverage. This tender framework emphasizes greater coverage and is expected to result in better service than could have been expected from an auction, and is particularly important for the interests of rural Iceland.

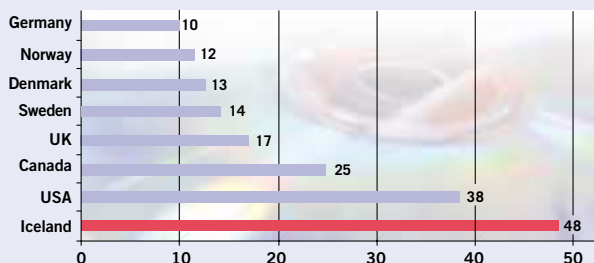
Networked businesses

Icelandic businesses are very reliably connected and use information systems more frequently than businesses in most other countries of the world, according to Statistics Iceland in Nov. 2002.

E-Commerce and sales via the Internet are a growing business in Iceland. Some 8 out of 10 companies in specialized service sectors have placed orders over the Internet, and of all companies 44% have placed an order over the Internet. The transportation sector utilizes this technology on a large scale: 45% of the companies in transportation have sold their products and services over the Internet. Airlines are included in this figure.

Iceland had some 37,974 Internet hosts in September 2000, and figures have increased rapidly. In the OECD Communications Outlook, 2003, Iceland ranked No. 1 in the number of secure servers per 100,000 inhabitants.

Number of secure servers per 100,000 inhabitants, 2002



Source: OECD: Communications Outlook, 2003

Networked homes/individuals

Every sector in Iceland provides the public with access to information on the Internet. The number of Internet users in Iceland per 1,000 inhabitants is the highest in the world. According to a study by Gallup (IMG) in 2001, 70% of Icelandic households had access to the Internet. Connections through ADSL are very common in Icelandic homes, with the growth in this kind of connection between 2001 and 2002 being 100%.

A growing proportion of the general public is using online banking: some 30-40% of customers at the leading banks regularly use home-banking services. Electronic invoices are used increasingly in many kinds of services, and households have adapted quickly to this trend. Electric and water utilities along with telephone companies have already successfully implemented this new form of payment.

Since 1999, individuals have been able to file their income tax returns electronically. The number of individuals using this approach grew fast, and in 2002 74.1% of all individuals filed their income tax returns on the web. In the year 2003 the number went up to 82.2%.

According to IMD World Competitiveness Report, 2003, Iceland ranks as the second-highest country in terms of credit cards issued per capita. Iceland also has the highest figures for credit-card transaction value per capita.

The school system utilizes computers and electronic communications between students and teachers, including in elementary schools, where parents receive announcements from the school authorities via e-mail as the principal means of communication.

Connected companies in Iceland

- 98% of Icelandic companies use computer systems in their operation.
- 92% of Icelandic companies with 10 employees or more have access to the Internet.
- 65% have broadband access (ADSL or still more effective connection).
- 64% have their own website.
- 54% of employees use computers regularly in their work.
- 44% have ordered goods or services over the Internet.
- 58% of companies with websites provide information in English.
- 24% have received orders over the Internet.
- 27% of companies have connections larger than 2 Mbps (56% with 100 employees or more).

Source: Study by Statistics Iceland, published in November 2002

Telecommunications costs

Telecommunications tariffs and prices in Iceland are among the lowest in the western world. Increased competition has undoubtedly influenced the price level.

According to the OECD Communications Outlook, 2003, telecommunications charges in Iceland are much lower than the average in the OECD countries. Charges for the use of residential telephones and business telephone charges are lowest in Iceland and mobile telephone charges are relatively low.

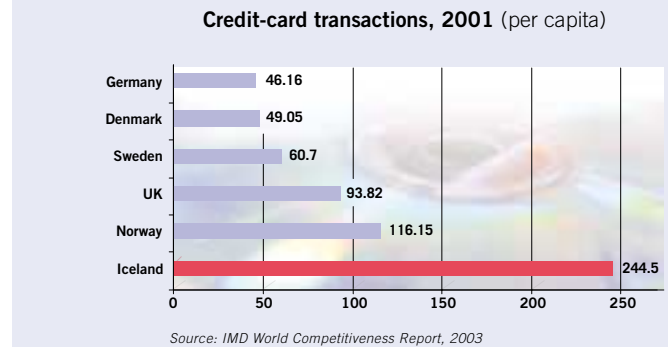
Local telecommunications rates are demonstrably lower in Iceland than in other countries. Homes benefit from these low rates and the costs have not prevented people from using the Internet.

Public initiative

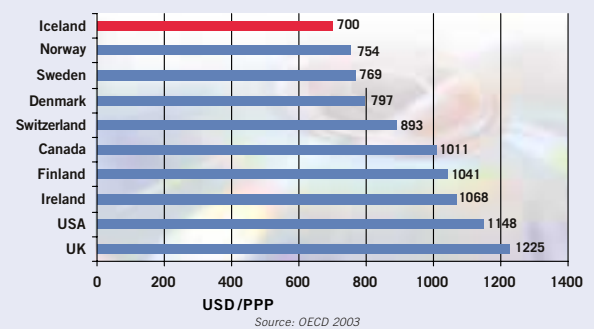
The Icelandic government has prioritised information technology and information society services (e-Commerce and e-Government) in recent years which means that a special focus by the government has been to facilitate public access to information. Government agencies' information systems now provide immediate access to the laws, regulations and obligations under which they operate, and dealings with them can be conducted electronically on a growing scale. Electronic signatures will foreseeably form the basis for implementing wide-range e-Government. According to a study by IBM Business Consulting Services, Iceland's e-Government drive is beginning to show significant results.

Iceland's customs service was a world pioneer in Internet customs clearance, which is now almost entirely (98%) handled electronically. An e-Market (www.rm.is) was opened in 2002, spelling major savings for public and private sector service providers over the Internet. The government operates this electronic market for public-sector purchasing in partnership with private companies, and the same market also aims to serve larger private businesses.

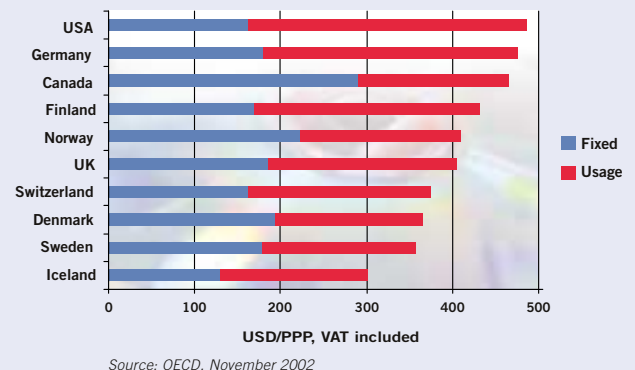
The Ministry of Education, Science and Culture has concluded an agreement with a private company on a high-speed network – the FS net – that connects all



Composite basket of business telephone charges, August 2002



National residential basket, 2002



secondary and vocational schools and all lifelong learning centres in the country, a total of 60 institutions.

The government decided to register all real estate, including every official record of deeds of ownership, precise locations, official valuations, etc. in a central database on real estate ("Landsskrá fasteigna"). The database is up and running.

The State Social Security Institute and Directorate of Health, have cooperated on establishing a central pharmaceuticals database. (www.tr.is)

The ICT sector

The Icelandic parliament has also approved the creation of a health-sector database. The objective of this non-personal database is to increase knowledge for the improvement of health and health services. (www.heilbrigdisraduneyti.is)

International surveys demonstrate that, despite its small size, Iceland belongs among international leaders in the use of IT and that most objectives of the government have been attained in principle.

EU directives on e-Commerce were implemented in Iceland by legislation from 2001, an important framework for the growth of e-Commerce services. The objective was to ensure that e-Commerce services comply with the EU principle on the free movement of services, enabling their provision across the entire European Economic Area (EU and EFTA, thereby including Iceland), if they fulfill the legal requirements of their country of origin. This means that businesses choosing to locate in Iceland because of other favourable aspects of its operating environment – such as low taxation – can operate e-Commerce centres serving the entire EEA.

The Information and Communication Technology sector (the ICT sector) has been a focal point for economic and social development in Iceland, as in most developed countries. This can be seen for instance by the growth in the number of jobs and turnover in the ICT sector and the entrepreneurship that are characteristic features of Iceland today.

The ICT industry in Iceland is divided into four main sectors: Manufacturing, Wholesale, Telecommunications, and Software & Consulting. The Software and Consulting sector divides once again into five main sectors:

1. Office systems
2. Information and data-management systems
3. Industrial-production systems
4. Communications
5. Multimedia

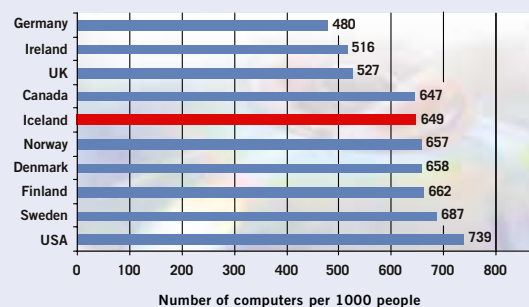
There are around 140 ICT companies in Iceland, the number of jobs in the sector is just under 5000, and turnover is USD 900 million.

Network readiness index, 2002-2003

| | |
|----|-----------|
| 1 | Finland |
| 2 | USA |
| 3 | Singapore |
| 4 | Sweden |
| 5 | Iceland |
| 6 | Canada |
| 7 | UK |
| 8 | Denmark |
| 9 | Taiwan |
| 10 | Germany |

Source: World Economic Forum 2003

Computers per capita, 2002



Source: IMD World Competitiveness Yearbook, 2003

The World Economic Forum ranked Iceland in the top five according to its Network Readiness Index for 2002-2003. The Readiness Index measures the use and adoption rate of IT and communications technologies, and the environment necessary to develop and deploy such systems.

For Icelanders, these results were not surprising, as the increased emphasis on IT and IT-supported industries in the past two decades has yielded very positive results for the population. Icelanders are strikingly quick to adopt technological innovations, and Icelandic companies do not hesitate to export their solutions, partly on account of the small home market. A number of businesses have achieved substantial results and would make interesting investment options and/or partners.

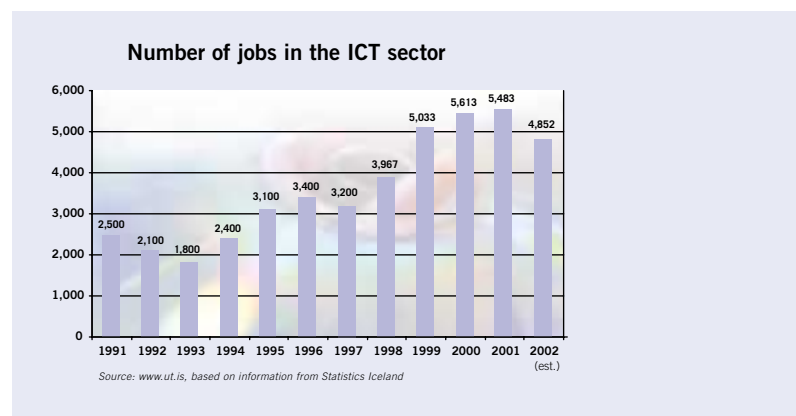
Recent trends

The Icelandic ICT sector is undergoing rapid development. Innovative solutions have been developed and many have achieved admirable success in international markets. Nevertheless, a downturn hit the Icelandic market in 2000, as elsewhere in the Western world, and this difficult situation has been challenging for the ICT sector. Mergers and acquisitions have been common, and some companies, not managing to survive the recession, have gone bankrupt. Investors and founders of companies have responded to the difficult market by merging companies in order to build stronger units that are better equipped to expand and serve foreign markets as well as the Icelandic market. Under these conditions, companies have had to refocus and reorganize their operations. Changes in business organization have become more widely accepted, while the dismissal of employees, which used to be unfamiliar in this sector and not at all common in the Icelandic job market as a whole, is now frequent as a means of improving the bottom line.

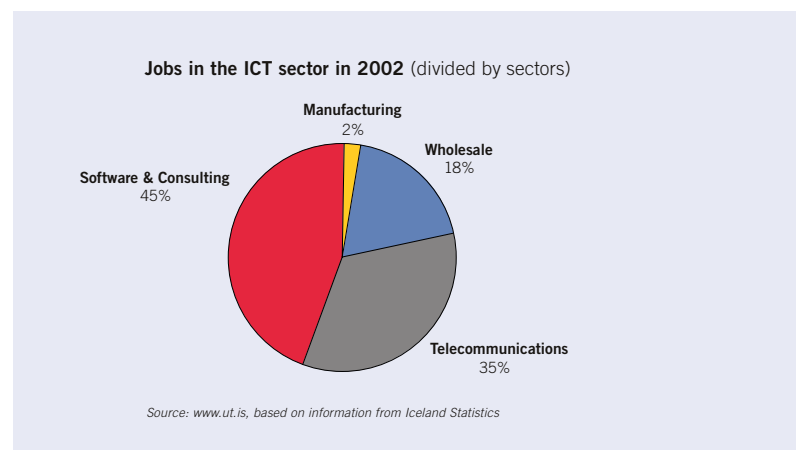
Employment

Over the last decade, there has been a rapid growth of jobs in the ICT industry in Iceland. The number of people employed in the industry doubled from 1991 to 2001, with the highest number in 2000, when activity within the industry peaked and the ICT services sector accounted for 8% of service-sector employment in Iceland. Manufacturing industries within the ICT sector, on the other hand, are of minor importance in Iceland in terms of employment. The manufacture of industrial products such as fishing equipment, with global leaders like Marel (www.marel.com), and the prosthetic-producing Össur (www.ossur.com), are not included in these figures.

Software development and consulting is by far the most important field in the ICT sector, with growth in employment being highest there. In this segment, approx. 45% of the workforce (some 2,200 people) are employed in software development, nearly 35% in telecommunications, and 18% in wholesale. These figures do not include IT specialties within the various IT departments of other sectors. Approx. 50% of the ICT workforce is employed by listed companies - in telecommunications, IT services and software development.



People working in ICT-consultancy services are fairly young: nearly 60% are 35 or younger. Women account for 30% of the workforce in ICT services and 40% in telecommunications..



Education and know-how

Iceland is reputed as one of the world's most literate countries, with a generally high level of knowledge. The Icelandic educational system is considered fully competitive with those of neighbouring countries. It is common for students to seek a wide assortment of tertiary and specialist education in other countries, and students from Icelandic universities are

accepted in the most respected of the world's universities.

Through the growth of the ICT sector in the last decade, the demand for quality staff has increased rapidly. In order to meet this growing demand, the educational system and various institutions have opened up new fields that are of particular value to ICT and offer more diverse, extensive possibilities for education in IT, engineering and business.



Annually, between 180 and 220 students graduate from Icelandic universities with a degree or diploma in computer science or software engineering. It is estimated that 60 Icelandic students graduate annually with similar degrees or master's degrees from foreign universities. Icelandic universities had graduated 1,200 students with a BSc degree in computer science or a diploma in applied computing by mid-year, 2002, after which many received postgraduate degrees. Education in engineering is also vital for the ICT industry. The Department of Electrical and Computer Engineering at the University of Iceland has graduated nearly 400 students with BSc, Cand. Scient. or master's degrees.

The first students with a BSc degree in computer science graduated from the University of Iceland (www.hi.is) in 1978. Over 500 students have completed a BSc degree in computer science from that school, which has played a leading role in educating students to work in IT and software development. The University of Iceland is a state university, founded in 1911. There are 8,000 students enrolled there, in 11 different faculties.

Reykjavik University (www.ru.is) focuses strongly on IT, along with its School of Computer Science. Since 1988, Reykjavik University (or its predecessor THI) has offered schooling ending in a diploma in applied computing and later a BSc in computer science.

Approx. 700 students have graduated from this field of study. Reykjavik University has offered a master's programme in computer science since autumn 2003. The number of students at Reykjavik University is 720.

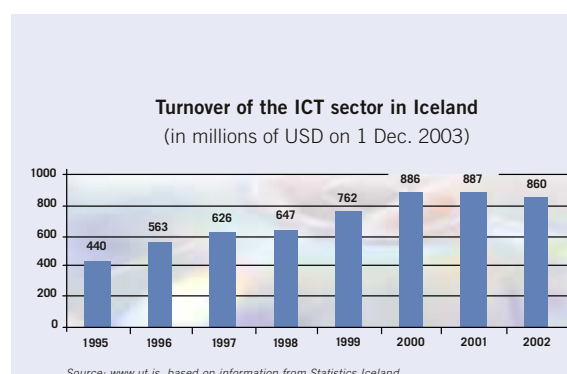
In 1999, the **Technical University of Iceland** (www.ti.is) - now with 660 students - began offering a BSc course in information technology. This is a cross-disciplinary course of study emphasizing computers, technology and operations in this field.

The University of Akureyri (www.unak.is) in North Iceland, began offering BSc studies in computer science in 2001, so that the first students will graduate in the summer of 2004. All of the courses are in English. The university has 625 students in five different faculties.

The universities all have exchange programmes, by which Icelandic students can complete some of their education abroad and foreign students come to Iceland. Also, it is common for Icelandic students to go abroad for post-graduate degrees, and employee re-training (lifelong learning) is a rapidly growing priority among businesses. According to the Scoreboard of Innovation published by the European Commission, Iceland ranks number one for participation in lifelong learning, employment in high-tech services, public participation in R&D and access to the Internet.

Turnover

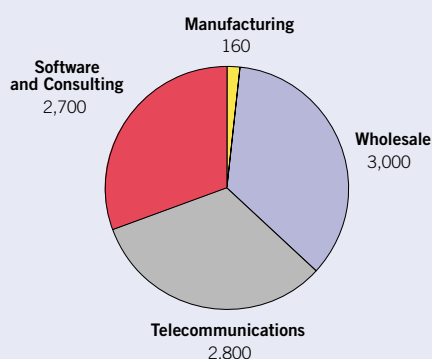
As in most other countries, turnover in Iceland's ICT sector has grown in recent years. Turnover doubled from 1995 to 2001, increasing from USD 440 million in 1995 to USD 887 million in 2001, but went down slightly in 2002. This growth matches the expansion in employment within the sector. The largest increase has occurred in software development and consultancy services.



Turnover in the Software & Consulting industry has grown by 1740% over the last decade. From 2000 to 2001 this segment showed a larger increase in turnover than any other sector industry, rising by nearly 9% to USD 2850 million. Moreover, turnover per employee has been growing. From 1995-2002 it grew from USD 142 thousand per employee to USD 166 thousand.

ICT sub-sector turnover

in millions of USD on 1 Dec. 2003



Source: www.ut.is, based on information from Statistics Iceland, 2003

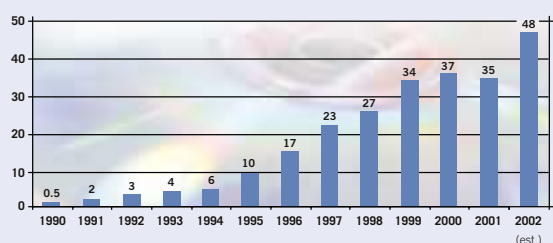
Exports

In a small market like Iceland there is a strong tendency to seek out opportunities abroad. The value of exported Software & Consulting services has grown rapidly over the last decade. Exports amounted to USD 48 million in 2002, accounting for 1.2% of Iceland's total foreign currency earnings. This figure excludes substantial sales by the subsidiaries of Icelandic companies in other countries.

A study by the Central Bank of Iceland shows that 92 companies exported actively in 2001. In 2002, 12 companies exported for more than USD 1.4 million each. Those companies accounted for 62% of the

Export of software solutions and consulting

(in millions of USD on 1 Dec. 2003)



Source: www.ut.is, based on information from the Central Bank of Iceland

total ICT export. Exports comprised 2.3% of total turnover in the ICT sector in 1995, but 4.9% in 2001.

Exports to North America have decreased as a proportion of total exports, from 72% in 1991 to 29% in 2002, while exports to Europe now account for a bigger share than a few years ago, or 64% in 2002. Customized solutions make up 45% of the exports, while standard solutions or products reach 40%. Some 10% involve consulting or data processing, and 5% copyright and license fees, according to figures from 2002.

The lion's share of export growth has occurred among companies not having software design as their core activity, such as engineering companies and the manufacturers of digital equipment that is packaged with software solutions.

Business costs

Iceland is ranked number one in a recent comparative study conducted by KPMG on business costs, both in advanced software development and content development. "Overall, Reykjavik has a very attractive cost structure compared to any European, North American, or Japanese cities. It has a low cost for professional and technical staff, due in part to the presence of one major university and several smaller universities and colleges in the city. Reykjavik is therefore particularly attractive for labour-intensive knowledge-based operations with limited transportation costs." (Business Costs in Iceland, KPMG, 2002).

For more information on the KPMG report see (www.invest.is)

The corporate income tax rate is 18%, among the lowest in Europe.

Elements included in the KPMG study are labour, lease, transport, utilities and taxes. Labour is the driving cost factor in software development, and Iceland offers a very competitive level of highly efficient, qualified employees.

Research and development

Total outlays for R&D in Iceland have grown in recent years and amounted to almost USD 3 billion in 2001, or 3% of GDP, compared with 2.25% in 1999 and 1.72% in 1997. Business expenditure on R&D per capita is high compared with other countries, at USD 449.83 in 2000, and the number of personnel in R&D is high.

As a member of the European Economic Area (EEA), Iceland has an agreement with the European Union on participating in research programmes such as the Sixth Framework Programme. Individuals, companies, institutions and universities can apply for grants through the Sixth Framework Programme.

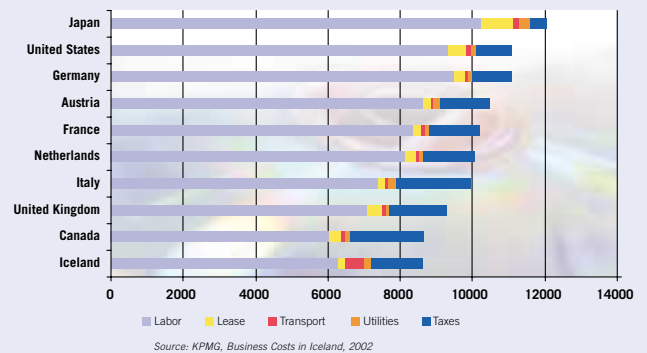
Entrepreneurship

Culturally, the attitude towards innovation and entrepreneurship is very positive in Iceland. According to a recent study in GEM (Global Entrepreneurship Monitor, a collaborative research project led by the London Business School and Babson College in the USA), one out of every nine Icelanders aged 18-64 is entrepreneurially active, or 11.3% of the population. No European country has a higher rate than Iceland. Even though venture capital is limited, it is closely linked to international funds.

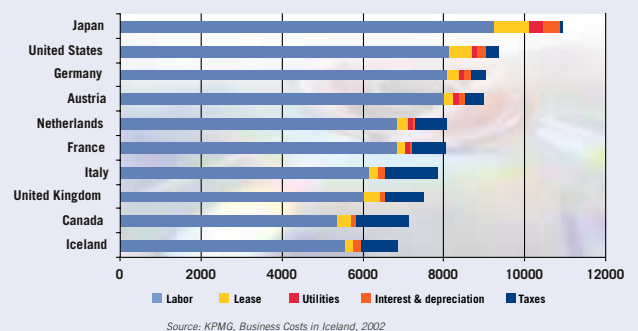
In a small society like Iceland, lines of communication are short, access to key people is convenient and there is little bureaucracy. The small market makes it easy for entrepreneurs to start businesses.

Approx. 7% of Icelanders can be termed private investors; they have put their money into private companies. This is the highest figure among the countries participating in the GEM study. Private investment is ten times higher than VC finance, compared with five times among the other countries being compared.

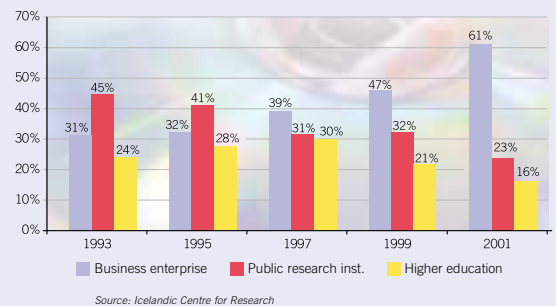
Advanced software, thousands of USD



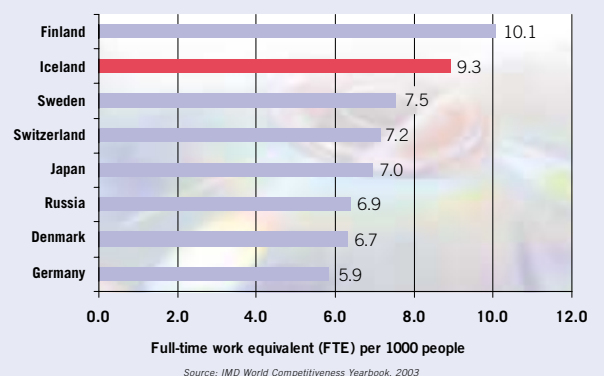
Content development, thousands of USD



Development of R&D expenditures by performer in %



Total per capita R&D personnel nationwide, 2001



Funding and investors

The number of venture capitalists focusing on ICT has decreased somewhat in the last two years, following mergers in this field. Three funds were delisted from the Iceland Stock Exchange in 2002.

Straumur Investment Bank (listed on ICEX) merged with Brú Investment (formerly the Iceland Software Fund) in October 2003. Straumur Investment Bank is the largest venture fund in Iceland and displays the largest portfolio in ICT.

Among other investors in the industry are the largest banks of Iceland, Kaupthing Bank, listed on the Iceland Stock Exchange (www.kbbanki.is), and Islandsbanki (www.isb.is). Some of the major private investors are Framtak, Burdaras (www.ei.is), and Opin Kerfi Group (www.okg.is). Pension funds have also invested in software and IT, for instance through venture funds.

Among internationally known companies owning Icelandic operations in ICT are Microsoft Corp. (in Navision) and Eastman Kodak (in Computer Knowledge). Intel cooperated with OZ.com, while Motorola owns shares in the telecommunications company Tetra Ísland.

Foreign investors have seen opportunities in companies of various sub-sectors which produce a multitude of solutions.

The following are some examples of investments by foreign companies in the ICT sector in recent years:

- Computer Knowledge
- Maritech International
- AX Business Intelligence
- Maskina
- Men and Mice

For further information see pages 20-23.

The small size of Iceland has its advantages. The proximity of the local market ensures that all innovation is market-driven. A comparative study by Harvard University, "The Networked Readiness Index, 2002", points out how the sparse population of Iceland, its remoteness from other nations and its historic tradition have made Icelanders quick to adopt and apply new technology. In this environment, diverse software solutions have been developed.

The largest software houses in Iceland at year-end 2002 were Skýrr and TM Software. Ten companies had turnovers of more than ISK 500 million. In addition, there were around 100 companies operating on the Icelandic market which produce specialized software solutions. Software-development companies serve various sectors and offer a wide range of solutions.



Office systems

Many Icelandic companies produce solutions for the office market. Solutions for retail have been numerous, with many such products selling in international markets. There is a strong focus on solutions for MBS-Navision and MBS-Axapta. Windows-based point-of-sale systems have met notable success in international markets.

Examples of companies creating solutions in this sector are:

- Landsteinar Strengur
- HB International
- Hugur
- AGR
- AX Business Intelligence

For further information see pages 20-23.

Information & Data Management systems

The KPMG study on business costs shows that Iceland is a highly cost-effective location for developing health technology. The innovative application of IT is one of the driving forces behind the rapid growth in this field. Turnover in health and biotechnology grew by over 123% between 1999 and 2001. Icelandic companies have pioneered medical software to assist doctors and pharmacies in managing and dispensing prescription drugs. Diagnostic technology to assess and measure sleep disorders, respiratory problems and geriatric symptoms has also been developed in Iceland.

A homogenous population with extensive genealogical records is ideal for studying the hereditary factors of disease. The genealogical information available on Icelanders is being mined to track the progression of genetic predisposition to various illnesses. This genealogical goldmine has even been made available to individuals on the Internet. While enjoying enforced privacy safeguards, people in Iceland are able to explore their family trees and trace their kinship with others on the website www.islendingabok.is.

Examples of companies creating solutions in this sector are:

- deCODE
- Medcare
- Theriak
- Computer Knowledge
- EMR

For further information see pages 20-23.

Industrial production systems

A number of Icelandic companies are operating in this sector, mainly in financial and energy solutions.

Examples of companies creating solutions in this sector are:

- Auðkenni
- GoPro
- Handpoint
- Median
- Mens Mentis

For further information see pages 20-23.

Communications

The high mobile penetration has encouraged Icelandic companies to develop value-added services for GSM and futuristic mobile telephony. One of the first companies to spot mobile opportunities was OZ Communications Inc. Early on, Intel operated with the company. OZ was acquired entirely by Landsbankinn Canada in 2001.

Examples of companies creating solutions in this sector are:

- Landmat
- Trackwell
- Men & Mice
- ND
- Smartkort

For further information see pages 20-23.

Multimedia

There are many companies that base in Iceland their operations on producing creative content. These companies all depend on creative talents and access to specialists in sound and film-processing of high standards. Their 2D and 3D graphics are of outstanding quality and their animated content has received international acknowledgement.

Examples of companies creating solutions in this sector are:

- CCP
- CAOZ
- Betware
- Gagarin
- INNN

For further information see pages 20-23.



Iceland as a test market

Iceland's infrastructure for telecom is state-of-the-art and has continued so for a long time. For example, Iceland was the first country in the world to offer a fully digital network, and in all telecom comparisons carried out for instance by the OECD, Iceland has always placed among the top countries. In many respects, Iceland provides an ideal mobile-testing environment, since it ranks with world leaders in terms of per capita mobile phone penetration, Internet use and the application of electronic payments systems. The Icelandic market is in effect a well-defined market without blur from other markets, and a technically advanced economy with extremely modern financial and banking services. Iceland's law allows companies residing within the EEA market or OECD countries full rights to operate in Iceland.

Outsourcing and telecommunications providers

Considerable competition prevails in outsourcing and telecommunications in Iceland. Companies that offer outsourcing and also sell hardware are Opin Kerfi (www.ok.is), Nýherji (www.nyherji.is), EJS (www.ejs.is) and AcoTæknival (www.atv.is). Skýrr (www.skyrr.is) is one of the leading companies in hosting and outsourcing, while others that focus on this service as their core business are Anza (www.anza.is), Þekking Telecommunications (www.thekking.is) and Skygggnir (www.skygggnir.is).

A few of Iceland's telecommunication providers include the following:

- Fjarski (www.fjarski.is)
- Farice (www.farice.is)
- Iceland Telecom (www.siminn.is)
- Og Vodafone (www.ogvodafone.is)
- Lina-net (www.linanet.is)
- Tetra Ísland (www.tetra.is)
- Emax (www.emax.is)
- Equant (www.equant.com)



Companies

The number of Icelandic companies in ICT has grown rapidly during recent years. According to Statistics Iceland, there were 615 companies in this field of business in 2002, although most of these companies were small.

Listed companies

Eight companies in information technology, software and telecommunications are listed on the Iceland Stock Exchange. Five of them are on the main list, two are on the growth list and one (Iceland Telecom) is listed on the alternative market. These companies are:

Nýherji (NYHR) – www.nyherji.is
Information technology

Kögun (KOGN) – www.kogun.com
Provider of IT solutions for the commercial and defence industry

Opin kerfi Group (OPKF) – www.okg.is
Information technology

Og fjarskipti (Og Vodafone – formerly Islandssimi) (ISIM) – www.ogvodafone.is
Telecommunications company

Síminn – Iceland Telecom
(alternative market) – www.siminn.is
Telecommunications company

| Company name | Office systems | | | | | Information & Data Management systems | | | | | | | Industrial production systems | | | | | Communications | | | | Multimedia | | | | | | | | | |
|---------------------------------|-----------------|-----------|---------|-----------|-------|---------------------------------------|---------------------|---------|-------------|-------------|----------|--------|-------------------------------|---------|-----------|--------|----------------|----------------|---------|--------------|----|------------|------------------|------------|-------------------|-------|--------------|------------|--------|----------|---|
| | Bank technology | Paperless | Payroll | Inventory | Sales | Accounting | Hospitality/Tourism | Hosting | Bio-systems | Maintenance | Aviation | Retail | Medical | Schools | Financial | Public | Heavy industry | Smelters | Fishing | Power/Energy | 3G | Mobile | Internet service | Navigation | Telecommunication | Games | 3D animation | Web-design | CD ROM | Internet | |
| 1 AGR | | | | • | | | | | | | • | | | | | | | | | | | | | | | | | | | | |
| 2 Annað veldi | | | | | | | | | | | | | | | | | | | | | • | | | | | | | | | | • |
| 3 Annata | • | • | | • | • | • | | | | | | | | | • | • | • | • | • | • | | | • | | | | | | | | |
| 4 ANZA | | | | | | | • | | • | | | | | | | | | | | | | | • | | • | | | | | | |
| 5 Aranea | | | | | | | • | | • | | | | | | | | | | | | | • | | | | | | | • | | • |
| 6 Atóm/Núlleinn | | | | | | | • | | • | | | | | | | | | | | | | | | | | | | • | | • | |
| 7 Auðkenni | • | | | | | | | | | | | | | | • | | | | | | | | | | | | | | | | |
| 8 AX - Business Intelligence | • | • | • | • | • | • | | | | | | • | | | • | • | | | | | • | | | | | | | | | | |
| 9 Betware á Íslandi | | | | | | | | | | | | | | | | | | | | | | | | | | • | | | | | • |
| 10 Calidris | | | | | | | • | | | | • | | | | | | | | | | | | | | | | | | | | |
| 11 CAOZ | | | | | | | | | | | | | | | | | | | | | | | | | | | • | • | • | | • |
| 12 CCP | | | | | | | | | | | | | | | | | | | | | | | • | | | | • | • | • | | • |
| 13 Computer Knowledge | | | | | | | | | | | | | • | | | | | | | | | | | | | | | | | | |
| 14 Dacoda | | | | | | | | | | | | | | | | | | | | | | | | | | | | • | | | • |
| 15 deCODE | | | | | | | | • | | | | • | | | | | | | | | | | | | | | | | | | |
| 16 Design.EuropeA.com | | | | | | | • | | • | | • | | • | | | | | | | | | | • | | | | • | • | • | • | • |
| 17 dk Hugbúnaður | • | • | • | • | • | • | | | | | | • | | | • | | | | | | | | | | | | | | | | |
| 18 DMM Solutions | | | | | | | | | • | | | | | | | | | | | | | | | | | | | | | | |
| 19 Doc | | | | | | | | | | | | | • | | | | | | | | | | | | | | | | | | |
| 20 EJS | | | | | | | | | | | • | | • | | | | | | | | | | | | | | | | | | |
| 21 Element | • | • | • | | • | • | • | | • | • | | | | | • | • | | | | | | | | | | | | | | | |
| 22 EMR | | | | | | | | | | | | | • | | | | | | | | | | | | | | | | | | |
| 23 Epró | • | • | | • | • | | • | • | • | • | • | • | • | • | • | • | | | | | | | | | | | | | | | |
| 24 Eskill | | | | | | | | | | | | | | | | | | | | | | | | | | | | • | | | • |
| 25 Fakta | | • | | | | • | | | | | • | | | | | | | | | | | | | | | | | | | | |
| 26 FOCAL Groupware | | | | • | | | | | • | | | | | | • | | | | | | | | | | | | | | | | |
| 27 Frisk Software International | | | | | | | | | • | | | | | | | | | | | | | | • | | | | | | | | |
| 28 Fuglar | | | | | | | | | | | | | | | • | | | | | | | | | | | | | | | | |
| 29 Gagarín | | | | | | | | | | | | | | | | | | | | | | | | | | | • | • | • | • | • |
| 30 GoPro | • | • | | | • | | | | • | | | | | | • | | | | | | | | | | | | | | | | • |
| 31 GoodSolution | • | • | | | | | • | | | | | | | | • | | | | | | • | • | • | • | • | | | | | | • |
| 32 HandPoint | | | | • | • | | | | • | | • | | | | • | | | | | • | • | | | | | | | | | | |
| 33 HB International | | | | • | • | | • | | | | • | • | • | | | | | | | | | | • | | | | | | | | |
| 34 Hex Software | | | | | | | | | | | | | | | | | | | | | | • | | | | | | | | | |
| 35 Homeportal Ísland | | | | | | | | | | | | | | | | | | | | | | • | • | | | | | | | | • |
| 36 Hreimur | • | • | • | • | • | • | | • | | | | | | | | | | | | | | | | | | | | | | | • |
| 37 Hugsmiðjan | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | • |
| 38 Hugtak | | | | | | • | | | | | | | | | | | | | | • | | | | | | | | | | | |
| 39 Hugur | | | | | • | | | | • | | | | | | • | | | | | | | | | | | | | | | | • |
| 40 HV Grettir | | | | • | • | | | | • | • | | | | | | | • | • | • | • | • | | • | | | | | | | | • |
| 41 Iceconsult | | | | • | | | • | | • | | | | | | | | | | | | | | | | | | | | | | |
| 42 Idega Software | | | | • | | | • | • | • | | • | | • | | | | | | | | | • | • | | • | | | • | | | • |
| 43 Iðntölvutækni | | | | | | | | | | | | | | | | | • | • | | • | | | | | | | | | | | |
| 44 Information Management | | • | | | • | | • | | | | | | | | | | | | | | | | | | | | | | | | |
| 45 INNN | | | | | | | • | | | | | | | | | | | | | | | | | | | | | • | | | • |
| 46 Kerfispróun | | • | • | • | • | • | | | | | | • | | | • | | | | | | | | | | | | | | | | |
| 47 Kuggur | • | • | | | | | | | | | | | • | | • | | | | | | | | | | | | | • | | | |
| 48 Kögun | • | | | | | | | | • | • | | | | | | | | | | | | | | | | | | | | | |
| 49 Landmat | | | | | | | | | | | | | | | | | | | | | | • | | | | | | | | | |
| 50 Landsteinar Strengur | | • | | • | • | • | • | | | | | • | | | • | | | | | | | | | | | | | | | | |
| 51 Libra | | | | | | | | | | | | | | | • | | | | | | | | | | | | | | | | |
| 52 Margmiðlun | | | | | | | • | | | | | | | | | | | | | | | | • | | • | | | • | | | • |

| Company name | Office Systems | | | | | | Information & Data Management Systems | | | | | | Industrial Production Systems | | | | | Communi-cations | | | | Multimedia | | | | | | | | |
|-----------------------------|-----------------|-----------|---------|-----------|-------|------------|---------------------------------------|---------|-------------|-------------|----------|--------|-------------------------------|---------|-----------|--------|----------------|-----------------|---------|--------------|----|------------|------------------|------------|-------------------|-------|--------------|------------|--------|----------|
| | Bank technology | Paperless | Payroll | Inventory | Sales | Accounting | Hospitality/Tourism | Hosting | Bio-systems | Maintenance | Aviation | Retail | Medical | Schools | Financial | Public | Heavy industry | Smelters | Fishing | Power/Energy | 3G | Mobile | Internet service | Navigation | Telecommunication | Games | 3D animation | Web-design | CD ROM | Internet |
| 53 Maritech | • | • | • | • | • | • | | | | | | | | • | • | • | | | • | | | | | | | | | | | |
| 54 Maskina | | | | | | | | | | | | | | | | | | | | | | • | | | | | | | | |
| 55 Medcare Flaga | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 56 Median | • | | | | | | • | | | | | • | | | • | | | | | | | | | | | | | | | |
| 57 Men & Mice | | | | | | | | | | | | | | | | | | | | | | | • | • | • | | | | | |
| 58 Mens Mentis | | | | | | • | | | | | | | | | • | | | | | | | | | | | | | | | |
| 59 Miracle | • | • | • | • | • | • | • | | • | | | | | | • | • | | | | | | | | | | | | | | |
| 60 NB Nýmiðlun | | | | | | | | • | | | | | | | | | | | | | | | | | | | • | • | • | • |
| 61 ND á Íslandi | | | • | • | • | • | • | | | | | | | | • | • | | | | | • | • | • | • | • | | | • | | • |
| 62 Nýherji | • | • | | • | • | • | • | • | • | | • | • | • | | • | • | • | | | • | • | • | • | • | • | | | | | |
| 63 Opin Kerfi | | | | | | • | • | | | | | | | | | | | | | | | | • | | • | | | | | |
| 64 Origo | | | | | | • | • | | | | | | | | | | | | | | | | | | | | | • | | • |
| 65 Parspro | • | • | | | | • | • | • | | | | | | | | | | | | | | • | • | | | • | | • | | • |
| 66 Peocon | | | | | | | | | | | | | | | | | | | | | | | | | | | | • | | • |
| 67 Rhea | | | | | | | | • | | | | | • | | | | | | | | | | | | | | | | | |
| 68 Rögg | • | | | | | • | | | | | | | | | | | | | | | | | • | | • | | | | | • |
| 69 SeaData | | • | | | | | | | | | | | | | | | | | | | | | | • | • | • | | | | |
| 70 SimDex | • | • | | | | | | | | | | | | | • | • | | | | | | | • | • | • | | | | | |
| 71 Skýrr | • | • | • | • | • | • | • | | • | | • | • | • | | • | • | | | | | | | • | | • | | | • | | • |
| 72 Smartkort | • | • | | | | • | | | | | | • | | • | | | | | | | | | • | • | • | | | | | |
| 73 Snerpa | | | | | | • | | • | • | | | | • | | | | | | | | | | | • | • | | | • | | • |
| 74 Snertill | | • | | | | | • | • | • | | | | • | | • | | | | | | | | | | | | • | | | • |
| 75 Softis | | | | • | | | | | | | | • | • | | | | | | | | • | • | | • | • | | | | | • |
| 76 Spuni | | | | | | | | | | | | • | • | | • | | | | | | | | | | | | | | | |
| 77 Stiki | • | | | | | | • | • | | | | • | | | | | | | | | | | • | | • | | | | | |
| 78 Taugagreining (Nervus) | | | | | | | | | | | | | • | | | | | | | | | | | | | | | | | |
| 79 Tern Systems | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 80 Teymi | • | • | | | | | • | | • | | | • | • | • | • | • | • | • | • | • | • | • | • | • | | | | | | • |
| 81 Theriak | | | | | | | | | | | | • | | | | | | | | | | | | | | | | | | |
| 82 TM Software | | • | | | | • | • | | | | | • | | | • | | | | | | • | | | | | | | • | | • |
| 83 ToTalk Communications | | | | | | | • | • | | • | | | | | | | | | | | | • | • | • | | | | • | | • |
| 84 Trackwell Software | | | | | | | | | | | | | | | | | | | | | | | • | | | | | | | |
| 85 Tölvumiðlun | | | • | | | • | | | | | | | | | | | | | | | | | | | | | | | | |
| 86 Vaki DNG | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 87 Vefsýn | | | | | | | • | | | | | | | | | | | | | | | | | | | | | • | | • |
| 88 Vefur Software Solutions | | | | | | • | | • | | | | | | | | | | | | | | | • | | | | | • | | • |
| 89 Vigor | | • | | | | | | | | | | | | | • | | | | | | | | | | | | | | | |
| 90 Vista | | | | | | | • | • | | • | | • | | | | • | | | | | | | • | | | | | | | |
| 91 VKS | | • | | | | | | • | | | | | | • | | | • | | | | | | | | • | | | | | |
| 92 Vortex | | | | | | | • | • | • | | | | | | | | | | | | | | • | | • | | | • | | • |
| 93 3X-Stál | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| COMPANY / ADDRESS | TELEPHONE | E-MAIL / WEBSITE | FOUNDED | EMPLOYEES | MANAGING DIRECTOR | CORE PRODUCTS | COMPANY PROFILE |
|-------------------------------------------------------------|------------------|---------------------------------------|---------|-----------|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AGR Borgartún 37 105 Reykjavík | +354 512 1000 | agr@agr.is www.agr.is | 1997 | 6 | Mr. Hálfdan Gunnarsson | Logistics, inventory management | Founded in 1998, AGR is an engineering company that specializes in solutions and consultancy services based on operations research and management, with special emphasis on inventory management. |
| Annað veldi Austurstræti 3 101 Reykjavík | +354 535 4900 | info@veldi.is www.veldi.is | 2001 | 8 | Mr. Skúli Jóhannsson | Simulation software for hydro-thermal power systems, CurioWeb content management software, ticket reservation system over the Internet | |
| Annata Síðumúli 24 108 Reykjavík | +354 568 4200 | www.annata.is info@annata.is | 2001 | 12 | Mr. Jóhann Jónsson | ERP and corporate performance management. Annata Analytics, standardized, pre-defined business intelligence based on Cognos BI and Microsoft Business Solutions. | Annata is a certified Microsoft Business Solutions partner and a Cognos Application partner. Their work is performed according to Eli Goldratt's Theory of Constraints. |
| ANZA Ármúli 31 108 Reykjavík | +354 522 5000 | anza@anza.is www.anza.is | 2001 | 80 | Mr. Guðni Guðnason | Application hosting, transaction processing, off-site storage / backups, network management, worldwide connectivity | ANZA manages the IT systems for many of the country's largest companies, including Iceland Telecom, Alcan of Iceland and many other players in Iceland's IT industry. |
| Aranea Lágmúli 6 108 Reykjavík | +354 568 3005 | info@aranea.is www.aranea.is | 2002 | 6 | Mr. Sveinn Akerlie | Web hosting, web design and advertising | |
| Atóm/Núlleinn Austurstræti 12 101 Reykjavík | +354 520 8100 | www.atom01.is | 1999 | 8 | Mr. Sigurður G. Sigurðsson | Web design, web solutions and advertising | |
| Auðkenni Síðumúli 35 105 Reykjavík | +354 580 6400 | www.audkenni.is | 2000 | 3 | Mr. Rúnar Karlsson | Secure Certificate System | |
| Ax Skeifan 8 108 Reykjavík | +354 545 1000 | ax@ax.is www.ax.is | 1999 | 65 | Ms. Sigríður Olgeirsdóttir | TOK | Ax offers Ax Business Solutions and is one of the largest companies in Iceland working with business solutions. Ax is a Microsoft Certified Business Solutions Partner, and sells/implements Microsoft Axapta. |
| Betware Ármúli 11 108 Reykjavík | +354 580 4700 | sales@betware.com www.betware.com | 1995 | 25 | Mr. Stefán Hrafnkelsson | Solutions for lotteries | Betware is a software company that specializes in gaming solutions. In 1996 Betware's Internet Gaming Solution became the first gaming solution opened to the public for betting over the Internet. |
| Calidris Lágmúli 5 108 Reykjavík | +354 525 9100 | info@calidris.com www.calidris.com | 2002 | 22 | Ms. Arna Harðardóttir | Revenue integrity | Calidris is based on profound knowledge of the airline industry and rich experience in the revenue management business, including both yield management and revenue integrity. |
| Caoz Ægisgata 7 101 Reykjavík | +354 511 3550 | info@caoz.is www.caoz.is | 2001 | 7 | Mr. Hilmar Sigurðsson | Front - end solutions, 3D animation and digital design | CAOZ Ltd. provides companies with digital design, animation and motion graphics, as well as being a successful producer of award-winning animated films. |
| CCP Klapparstígur 28 105 Reykjavík | +354 511 4999 | info@ccp.is www.ccpgames.com | 1997 | 30 | Hilmar Veigar Pétursson | Computer games, MMORPG | CCP is a privately held company created with a clear vision of creating on-line games which focus on maximizing player interaction and on utilizing the new, unexplored possibilities arising from thousands of players interacting in the same game world. |
| Computer Knowledge Engjateigur 3 101 Reykjavík | +354 545 5000 | www.ck.is | 1984 | 8 | | | Computer Knowledge specializes in administrative systems for high-technology hospital departments, where resource allocation and scheduling are vital in order to increase efficiency and enhance patient care. |
| Dacoda Túngata 1 230 Keflavík | +354 555 7515 | dacoda@dacoda.is www.dacoda.is | 2002 | 4 | Mr. Júlíus Freyr Guðmundsson | Web-content management, Internet, multimedia | |
| deCODE Sturlugata 8 101 Reykjavík | +354 570 1900 | info@decode.is www.decode.is | 1996 | 50 | Mr. Kári Stefánsson, CEO | Information bio-systems, clinical genome miner | deCODE uses population genetics to create a new paradigm for healthcare. With its uniquely comprehensive population data, deCODE is turning research on the genetic causes of common diseases into a growing range of products and services — in gene and drug discovery, DNA-based diagnostics, pharmacogenomics, bioinformatics, and clinical trials. |
| DesignEuropa.com Kringlan 7 103 Reykjavík | +354 595 6666 | birgir@designeuropa.com www.de.is | 1998 | 3 | Mr. Birgir Viðar Halldórsson | Universal internet business solutions | DesignEuropa was launched in 1998 as a developer of website templates for small businesses which needed turn-key websites for a moderate price. Later the company expanded the template concept to include software platforms for a wide variety of Internet sites. |
| dk Hugbúnaður Hlíðasmári 8 201 Kópavogur | +354 510 5800 | dk@dk.is www.dk.is | 1998 | 14 | Mr. Ragnar Bogason | Financial | |
| DMM Solutions Iðavellir 96 230 Keflavík | +354 420 6200 | dmm@dmm.is www.dmm.is | 1997 | 8 | Mr. Guðmundur Jón Bjarnason | Maintenance Systems | DMM specialises in consulting and development for the Enterprise Asset Management information system (EAM). This software solution can also handle most aspects of quality control and outage management. |
| Doc Holtasmári 1 201 Kópavogur | +354 545 3300 | info@doc.is www.doc.is | 1999 | 6 | Mr. Gunnar Hall | Electronic prescription | Doc is a software and knowledge company specializing in healthcare solutions and software applications for hospitals and pharmacies. |
| EJS Grensásvegur 10 108 Reykjavík | +354 563 3000 | mottaka@ejs.is www.ejs.is | 1996 | 90 | Mr. Viðar Viðarsson | Retail and service | |
| Element Faxatorg 1 550 Sauðárkrúkur | +354 455 7000 | element@element.is www.element.is | 2000 | 20 | Mr. Páll Kolbeinsson | Software - Microsoft Business Solution - Navision sales and development | lement focuses on MBS Navision solutions, consulting, development and service. Element has developed HRMS software, a cashier management system and Cenium - a total solution for the hospitality sector integrated with MBS Navision. |
| EMR Hlíðasmári 15 201 Kópavogur | +354 545 5200 | emr@emr.is www.emr.is | 1981 | 16 | Mr. Garðar Már Birgisson | SAGA Clinical record system | |

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| Epró Suðurlandsbraut 4 108 Reykjavík | +354 568 7568 | info@epro.is www.epro.is | 1982 | 8 | Mr. Ríkharður Ríkharrósson | Business solutions | Epró is an experienced Icelandic IT company with a solid background in selling software and related services, business consulting, application development, technology consulting and education and training services. The main focus today is on providing customers with leading products and professional services specifically designed for e-Business. |
| Eskill Lyngás 13 210 Garðabær | +354 555 7100 | info@eskill.is www.eskill.is | 1999 | 16 | Mr. Gunnar Leó Gunnarsson | NetQbs | |
| Fakta Hólavallagata 11 101 Reykjavík | +354 520 1400 | fakta@fakta.is www.fakta.is | 1986 | 8 | Mr. Kjartan Ólafsson | Paperless solution, scanning systems (Fakta Digital Services) | |
| FOCAL Groupware Hlíðasmári 14 200 Kópavogur | +354 540 0900 | focal@focal.is www.focal.is | 1995 | 17 | Mr. Hörður Ólavson | Developing and selling standard applications based on Lotus Notes (FOCAL) for businesses | |
| Frisk P.O. Box 7180 127 Reykjavík | +354 540 7400 | sales@f-prot.com www.f-prot.com | 1989 | 50 | Mr. Friðrik Skúlason Ms. Björg M. Ólafsdóttir | F-Prot Antivirus | FRISK Software International is one of the leading companies in antivirus product development and research today. |
| Fuglar Síðumúli 13 108 Reykjavík | +354 585 0300 | fuglar@fuglar.com www.fuglar.com | 1997 | 9 | Mr. Helgi Einarsson | "Kria" (pension system) | |
| Gagarín Klappartstígur 28 101 Reykjavík | +354 510 9300 | gudny@gagarin.is www.gagarin.is | 1994 | 8 | Ms. Guðný Káraðóttir | Multimedia projects on CDs, the Internet and other interactive media | Gagarin specializes in the design and production of interactive media, using 2D and 3D animation, audio, video, photos and graphics to make useful, usable and engaging presentations. The main sectors served are museums, edutainment and tourism. |
| GoPro Skútuvogur 1 104 Reykjavík | +354 510 3100 | hugvit@hugvit.is www.hugvit.is | 1993 | 70 | Mr. Ólafur Daðason | GoPro Case and GoPro eCommunity | GoPro is a leading developer in case and document-management systems in Northern Europe and specialises in software solutions supporting eGovernment initiatives. GoPro solutions run on both IBM and Microsoft platforms. |
| Good Solution Síðumúli 35 108 Reykjavík | +354 510 3100 | gl@gl.is www.gl.is | 2000 | 4 | Mr. Guðjón Halldórsson | Mobile payment system, VAS for GSM, SIM / ICC card consultancy, systems development and integration. | Good Solution specializes in consulting, service, and tailored software solutions utilizing Telco and banking solutions, with special emphasis on mobile commerce. |
| Handpoint Hlíðasmári 17 201 Kópavogur | +354 544 4321 | info@handpoint.com www.handpoint.com | 1999 | 7 | Mr. Davíð Guðjónsson | Handpoint retail | HandPoint is a leading provider of handheld software solutions designed to save time and money. Since 1999 handPoint has been developing industry-standard solutions enabling customers to manage their own handheld devices without any programming knowledge. |
| HB International Engihjalli 8 200 Kópavogur | +354 591 8700 | postmaster@hugbun.is www.hugbun.is | 1984 | 19 | Mr. Páll Hjaltason | POS Systems | The main focus of HBI over the last few years is quality point-of-sale software for the general retail, hospitality and special retail sectors. HBI offers point-of-sale software for different platforms: Linux, Windows and Dos. |
| Hex Software Mýrargata 2 101 Reykjavík | +354 595 6666 | hex@hex.is www.hex.is | 2002 | 6 | Mr. Þórarinn Stefánsson | A suite of voice applications for telephony, as well as MMS and SMS, using the Hex Agent Server G3. | Hex creates user-centric, goal-oriented mobile services for mobile operators, service providers and enterprises. |
| Homeportal á Íslandi Lækjargata 4 101 Reykjavík | +354 550 4800 | sales@homeportal.com www.homeportal.com | 2000 | 7 | Mr. Graham Nicholls | Homeportal XTN Digital Services Hub | Homeportal produces the XTN Digital Services Hub, a "pervasive Internet" platform for telcos, utilities and other operators, to offer and deliver digital services to consumers. |
| Hreimur Lyngháls 10 110 Reykjavík | +354 550 4800 | info@hreimur.is www.hreimur.is | 2001 | 60 | Mr. Bjarni Hákonarsson | Biotech Systems | Hreimur hf. was established in Iceland September 2001.The company operates a development center in Chennai India and produces a business intelligence. The company has since 2003 sold and marketed the product successfully in its home market and is now reaching into other markets. |
| Hugsmiðjan Skúlagata 34 101 Reykjavík | +354 550 0900 | info@eplica.is www.eplica.is | 2001 | 6 | Mr. Stefan Baxter | Eplica product suite | Hugsmiðjan has established itself as a leading provider of platform-independent, database-driven web applications. |
| Hugtak Hlíðasmári 14 201 Kópavogur | +354 530 1300 | hugtak@hugtak.is www.hugtak.is | 1997 | 7 | Mr. Haukur Garðarsson | Management system for fish-farming, web solutions for nutrient calculations | |
| Hugur Hlíðasmári 12 201 Kópavogur | +354 540 3000 | www.hugur.com | 1986 | 100 | Mr. Páll Freysteinnsson | Microsoft business solutions, XAL | |
| HV Grettir Ármúli 36 108 Reykjavík | +354 533 1050 | grettir@grettir.is www.grettir.com | 1997 | 3 | Mr. Kristján Sigurgeirsson | Grettir Preventive Maintenance System | HV Grettir Ltd., a company with roots back to 1985, has developed and sold GL AR and stock-control solutions for IBM S/36. |
| ICEconsult Bæjarlind 14-16 201 Kópavogur | +354 564 2727 | info@iceconsult.com www.iceconsult.com | 1990 | 8 | Mr. G.B. Hjartarson | MainManager / facility management | ICEconsult is an Icelandic software company dedicated to improving the process of building, managing and maintaining fixed assets such as buildings, building components and systems, technical installations, equipment etc. across several industry sectors. |
| Idega Software Engjavegur 6 104 Reykjavík | +354 554 7557 | idega@idega.is www.idega.com | 2000 | 15 | Mr. Gunnar Páll Þórisson | IdegaWeb Platform: idegaWeb Builder, idegaWeb Blocks, idegaWeb Developer | Idega Software is a leading provider of Java-based web-development software and interactive web solutions. |
| Iðntölvutækni Drangahraun 5 220 Hafnarfjörður | +354 520 8800 | itt@itt.is www.itt.is | 2001 | 4 | Mr. Ingi Borgþór Rútsson | PLC software | Iðntölvutækni (Icelandic Industrial Computers Ltd.) specializes in the design of automatic controls, automation in industry and graphical user-interface systems (SCADA). |
| IM Suðurlandsbraut 30 108 Reykjavík | +354 511 5510 | im@im.is www.im.is | 1999 | 14 | Mr. Ragnar Bjartmarz | CCM from IM is software for use by sales teams and sales managers to help them provide better service | Information Management Ltd. (IM) is a software company specializing in information management consulting. IM employs a tightly-knit group of experts with long experience in the field of information technology. |
| Innn Laugavegur 26 101 Reykjavík | +354 594 0000 | info@innn.is www.innnn.is | 1997 | 9 | Ms. Sigrún Guðjónsdóttir | LISA content management system | Innn quickly saw the potential in content-management software and recruited a team of talented programmers to create what later became InnSite - the first and most successful content-management software in Iceland. |
| Kerfisþróun Fákafen 11 108 Reykjavík | +354 568 8044 | stolpi@stolpi.is www.stolpi.is | 1984 | 6 | Mr. Björn Viggósson | Stolpi for Windows. | Kerfisþróun develops Stolpi for Windows, which is a fully-featured, multi-currency, information and accounting program for all aspects of business. |

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| Kuggur Hlíðasmári 11 201 Kópavogur | +354 5100200 | kuggur@kuggur.is www.kuggur.is | 1994 | 3 | Mr. Valgarður Guðjónsson | Tailor made applications | "Mission-critical software development" probably describes Kuggur best, whether for elections-broadcasting on TV, IRS VAT, ISDN connections, financial systems, sports programs, fishing quotas or national health information. Although small, Kuggur accesses a wide-range of sub contractors. |
| Kögun Hlíðasmári 11 201 Kópavogur | +354 580 9200 | kogun@kogun.is www.kogun.is | 1988 | 140 | Mr. Gunnlaugur M. Sigmundsson. | Program development and maintenance | Besides providing state-of-the-art air-traffic simulation and IT systems, Kögun operates and maintains the world's most advanced ground-based military air-defense system, the Iceland Air Defense System (IADS), providing unsurpassed air surveillance and control capability to US and NATO forces in the North Atlantic. |
| Landmat Skaftahlíð 24 105 Reykjavík | +354 535 4400 | bizdev@landmat.com www.landmat.com | 1999 | 40 | Mr. Haukur Harðarson | Date Trak, Star Trak, Travel Trak | Landmat is a leading developer of mobile services and content applications, meeting mobile-user demands by offering advanced applications and branded content designed for the individual mobile lifestyle. |
| Landsteinar Strengur Grjótháls 5 110 Reykjavík | +354 570 7000 | info@landsteinarstrengur.is www.landsteinarstrengur.is | 1982 | 103 | Mr. Sigurjón Pétursson | Landsteinar retail and Infostore solutions | Landsteinar Strengur is a member of Kögun Group, a public software and IT company with 350 employees and annual revenues of USD 50 million. The primary focus is on the retail industry, providing customers with advanced, complete retail and business solutions for every segment of the retail market. |
| Libra Holtasmári 1 201 Kópavogur | +354 545 3100 | postur@librasoft.is www.librasoft.is | 1996 | 25 | Mr. Þórður Gíslason | Libra Financial Systems: Libra front office, Libra back office, Libra Asset Management. Libra Loan, Libra Custody, Libra Pension Fund, Libra Funds | LIBRA financial solutions focus primarily on developing software for the financial sector. |
| Margmiðlun Suðurlandsbraut 4 108 Reykjavík | +354 575 7000 | sala@margmidlun.is www.mi.is | 1993 | 25 | Mr. Gestur G. Gestsson | ISP/telecommunications | Margmiðlun offers a full range of Internet-related services and connections, ranging from simple dialup and homepage hosting to telecommunications, leased lines, fibre connections and extremely complex, managed software services. |
| Maritech Hlíðasmári 14 201 Kópavogur | +354 545 3200 | info@maritech.is www.maritech.is | 1999 | 55 | Mr. Jón R. Kristjánsson | WiseFish, Sveitarstjóri, MBS Navision | Maritech ehf. develops, implements and services business solutions for vertical markets, above all the seafood industry and municipalities, which Maritech provides with total ERP solutions through WiseFish and Sveitarstjóri. Maritech also services other vertical markets with MBS Navision ERP solutions, supported by Maritech's own development. |
| Maskina Borgartún 37 105 Reykjavík | +354 514 5000 | freyr@maskina.com www.maskina.com | 2000 | 8 | Mr. Jan C Berger | Software and services | Maskina, an industry-leading mobile-data platform provider, empowers users to create personalized mobile environments. Maskina's flagship product allows virtually any public or private data to be accessed from a mobile handset via user-created services. |
| Medcare Flaga Vesturhlíð 7 105 Reykjavík | +354 510 2000 | sales@medcare.is www.medcare.is | 1993 | 155 | Mr. Svanbjörn Thoroddsen | Somnologica, Embla, Rembrandt, Embletta, Enterprise | Medcare is a global leader in developing, manufacturing, and selling solutions for sleep diagnostics, striving to enhance its strong market position and be a undisputed world leader in the field of sleep diagnostics. |
| Median Hlíðasmári 11 201 Kópavogur | +354 510 3300 | median@median.is www.median.is | 1993 | 17 | Mr. Ársæll Hreiðarsson | Direct sale: TPOS - CLIENT, TPOS - Purchasing, TPOS - SPS, TPOS - CPS; Back-office: TPOS - TRAC, Financial systems: TPOS - XPS | Median offers extensive payment solutions, central acquiring systems, data-capture modules, card transactions and authorization-switching systems, specialized airline solutions and other payment-related software. |
| Men & Mice Þóroddsst.v/Skógarhlíð 105 Reykjavík | +354 520 5300 | info@menandmice.com www.menandmice.com | 1999 | 12 | Mr. Pétur Pétursson, CEO | The Men & Mice suite, DNS & IP-address management systems | Men & Mice is a Nordic networking solutions company with operations in the USA and Europe, focusing on DNS research, software and consultancy. |
| Mens Mentis Hlíðasmári 19 201 Kópavogur | +354 570 7600 | info@mentis.is www.mentis.is | 2003 | 18 | Mr. Gísli Heimisson | Back-office systems | Mens Mentis offers products for back and front-office requirements in managing pension funds, fixed-income securities, financial research and analysis, and more. |
| Miracle Hlíðasmári 19 201 Kópavogur | +354 544 5901 | miracle@miracle.is www.miracle.is | 1990 | 7 | Mr. Gunnar Bjarnason | Reseller and service provider for Microsoft and Oracle databases | Miracle is a database knowledge centre focusing primarily on Oracle database solutions, including consultancy, software, education, service level agreements and operational services. Miracle is a value-added reseller of Oracle and Microsoft software. |
| NB Nýmiðlun Vesturgata 10a 101 Reykjavík | +354 511 2333 | nymidlun@nymidlun.is www.nymidlun.is | 2002 | 10 | Mr. Örvar Halldórsson | NetBox – hosting management system | Nýmiðlun specializes in the development of web-content management systems. Other services include website design, maintenance, and hosting. |
| ND á Íslandi Síðumúli 31 108 Reykjavík | +354 533 1530 | nd@nd.is www.nd.is | 2000 | 5 | Mr. Friðgeir Jónsson | Saga System Tracker (driving monitor) | |
| Nýherji Borgartún 37 105 Reykjavík | +354 569 7700 | www.nyherji.is | 1992 | 240 | Mr. Þórður Sverrisson | Re-seller and service provider for IBM middleware and other software. | Nýherji, one of Iceland's leading service providers in the field of information technology, offers complete solutions in the fields of information technology and consultancy and in the provision of hardware and software, office equipment and technical service. |
| Opin Kerfi Höfðabakki 9 110 Reykjavík | +354 570 1000 | ok@ok.is www.ok.is | 1985 | 74 | Mr. Gylfi Árnason | HP Open View solutions and Microsoft solutions. | Opin kerfi ehf. is a forward-oriented information-technology player. The company offers total computerized solutions for Icelandic companies and institutions, often in cooperation with selected software designers. |
| Origo Holtasmári 1 201 Kópavogur | +354 545 3030 | origo@origo.is www.origo.is | 2001 | 26 | Mr. Einar Gunnar Þórisson | Development of Internet solutions, WebMaster content management systems and customized computer systems with an emphasis on use of the Internet. | Origo ehf. is a progressive software company that specializes in the development of bespoke computer systems, system integration involving the use of the Internet, website design and development, and off-the-shelf software solutions. |
| Parspro Síðumúli 1 108 Reykjavík | +354 511 3711 | ppc@parspro.com www.parspro.com | 2000 | 8 | Mr. Sigurður Baldursson | Sporbetting system and service provider | Parspro offers a complete betting system and is a service provider to organizations that operate, or plan to operate, betting on electronic media platforms including the Internet, WAP, KIOSK, and Digital Television. |
| Peocon Akralind 4 201 Kópavogur | +354 595 3500 | info@peocon.com www.peocon.com | 2001 | 6 | Mr. Einar Sigvaldason | People flow solutions | Peocon specializes in providing business solutions for the retail and shopping centre industry. The company provides retail intelligence by means of people counting, as it applies breakthrough computer-vision technology for tallying people in retail settings and providing an unmatched accuracy of 98% |
| Rhea Síðumúli 21 108 Reykjavík | +354 533 3380 | rhea@rhea.is www.rhea.is | 2000 | 3 | Mr. Hjörtur Blöndal | Solutions for reinsurance brokers and insurance companies. | |
| Rögg Corporation Borgartún 29 105 Reykjavík | +354 512 0000 | info@rogg.is www.rogg.is | 1993 | 5 | Mr. Baldvín Hansson | SLIDER, slow-link data-transfer system and intelligent-telephone CTI and telephony solutions | Rögg Corporation develops a broad range of telecommunications and specialized data-exchange systems. |
| SeaData Skútuvogur 6 104 Reykjavík | +354 517 2444 | info@seadata.is www.seadata.is | 2003 | 10 | Mr. Garðar Eyjólfsson | Fishing log books and Fleetmanager | SeaData Ltd. was first founded in 2003, though two years before that the group (consisting of the employees and owners of SeaData) had begun to develop and design the software which SeaData Ltd. produces to serve fishing fleets. |
| SimDex Borgartún 37 105 Reykjavík | +354 569 7700 | agnar@simdex.is www.simdex.is | 2000 | | Mr. Agnar Jón Ágústsson | SimDex prepaid software solution - an electronic transaction system for selling and distributing prepaid content such as prepaid mobile subscriptions, event tickets, long-distance services, lotto tickets or other prepaid services through point-of-sale or cash registers | SimDex is a software solution and service provider for the end-to-end distribution of pre-paid services to various industries like telecommunications and retail. |

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| Skýrr Ármúli 2 108 Reykjavík | +354 569 5100 | skýrr@skýrr.is www.skýrr.is | 1952 | 200 | Mr. Hreinn Jakobsson | Oracle, Cambo healthcare solutions, Business Objects, VeriSign, Novell iFolder and various other IT-related products | Skýrr offers a wide range and variety of products and services, from software and systems development, hosting and processing, to business software, specialized solutions and various Internet services. |
| Smartkort Akralind 6 201 Kópavogur | +354 544 4010 | smartkort@smartkort.is www.smartkort.is | 1991 | 9 | Mr. Þorsteinn Geirsson | Electronic Topup servers, / pre or post-Pay solutions. distribution of electronic content through smart-community solutions | The focus of Smartkort is enabling the distribution of electronic content through varied types of peripherals. This mainly involves pre-paid services but includes post-paid services as well. |
| Snerpa Mánagata 6 400 Ísafjörður | +354 520 4000 | snerpa@snerpa.is www.snerpa.is | 1994 | 6 | Ms. Matthildur Helgadóttir | Immobile e-mail system for ships | The employees of Snerpa specialize in servicing multiplatform network systems, running and servicing IP networks, developing Internet applications and transport systems, and running a full-time Internet service with a multi-homed backbone. |
| Snertill Hlíðasmári 14 201 Kópavogur | +354 554 0570 | snertill@snertill.is www.snertill.is | 1994 | 14 | Ms. Valgerður Hildibrandsdóttir | Info-Path | Snertill is an authorized Autodesk dealer in Iceland. In addition, Snertill develops and provides systems for the building industry and for infrastructure. |
| Softis Hafnarstræti 19 101 Reykjavík | +354 511 5440 | info@softis.is www.softis.is | 1990 | 10 | | LOUIS communication software. PIMobile and OpenHand | Softis is a developer of communications software that has proven to be exceptionally efficient over "slow" networks, such as wireless. Softis develops PIM products for the wireless market. |
| Spuni Laugavegur 66 101 Reykjavík | +354 511 4800 | spuni@spuni.com www.spuni.is | 1999 | 4 | Mr. Bogi Örn Emilsson | imPROV web solutions / web design, Maintain PRO work order systems | |
| Stiki Stíðumúli 34 108 Reykjavík | +354 570 0600 | stiki@stiki.is www.stiki.is | 1992 | 10 | Ms. Svana H. Björnsdóttir | Information-security management systems, quality-management systems, workflow analysis, Stiki-OutGuard - risk assessment and risk management | Stiki provides security and IT services for the government, banking and health sectors. |
| Taugagreining (Nervus) Ármúli 10 108 Reykjavík | +354 580 7500 | reception2004@nervus.is www.nervus.is | 1987 | 20 | Mr. Egill Músson | Nervus EEG system | Taugagreining develops comprehensive EEG solutions which include specialized software and equipment for diagnosing and monitoring brain-function disorders. Taugagreining's key product is the NERVUS EEG system, a complete EEG system for the neurophysiological department. |
| Tern Systems Hlíðasmári 10 201 Kópavogur | +354 525 0500 | info@tern.is www.tern.is | 1997 | 28 | Mr. Brynjar Örn Arnarson | Radar communication | Tern Systems Inc. specializes in developing systems for air traffic and air-traffic control. Tern Systems' main focus is on mission-critical systems for serving air-traffic control, providing solutions in traditional areas, such as radar and flight-data processing systems as well as the next generation of ADS-type solutions. |
| Teymi Ármúli 2 108 Reykjavík | +354 550 2500 | teymi@teymi.is www.teymi.is | 1995 | 32 | Mr. Ragnar Marteinsson | Oracle core products, solutions and services | The mission of Teymi is to guarantee the safe, stable operation of information-technology systems for its customers by taking responsibility for their Oracle environment, from design and implementation to daily operations. |
| Theriak Holtasmári 1 201 Kópavogur | +354 545 3300 | info@theriak.is www.theriak.is | 2001 | 20 | Mr. Gunnar Hall | Pharmacy management systems, Theriak therapy management | Theriak is a software and knowledge company specializing in healthcare solutions and software applications for hospitals and pharmacies. |
| TM Software Holtasmári 1 201 Kópavogur | +354 545 3000 | postur@t.is www.t.is | 1986 | 300 | Mr. Friðrik Sigurðsson | | TM Software, Inc., is one of Iceland's largest software companies. It focuses on the development, sale and service of its own software, sold under the trademarks of its subsidiaries, which operate in various specialized sectors. The company is the largest supplier in Iceland of salary-processing software for businesses and institutions. |
| ToTalk Communications Hrísateigur 8 105 Reykjavík | +354 533 5333 | sales@totalk.com www.totalk.com | 1994 | 8 | Mr. Ármann Kojic Jónsson | Turn-key digital phone companies (IP Telephony) sold to entrepreneurs worldwide | ToTalk is an incubator of digital-phone companies, selling them as turnkey businesses to entrepreneurs worldwide. ToTalk is also a wholesale provider of products and services to digital-phone companies, including telephone hardware and the recording of international calling time (minutes) to over 200 countries. |
| Trackwell Software Suðurlandsbraut 24 108 Reykjavík | +354 510 0600 | info@trackwell.com www.trackwell.com | 1996 | 23 | Mr. Kolbeinn Gunnarsson | TracScape, MyBuddyTracker, MyChildTracker, Vessel Monitoring System VITAL | Trackwell Software has a proven track record in developing mission-critical systems for telecom operators, government institutions and organizations. |
| Tölvumiðlun Engjateigur 3 105 Reykjavík | +354 545 5000 | tm@tm.is www.tm.is | 1985 | 28 | Mr. Ágúst Guðmundsson | H-Laun Payroll System, SFS Community Accounting | Tölvumiðlun is a software company providing, developing and servicing various business solutions, including HRM software, financial software, etc. |
| VAKI-DNG Akralind 4 201 Kópavogur | +354 595 3000 | hermann@vaki.is www.vaki.is | 1986 | 15 | Mr. Hermann Kristjánsson | Electronic counting equipment and software for fish farming | Vaki is recognized as a world leader in a vital area of hi-tech application for the fish-farming industry. Its first commercial product, the Bioscanner fish counter, is now well established all over the world as an essential aid for the handling, transfer and sale of live fish. |
| Vefsýn Brautarholt 8 105 Reykjavík | +354 562 5100 | vefsyn@vefsyn.is www.vefsyn.is | 2000 | 4 | Mr. Hugji Þórdarson | SoloWeb, a framework for building applications with a web front end | Along with web-content services, Vefsýn also provides its customers with consulting services for the building and management of web applications, website design and high-quality website hosting. |
| Vefur Software Solutions Engjateigur 3 105 Reykjavík | +354 533 1440 | info@vefur.is www.vefur.is | 1997 | 12 | Mr. Davíð Stefánsson | Outcome e-Survey system and Outcome e-Content management systems | Vefur is a software house specializing in software for the Internet, i.e., e-Survey, e-Commerce, and content-management (CMS) software. |
| Vigor Holtasmári 1 201 Kópavogur | +354 545 3400 | vigor@vigor.is www.vigor.is | 2001 | 16 | Mr. Sigurður Bergsveinsson | Vigor Financial Energy software solutions | Vigor Ltd. specializes in the production of general business solutions, with an emphasis on systems for energy utilities and the development and service of its business software package Vigor Business Solution. |
| Vista Engineering Höfðabakki 9c 110 Reykjavík | +354 587 8889 | vista@vista.is www.vista.is | 1984 | 10 | Mr. Andrés Þórarinnsson | Vista Vision suite of energy management tools - data browser (db-based and file-based), rate engine, reporting, call engine, web-browsing with access control, X-Y graphs and other features. | Vista Engineering, founded in 1984 by Andres Thorarinnsson, a BS Electrical Engineer, has specialized in energy savings, automation, control and industrial systems. |
| VKS Lynghálsi 9 110 Reykjavík | +354 580 9700 | vks@vks.is www.vks.is | 1979 | 40 | Mr. Sigurjón Pétursson | Program development and maintenance | VKS specializes in four market segments: the development of large customized systems, consultation in the field of information technology, groupware, and software for financial institutions. |
| Vortex Tæknigarður • Dunhagi 5 107 Reykjavík | +354 525 2400 | info@vortex.is www.vortex.is | 1995 | 7 | Mr. Guðmundur Kr. Unnsteinsson | Internet and web-solutions | |
| 3X - Stál Sindragata 5 400 Ísafjörður | +354 456 5079 | info@3x.is www.3x.is | | | Mr. Jóhann Jónasson | Processing equipment for seafood | |

Doing business in Iceland

Regulatory constraints and reliefs

As a member of the 18-nation (28 as of 1 May 2004) European Economic Area (including all EU states and three of the four EFTA states), Iceland basically implements the same liberal business policies as the European Union. Excepting a few limited areas, EU commercial legislation and directives have effect in Iceland. Consequently, Iceland offers an ideal springboard for tariff-free access to the overall EU market area, as well as a fully competitive location where EU companies can operate.

No restrictions are imposed in Iceland on the purchase or sale of foreign currency. In principle, the foreign ownership of business is also unrestricted. However, some limitations apply to specific sectors, i.e., fishing, primary fish-processing, energy production and aviation. A wide range of portfolio investment options is available through licensed securities-trading companies.

Official attitude and incentives

Iceland has been rendering its business environment increasingly attractive for location and investment, through measures including a series of tax cuts which now enable the country to offer one of the lowest levels of corporate income taxes in Europe.

The advantages Iceland offers to industrial investors include the most competitive electricity prices in Europe, with typical figures of 2-3 US cents/kWh, depending upon delivery terms, for major industrial users, and industrial steam at 6 barg or USD 3 per tonne. Industrial sites with excellent natural harbours, for small as well as large ventures, are available in many parts of the country, and numerous local authorities have designed development strategies and scenarios which provide for new investments. Highly skilled labour is available, including experts in software and a wide range of research fields.

Special incentives are granted to film and TV production in Iceland, refunding 12% of total costs. Production costs incurred in other EEA countries are also refundable, within certain limits.

Tax system

The Icelandic tax system is relatively simple and effective. In the last few years the emphasis has been on simplifying it further, reducing tax rates, broadening the tax basis and concluding additional double-taxation treaties.

Corporate income tax was reduced from 30% to 18% as of 1 January, 2002, thereby ranking it among the lowest rates within the OECD. Furthermore, corporations registered in Iceland with the main part

of their income from foreign sources can apply to keep their books of accounts and records in a foreign currency. Limited liability companies, registered on an official financial market, are also allowed to issue their share capital in a foreign currency. Other limited liability entities are allowed to issue their share capital in a foreign currency by meeting certain requirements. Permission to issue share capital in a foreign currency and to keep books and records in a foreign currency is handled by the Register of Annual Accounts, hosted within the Internal Revenue Directorate. The relevant currency must be registered at the Central Bank of Iceland.

Some characteristics of Icelandic tax law

- Corporate income tax of 18% levied by the state, no municipal corporate income tax.
- No tax on dividends received by corporations
- No requirements relating to the percentage of stock ownership for the corporate payer
- Consolidated returns available for corporations which are under 90% common control
- No branch-profits tax levied on repatriated profits from branches
- Double taxation treaties available
- Foreign tax credit available to avoid double taxation in the absence of tax treaties
- No legislation on controlled foreign corporations
- No legislation on thin capitalization
- No basket system regarding foreign tax credit.

Taxes on businesses

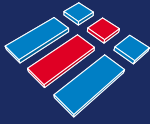
- Companies resident in Iceland and Icelandic branches of foreign resident companies, are liable to corporate income tax (national income tax) on their net earnings.
- Companies in Iceland pay a net wealth tax, as do individuals.
- Real estate taxes are paid locally by businesses, along with local service charges.

Financial reporting and auditing requirements

Every company residing and operating in Iceland must submit annual accounts that comply with statutory accounting rules and disclosure, and reflect a true and fair view of the company's assets, liabilities, outcome and financial position. The presentation is modelled upon standard EU requirements. The requirement for adjustments to revalue assets and liabilities on the principles of inflationary accounting was abolished in 2001.

Companies above a certain size that are publicly quoted and have subsidiaries are required to prepare consolidated group accounts. Tax returns are filed with local tax authorities.

Exchange rate (average buying/selling)
on January 1, 2004: USD 1 = ISK 71.16



Invest in Iceland Agency

Skólavörðustígur 11
IS-101 Reykjavík
P.O. Box 681

Tel.: +351 561 5200
Fax: +354 561 5205
info@invest.is
www.invest.is



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