

A nighttime photograph of a town by a lake. The town is illuminated with warm lights, and the lights are reflected in the water. In the background, a large, snow-capped mountain is visible, with a bright light source (possibly the sun or moon) shining through the clouds, creating a lens flare effect. The sky is dark blue.

# I&I

Issues and Images  
ICELAND



PHOTO: PÁLL STEFÁNSSON

Godafoss, North-east Iceland.

## Issues and Images

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# I&I

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PHOTO: NIBLÓMAR ÓSKARSSON

Award:

## Children Receive Icelandic Language Award

The Icelandic language is celebrated with a special Day of the Icelandic Language on November 16 each year—the birth anniversary of the late poet Jónas Hallgrímsson. This year almost 100 children were honored for various accomplishments relating to Icelandic. Among those receiving awards were children of foreign origin who have significantly improved their Icelandic language skills. Former president Vigdís Finnbogadóttir addressed the children and encouraged them to protect the Icelandic language. □



PHOTO: NIBLÓMAR ÓSKARSSON

A Memorial:

## A Pioneer Honored

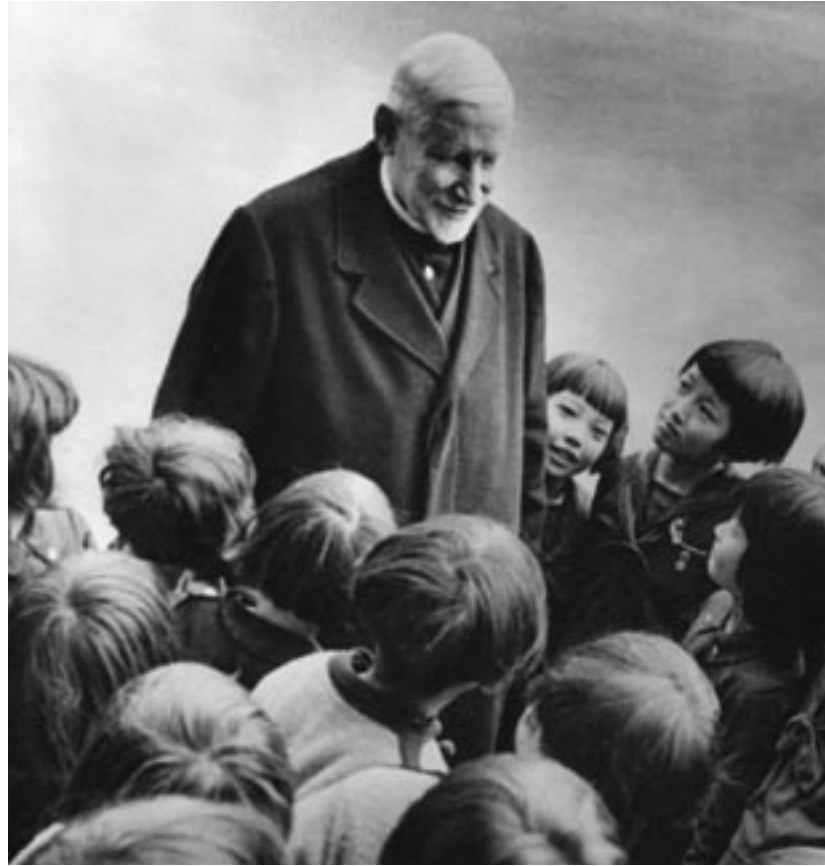
A memorial dedicated to Briet Bjarnhéðinsdóttir (1856-1940), a pioneer of the Icelandic women's liberation movement, was unveiled on the corner of Thingholtsstraeti and Amtmannsstígur in central Reykjavík in November. Bjarnhéðinsdóttir lived at Thingholtsstraeti 18, where the Women's Rights Association of Iceland was founded 100 years ago. The memorial was created by visual artist Ólöf Nordal. "The idea is for the artwork to form a place where people can convene and have discussions," the artist explained. It is a circular piece of granite depicting a common embroidery pattern from the 19th century, which Bjarnhéðinsdóttir once embroidered into a dress that she gave to her daughter. The first line of a poem about Bjarnhéðinsdóttir is inscribed into the granite pavement around the pattern. □

Nonni:

## Children's Author Remembered

The year 2007 marks 150 years since the birth of the beloved Icelandic children's author Jón Sveinsson, better known as Nonni. Nonni was born on 16 November 1857 and shares a birthday with the poet Jónas Hallgrímsson, who was born in 1807. Nonni's books were originally published in Germany but have since been translated into more than 30 languages.

Nonni wrote about his own childhood and that of his brother Manni. A German TV series based on his book *Nonni and Manni* was shown in 1988, starring Gardar Thor Cortes, who grew up to become one of Iceland's leading tenors. Nonni was born near Akureyri in 1857 but moved to France in 1870 where he converted to Catholicism and later became a Jesuit priest. His childhood home in Akureyri has now been turned into a museum. □



Films:

## Parents Sweeps Eddas

The film *Parents* (Foreldrar), directed by Ragnar Bragason, took home the greatest number of awards at the Eddas, the Icelandic Film and Television Awards, in November, winning six awards in total. *Parents*, which premiered in early 2007, won in the Film of the Year and Best Script categories, Bragason was chosen Director of the Year, Ingvar E. Sigurdsson Actor of the Year in a Leading Role, Nanna Kristín Magnúsdóttir Actress of the Year in a Leading Role, and Bergsteinn Björgúlfsson won the award for Best Cinematography and Editing.

The comedy sitcom *Naeturvaktin* ('The Night Shift'), which is directed by Bragason, won the award for Television Show of the Year, and was also chosen Most Popular Television Show through televoting. □

PHOTOS: EDDI

# A Young Doctor Becomes Mayor of Reykjavík

The majority in Iceland's capital swings from right to left.

The future did not look bright for Dagur B. Eggertsson, the Social Democratic Alliance's mayoral candidate, after the Reykjavík municipal elections in spring 2006. The 33-year-old physician had joined the Alliance a few months earlier and won the primary elections after a bitter struggle with then-mayor Steinunn Valdís Óskarsdóttir and prominent media personality Stefán Jón Hafstein. The Alliance did not do as well in the elections as they had hoped, having lost the majority they'd previously had on the municipal council together with the Left-Green Party and the Progressive Party.

The Independence Party and the Progressive Party formed a new coalition after the elections, with IP candidate Vilhjálmur Th. Vilhjálmsson becoming mayor. Things seemed to be going smoothly until heated debates about the merger of Reykjavík Energy Invest and Geysir Green Energy led to a split of the coalition on October 11, when the sole representative of the Progressive Party defected to form a new coalition with the Social Democratic Alliance, the Left-Greens and the Liberal Party.

Dagur B. Eggertsson has held a seat on the Reykjavík City Council since 2002, when he came in as an independent member of the left-wing Reykjavík List coalition. He first gained renown in Iceland when he wrote a three-volume biography of former Prime Minister and Progressive Party leader Steingrímur Hermannsson. At the time, Dagur was thought to have leanings towards the Progressive Party. His current assistant is Guðmundur Steingrímsson, who is also a member of the Social Democratic Alliance and the son of former Prime Minister Hermannsson.

The new majority coalition has yet to issue a manifesto. The council members for the Independence Party have stated that they will put pressure on the new majority to make their strategies clear, but at press time no manifesto had yet been issued. □

PHOTO: SALLY K. HODGSON.





# A Different Kind of Iceland

Akureyri is the country's largest urban center outside Reykjavík.

The northern town of Akureyri sits on the shores of Iceland's longest fjord, Eyjafjörður. It is the country's largest urban center outside the Greater Reykjavík Area, and the self-proclaimed 'capital of the north'.

With a population of just 17,000, there are many things that set Akureyri apart. Its inhabitants, for example, have an uncanny knack for making things grow. Set among the tree-lined streets of this town just 60 kilometers south of the Arctic Circle, many visitors are delighted to find the world's northernmost botanical garden, with a collection of thousands of flowers, trees and shrubs from all over the world.

Visitors are also intrigued to find such a large and flourishing community of artists, musicians and creative types in a town so comparatively small. Of course, Iceland is as much about the unique and varied countryside as it is about the warm and welcoming towns—

and Akureyri is fortunate to be situated in one of the most varied parts of the country.

Those who want to get to know some of the local culture can visit a museum dedicated to the writer Nonni, famous for his books about growing up in Iceland in the 19th century, or the former homes of poets Matthías Jochumsson and Davíð Stefánsson. In November 2007 a small museum opened in nearby Hraun in Öxnadalur, commemorating Jónas Hallgrímsson, who is considered the greatest-ever Icelandic poet. That occasion marked the 200th anniversary of Jónas Hallgrímsson's birth.

The nearby Lake Mývatn is set in a bewitchingly beautiful area featuring rock columns, geothermal vents, forests and the new Mývatn Nature Baths. Just an hour away, Mývatn consistently proves to be a popular excursion for Icelanders and foreign visitors alike.

Another popular trip from Akureyri is the

short flight to Grímsey island—the only part of Iceland to actually touch the Arctic Circle. This small island has excellent tourist facilities, interesting landscapes and a huge bird population. What's more, each visitor receives a commemorative certificate for crossing the Arctic Circle.

Back in Akureyri one finds the largest selection of bars, cafés and restaurants outside Reykjavík. Its eclectic mix of shops and boutiques are perfect for finding those unusual gifts and souvenirs. In summer Akureyri has the most remarkable sunset, during which the sun just sets down on the ocean and then rises again. The popular Arctic Open golf tournament utilizes the 24-hour sunlight, allowing people to play golf throughout the long summer night. Anyone living in the northern part of Iceland will tell you that you have not really visited Iceland until you have been to Akureyri. □





## Why is Iceland a Good Location for Your Company?

It's not perfect, but nonetheless quite attractive to foreign investors.

Icelanders tend to think that their country is, without question, the best in the world. Therefore it was a welcome surprise when one of our readers wrote to us with the following:

"I cannot understand why Icelandic companies are doing as well as they seem to be. So many things in Iceland seem to be unfavorable to business." He went on to list a few of the disadvantages. His main point was that the country was out of the way and expensive.

We paused to think, because certainly we Icelanders tend to think our country is superior. But of course foreign investors would consider pluses and minuses when thinking of setting up business in Iceland. The same sort of thinking should apply to Icelandic companies, so the points are certainly valid. The only reason to settle in Iceland would be if the pros outweighed the cons. Fortunately, for Icelanders and foreign investors alike, there are many advantages to operating a business in Iceland.

For more than a decade Iceland has been open to foreign investment in almost all fields. Freedom in all business areas was vastly increased when Iceland joined the European Economic Area. In many respects international investors are facing the same legal environment as in Europe. Icelandic taxes have also been lowered for both companies and individuals. Let us consider why Iceland is a good choice for establishing a business:

- Low taxes (18% on profits for companies, 10% on capital gain for individuals)
- Well educated work force and almost everyone speaks English well
- Easy access to capital
- Low level of corruption
- Good telecommunications and high technical standards
- Easy access to regulatory agencies and relatively simple rules
- Work morale is good, with a strong will to succeed
- Flexible labor market

All of the above make Iceland a good place to run a company. However, Icelanders do take into account what foreign investors say and if we can improve things, chances are that we will. We can't move the country closer to Europe or America, but with modern transportation and telecommunications physical location is not as important as it used to be. The majorities in the national government have upheld liberal policies since 1991 and the current coalition has stated that it will follow a similar course.

In recent years many foreigners have looked at investment opportunities in Iceland and many have liked what they saw. Almost all seem to agree on one thing. If you are not sure you like Iceland as a place for your business, look again. You might change your mind. □





# A Singer for All Seasons

Diddú's performances move audiences and critics alike.

Most Icelanders, artists included, are known by their given names in Iceland. But if you asked an Icelander about Sigrún Hjálmtýsdóttir, they might not be sure whom you were talking about. If you say Diddú, however, a smile will appear and they will already be recounting their fond memories of a singer who has been one of Iceland's favorites for decades.

Diddú started singing while in her teens. She first appeared on the Icelandic cultural scene when she was a member of pop and folk group Spilverk thjóðanna in the 1970s and immediately became known for her distinct voice and lively performances. Spilverk thjóðanna was one of the most prominent musical groups at the time and most people probably expected Diddú to continue as a pop singer. However, she surprised many of her fans by switching over to opera.

Diddú studied classical singing in Reykjavík, at the Guildhall School of Music in London, and in Italy. On completion of her studies she started appearing in operas, both within Iceland and abroad. With the Icelandic Opera she has performed the roles of Susanna in *The Marriage of Figaro*, Gilda in *Rigoletto*, Papagena and the Queen of the Night in *The Magic Flute*, Lucia in *Lucia di Lammermoor*, Violetta in *La traviata*, Adina in *L'elisir d'amore* and Rosalinda in *Die Fledermaus*. She has also sung the role of Olympia in *The Tales of Hoffmann* at the National Theatre of Iceland. Many of her performances have strongly moved audiences and critics alike.

Diddú has also acted in several Icelandic films, most notably *Movie Days* (Bíódagar) by Fríðrik Fríðriksson and *Brekkukotsannáll*, based on the novel *The Fish can Sing* by Nobel

Laureate Halldór Laxness. Had she not chosen singing as her profession she would surely have become an actor.

Her recent albums include *Hvert örstutt spor* ('Each Tiny Step') and *Fuglar tímans* ('Birds of Time'). In the fall of 2007 she performed with singer Gardar Thór Cortes in London and starred in a special production at the Icelandic Opera called Opera Pearls.

Diddú often performs at concerts and official gatherings. When she arrives the venue is inevitably filled with joy. Her presence is strong and she radiates positive feelings. Her skills at finding the right songs to fit the moment are uncanny. Even foreign audiences who have never seen her before are immediately charmed. Her smile and good humor penetrate even the strongest defenses. □



PHOTO: MELRIGNAR AXELSSON

# Leading the Fishing Industry into the 21st Century

Thorsteinn Már Baldvinsson is always at the center of the action for his company.

Samherji, based in Akureyri, is one of Iceland's leading fishing companies. The story of its ascent reads almost like a fairy tale. In 1983, three cousins decided to buy an old trawler that sailed from Grindavík, south Iceland. They set up headquarters in Akureyri and little by little they expanded. This was the year that the quota system for fisheries management was introduced in Iceland, and rather than fight the system as many vessel owners did, Samherji decided to use it for optimizing the way the company was run. In this respect Samherji was among the pioneers in modernizing the Icelandic fishing industry.

In 1994 Samherji started to expand outside Iceland when it bought a 30 percent share in a new company in the Faroe Islands. A year later Samherji GmbH was founded and purchased a 49.5 percent share in Deutsche Fishfang Union GmbH in Germany.

Samherji is now the biggest herring produc-

er in Iceland and owns SR-mjöl, the largest exporter of fishmeal and fish oil in Iceland. It also has operations in Germany, Poland, the UK and the Faroe Islands. In 2007 the company acquired companies in Mauritania and Morocco with headquarters in Reykjavik and a base in Las Palmas. In other words, today Samherji is not only a leading fishing company in Iceland, but one of the main fishing companies in Europe. Samherji is one of a few vertically integrated Icelandic fishing companies, following the fish all the way from the ocean to the markets.

During the 20th century, many towns outside Reykjavik struggled to stem the flow of people towards the capital area. In this respect, Akureyri has been more successful than most. It now has approximately 17,000 inhabitants, up by 10 percent since the turn of the century. Samherji has been a strong factor in keeping the municipality a place where people want to live.

From the beginning, Samherji has been led by the charismatic shipping engineer Thorsteinn Már Baldvinsson. He is quick to make decisions and has amassed experience and insight into the fishing industry, not only around Iceland but also in other parts of the Atlantic Ocean. This has enabled Samherji to act quickly when opportunities for new investments arise.

The entire nation was watching in March 2004 when one of Samherji's ships stranded on the south coast of Iceland. The 16-man crew was rescued safely ashore, and after massive operations for nine days the ship was eventually towed back afloat. The whole time, Thorsteinn Már Baldvinsson was on the scene, managing a successful operation. This strengthened his image as a leader who is always at the center of action for his company. □

# Thirteen Mischievous Lads and Their Mother

Icelanders have some strange old fellows that visit them at Christmas.

Santa Claus is nice to children and gives them gifts at Christmas. In Iceland we also have fellows associated with Christmas—not one, but 13. According to old Icelandic tales they don't give gifts, but rather steal food and naughty children. But we like them anyway.

The nice old Santa wears a red cape and has a long white beard. He can be seen traveling all over the world in his sleigh with Rudolf and the other reindeer pulling as best they can. Most would agree that he is a very kind fellow.

In Iceland we have thirteen fellows who come down from the mountains at Christmas. In Icelandic they are called *jólasveinar*, the same word that we use for Santa Claus. Some people call them Yule Lads in English, probably because the English word Yule and the Icelandic word for Christmas, *jól*, sound alike. However, the Icelandic lads are much older than the Coca-Cola Santa. They also have beards, but they are dark or gray, and they wear woolen sweaters and gray trousers. The first Yule Lad comes thirteen days before Christmas and the rest follow, one per day, until the last one arrives on the 24th.

The Yule Lads have amusing names that indicate what they

do. *Kjötkrókur* or 'Meat Stealer' steals meat hanging on hooks in the kitchen or pantry. It does not matter that we now store our meat in refrigerators—*Kjötkrókur* still steals meat in his own way. *Hurdaskellir* or 'Door Slammer' is a noisy one. Most people like *Kertasníkir* (Candle Beggar). He comes on December 24 and begging for candles seems nice and harmless. Among the others is *Faldafeykir* (Skirt Blower) but he seems to have retired, perhaps people thought he was too rude.

The parents of these fine lads are called *Grýla* and *Leppalúdi*. They are very mean and ugly, especially the mother, *Grýla*, who takes naughty children into her sack, cooks them and eats them. Naturally young Icelandic children are very much afraid of *Grýla*.

The Yule Lads were used to scare the children in olden times, but nowadays they are nicer. They are no longer considered criminals, but much rather pranksters. On Christmas Day they start going back to the mountains, one per day, until the last one leaves on the thirteenth day of Christmas, January 6. On that day most Icelanders take down their Christmas trees and return to their normal lives. □



PHOTO: MBL / BIRGIT FANNIGALL



# A Different Kind of Theater

Vesturport is a most original theater company.

Vesturport is an innovative company of Icelandic theater and film artists. It was established in 2001 and has from the start received excellent audience appreciation, undisputed critical acclaim and several awards, amongst them the Icelandic Gríman theater awards, the Icelandic Edda film awards (see p. 4), and an award for best foreign production at the International Golden Mask theater festival in Moscow.

From its inception, Vesturport has approached its projects with heuristic working methods resulting in various styles and forms of theater. The aim is to find every project's own voice, style, time and space without forcing it into a space where its story and characters will not be fully understood. In this way the ensemble is always looking for different and provocative ways to present a story through dialogue and visuals with the raw and sincere force that drives the artists in the company.

All of Vesturport's stage productions have been highly original, sometimes even revolutionary. *Woyzeck* is Georg Büchner's tragic and fragmented play about a young man struggling to make the best from what life has dealt him. The play was set up by Vesturport and performed partly underwater, with the actors having to swim from one point to another.

Franz Kafka's *Metamorphosis* tells of a young man who one morning wakes up to find he has turned into an insect. How should such a transformation be displayed on stage? Actor Gisli Örn Gardarsson solves this brilliantly by climbing on walls and ceilings and never putting on any kind of costume or make-up.

The company has taken many of its productions on the road. With *Romeo and Juliet* they toured to England, Finland, Norway, Poland and Germany. *Woyzeck* was performed in England, Spain, Holland and Germany, and *Metamorphosis* in England.

On the horizon for the company are the rock musical *Jesus Christ Superstar*, starring Icelandic stars Krummi (of rock band Mínus) and Jenni (of Brainpolice), and the play *Together*, starring internationally renowned stars Gael Garcia Bernal, Elena Anya and Joana Preiss. The play opens at the Reykjavik Municipal Theatre in mid-February 2008. Also due for release is a film production of one of their formerly-performed plays, *Surf*, premiering in mid-March 2008. The play is set aboard a small fishing vessel just off the coast of Iceland and focuses on the conflict in the five-person community that the crewmembers share. Thoughts and dreams roll around in the minds of the men aboard as the ship plods through a restless dark sea. The award-winning play is a bittersweet and comical study of the human condition and it is a good bet that the film will be just as highly acclaimed. □



## For Cod's Sake

A museum entirely dedicated to fish and fisheries.

As life in the West Fjords has always revolved around fish, it is unsurprising that a museum entirely dedicated to fish and fisheries exists in the region. But Ósvör in Bolungarvík in Ísafjardardjúp isn't just any ordinary fish museum—the origins of fishing in Iceland can be directly traced to this old fishing station.

Museum docent Finnboði Bernódusson's

white beard matches his waterproof costume made from the skin of seven sheep. He also wears an old rope that he has wrapped around his waist and down between his legs. "This fancy belt is possibly the predecessor of the thong," he says, chuckling, before explaining that the rope was actually the first safety device used by Icelandic fishermen. If a man fell overboard, the belt was the only

part of the otherwise slippery costume that the other men on the boat could grab to save their fellow mate from drowning.

You'll also find boats, anchors, nets and other fishing paraphernalia in Ósvör, and even a little shed where the infamous putrid Icelandic shark has been hung to dry. Consider yourself warned about the smell. □



# Golfing Among Europe's Greatest

Birgir Leifur Hafthórsson has had a very good year in golf.

Golf has become a favorite pastime for thousands of Icelanders, yet only one man has been able to play with the best in Europe: Birgir Leifur Hafthórsson.

Birgir Leifur has been among the best Icelandic golfers for years. In 2006 he finally qualified for the European Tour. His first-year result in this second-most difficult series of golf events was acceptable, but still below what he had hoped. "There is no doubt that this has been more difficult than I expected. I have made the cut in most of the tournaments and my best result was 11th place. I would like to be able to make the top ten."

Birgir Leifur had won every available title in Iceland by the time he turned professional.

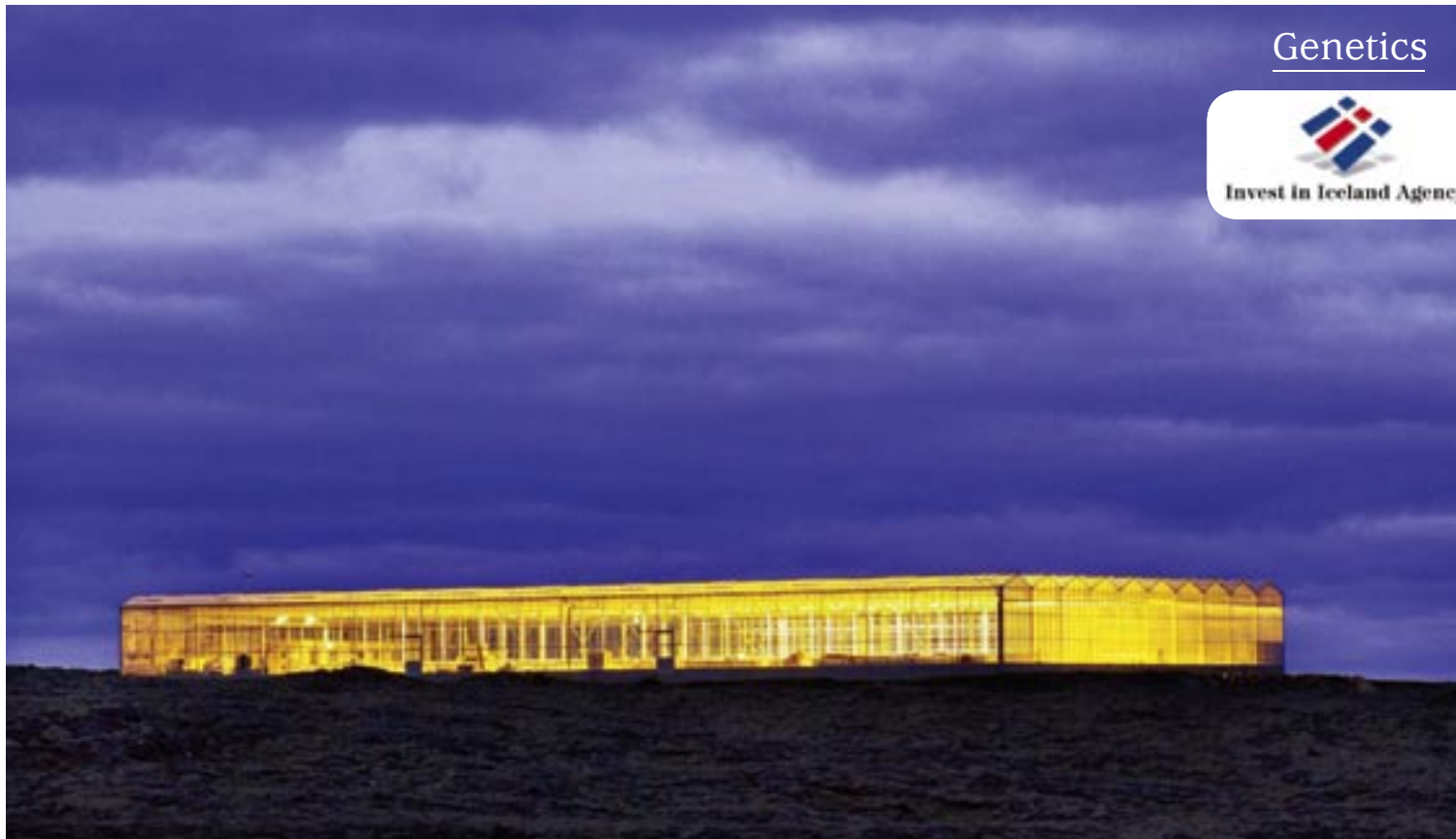
"I always felt that I had the ability to do well in Europe. When it became a possibility I had to bite the bullet and make sure I would not give up." Birgir Leifur grew up in Akranes where the most popular sport is soccer. He started out as a soccer player but decided that the sport was not challenging enough and subsequently switched to golf.

"I was extremely lucky. I got the chance to become professional after a few progressive individuals formed a society of benefactors around me and made it possible for me to play the qualifying tournament for the European Tour. That was the beginning of my adventure. I myself had been planning to go to college in the USA."

Today Birgir Leifur lives in Luxemburg with

his wife and two children. He still takes time out to play in Iceland. He has played with his teammates in the GKG golf club and together they managed to win the national team competition.

But is it intimidating for him to compete against the top golfers? "Not at all. It is very exciting to play with golfers who are supposedly better than I. It attracts more viewers and that in itself is a valuable experience for me. The level of anticipation is higher, but of course I have to learn to deal with the excitement. When I manage that I will be successful in my game." In late November 2007 he qualified for the European Tour in 2008. Hopefully, he will achieve his ambitious goals. □



# ORF Genetics – Using Greenhouses in a New and Unique Way

The central idea is the genetic modification of plants so that they will produce high-value proteins at minimal expense.

One of the things that foreigners notice about Iceland is its effective use of geothermal energy for heating houses and producing electricity. However, often the most stunning part of this utilization is seeing the actual greenhouses. Tropical flowers can be grown year-round and many a visitor has been surprised to see that this northern country with its cool climate can even grow bananas, albeit only in limited quantities.

ORF Genetics uses greenhouses for a different type of production. The company, which was established in 2000, is effectively pioneering an innovative, unique approach in the manufacturing of growth factors and hard-to-produce recombinant proteins in barley seeds in hydroponic cultivation. All production is done in a greenhouse in Grindavík, close to Keflavík International Airport.

The central idea is the genetic modification of plants so that they will produce high-value

proteins at minimal expense. Modern genetic engineering techniques enable plants to form proteins in specific tissues or organs such as their seeds, leaves or roots. ORF focuses on the barley plant for this purpose, since it has excellent potential for the industrial production of biorisk-free proteins.

Proteins of high value include established therapeutic drugs such as insulin, as well as the fast-growing classes of antibodies and peptides. Another group of proteins is industrial enzymes, applied on a massive scale in a wide variety of commercial processes. ORF Genetics emphasizes safety in its operations, epitomized by the automatic containment which cultivating transgenic barley in Iceland ensures.

The company is still in experimental stages but the aim is to provide customers with a comprehensive solution for producing recombinant proteins.

Customers in the pharmaceutical industry

strive for their proteins to be manufactured in an efficient system that is void of inherent limitations, not only during development but also during full-scale production after entering the market. The system, called Orfeus™, is designed to be cost-competitive for their clients, even after patents expire and generics joins the market.

The R&D market is the primary customer, although the company hopes to serve other industries as well, such as the pharmaceutical, business and further sectors.

At the moment ORF Genetics has 18 employees. The high-tech greenhouse in Grindavík could be only the first of a number of units that could increase the scale of production as needed. The production is very automatic and controlled by computer technology. The first products, human growth factors sold under the brandname ISOkiné™, are already available on the market. □

# A Diary of Business and Politics

**September 22:** Minister of Commerce Björgvin G. Sigurdsson stated he believes direct profits from adopting the euro in Iceland could amount to ISK 70 million (USD 1.1 million) in one year. The interest rate of loans would drop considerably, which would have positive effects on both companies and individuals, and lower mortgages, Sigurdsson argued. This statement caused harsh reactions from the minister's opponents, who claimed he is overestimating the potential advantages of adopting the euro.

**September 24:** Baugur Group and Unity Investment announced they had through forward contracts acquired a 13.5 percent stake in Debenhams, which operates a chain of 126 stores in Britain. The share's worth is estimated at ISK 14 billion (USD 223 million). Baugur holds a 6.7 percent share while Unity, which is owned by Baugur, FL Group and Kevin Stanford, holds a 6.8 percent share.

**September 27:** Iceland's state treasury announced record profits of ISK 81 billion (USD 1.3 billion) in 2006, which equals seven percent of the country's GDP. The treasury's earnings amounted to ISK 568 billion (USD 9.1 billion), while its expenses counted ISK 487 billion (USD 7.8 billion).

**October 5:** Transport company Eimskip opened a freezing and cooling storage facility in Qingdao in China. The ceremony was attended by the company's Icelandic and Chinese employees. President of Iceland Ólafur Ragnar Grímsson addressed the assembly. Qingdao is China's third largest seaport and the tenth largest in the world. With this move, Eimskip became a world leader in the field of freezing and cooling storage with a 15 percent market share on a global scale.

**October 6:** Mining company Rio Tinto expressed its interest in overtaking Canadian aluminum company Alcan, which operates a smelter in Straumsvík, outside Reykjavík. Rio Tinto offered ISK 2,330 billion (USD 37.1 billion).

**October 11:** Björn Ingi Hrafnsson of the Progressive Party, the only non-Independence Party member in Reykjavík City Council's majority coalition, announced that he could no longer work with the Independence Party due to a disagreement in relation to the merger between Geysir Green Energy (GGE) and Reykjavík Energy Invest (REI), a subsidiary of Reykjavík Energy Company (OR), and for the first time in Reykjavík's history the City Council majority coalition split mid-term. Hrafnsson founded a new coalition with council members from the Social Democrats and the Left Greens, as well as Margrét Sverrisdóttir, an independent representative of the Liberal Party. Mayor Vilhjálmur Th. Vilhjálmsson was forced to step down and Dagur B. Eggertsson of the Social Democrats took his place. Svandís Svavarsdóttir

of the Left Greens was appointed leader of a multi-partisan investigative committee to look into the legality of the controversial REI-GGE merger, which OR had accepted October 3. On November 1, Reykjavík City Council decided to annul the merger. November 19, the owners of OR confirmed the annulment.

**October 25:** Financial services company Exista, which holds shares in such firms as Kaupthing Bank, Sampo Group, Bakkavör Group and Iceland Telecom, announced an ISK 76 billion (USD 1.2 billion) profit for the first three quarters of this year—a much higher profit than forecast by the banks' analyst departments.

**October 26:** Kaupthing Bank announced that it would settle its accounts in euros as of January 1, 2008, and thus change its operational currency from króna to euros in harmony with international settlement standards.

**November 1:** Icelandic investment company Norvík hf., the mother company of hardware store BYKO, announced that it has acquired the entire share capital of Jarl Timber, which operates an industrial sawmill in Sweden, and has taken over its operations. Jarl Timber is a well-established family company, which produces about 150,000 cubic meters of timber annually with an annual turnover of ISK 3 billion (USD 51 million). Jarl Timber's products are mostly sold in Britain, but Norvík also has operations in Latvia, Estonia and Russia.

**November 5:** The hydroelectric plant at Kárahnjúkar in Iceland's eastern highlands began operating on this day when water from Háslón dam was pumped into the first turbine of the Fljótsdalsstöð power station. Once in full operation the Kárahnjúkar plant will produce 690 MW of install power with six turbines, each one capable of producing 115 MW of install power. In comparison, the entire production of install power in Iceland before the Kárahnjúkar plant began operating was 1,300 MW. Kárahnjúkar's annual energy production will be 4.6 terawatt hours.

**November 6:** Iceland-based deCODE Genetics continues to lose revenue, as reported on this day; the company's losses in the third quarter of 2007 measured more than USD 24.4 million, USD 610,000 more than what the company lost in the third quarter of 2006. DeCODE is, however, also generating more income than last year. The company's income in the third quarter of 2007 amounted to USD 11.0 million, USD 2.3 million more than in the third quarter of 2006.

**November 13:** It was revealed that the Icelandic consumer price index had risen by 0.65 percent between October and November, which is the

highest increase of the index in November for 17 years. Glitnir and Kaupthing Banks say the high policy rate is probably to blame. Iceland's Central Bank decided to increase the policy rate by 0.45 percent November 2, against expectations, and the policy rate is now set at 13.75 percent.

**November 14:** Iceland ranks number six in a survey of disposable income among European countries. According to the survey, released on this day, Icelanders generate ISK 1.8 million (USD 30,000) in disposable income on average per capita per year, lowering the nation down one place since last year. Switzerland and Liechtenstein rank highest. The survey was undertaken by the German market research company GfK GeoMarketing.

**November 15:** Icelandic homeowners owe ISK 108 billion (USD 1.8 billion) in total in foreign currency, as announced on this day. Borrowing in foreign currencies increased by 57.6 percent in the first nine months of this year, compared to the same period last year. Of the ISK 108 billion, ISK 25.2 billion (USD 420 million) are mortgages.

**November 19:** The appropriations committee submitted a bill on this day proposing a nearly ISK 5 billion (USD 81 million) increase of the additional national budget for 2007, among other things to meet the operating loss of health institutions. Nearly ISK 3 billion (USD 49 million) would go towards health institutions and ISK 1.8 billion (USD 29 million) thereof towards the National Hospital.

**November 19:** The selected share index of the OMX Nordic Stock Exchange reached a new low on this day with points below 7,000 after peaking with 9,017 points on July 18, 2007. The index dropped by 3.65 percent in one day, its second highest fall this year, topping the other Nordic countries. The index has plummeted by 23 percent since mid-July.

**November 21:** US financial service company Standard & Poor's decided to change its credit rating for the Icelandic state treasury from stable to negative because of Iceland's current imbalanced economy, as reported on this day. Iceland's Prime Minister Geir H. Haarde claimed Standard & Poor's financial forecast is built on weak criteria.

**November 28:** Iceland is the world's most desirable country to live in, according to an annual index on human development published by the UN Development Program yesterday, based on factors like life expectancy, education levels and real per capita income. Norway currently ranks second, followed by Australia, Canada and Ireland. The UN used data from 2005 to create its Human Development Index for 2007.

# Statistics

## VITAL STATISTICS

<b>Number of inhabitants Oct 1, 2007</b>	<b>312,851</b>
<b>GDP increase 2006</b>	<b>4.20%</b>
<b>GDP (Q3 2006-Q2 2007)</b>	<b>1,210 billion ISK 19.5 billion USD</b>
<b>GDP per capita</b>	<b>62,382 USD</b>
<b>Total export 12 months October '06-September '07</b>	<b>254.9 billion ISK 4.1 billion USD</b>
<b>Total import 12 months October '06-September '07</b>	<b>378.4 billion ISK 6.1 billion USD</b>
<b>Balance of trade 12 months Oct 2006 - Sept 2007</b>	<b>-123.5 billion ISK -2.0 billion USD</b>
<b>Rise of stock index 12 months (to Sept.13, 2007)</b>	<b>28.5%</b>
<b>Stock market turnover 12 months (to Aug. 07)</b>	<b>3,087 billion ISK 49.8 billion USD</b>
<b>Bond market turnover 12 months (to Aug. 07)</b>	<b>2,302 billion ISK 37.1 billion USD</b>
<b>Wage increase 12 months to Oct 2007</b>	<b>8.1%</b>
<b>Inflation, 12 months (to Nov 07)</b>	<b>5.2%</b>
<b>Unemployment (Q3 2007)</b>	<b>3.2%</b>

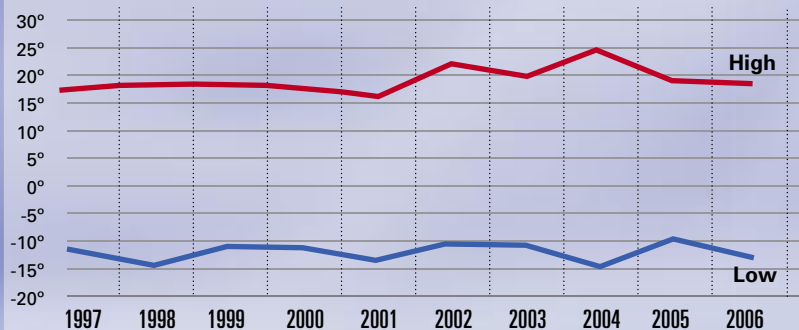
## CHANGES IN STOCK PRICE, MAY 23, 2007 - SEPTEMBER 13, 2007 (TOP AND BOTTOM)

<b>Company</b>	<b>% change</b>
Icelandair group	9.9 %
Nyherji (Software and computers)	7.9 %
Alfesca (Food)	5.8 %
Teymi (Software and computing services)	4.6 %
Atorka investment	3.8 %
Glitnir bank	-10.8 %
Straumur Burdaras investment bank	-15.3 %
Kaupthing bank	-16.1 %
Exista investment	-16.9 %
FL Group investment	-22.7 %
Flaga group	-26.20 %

## ICELANDIC STOCK INDEX 12 MONTHS



## HIGHEST AND LOWEST TEMPERATURE OF THE YEAR IN REYKJAVÍK





# Traveling to New Destinations

Primera has grown from two people to an Icelandic top-ten company.

Andri Már Ingólfsson, owner and operator of Primera Travel Group, the third-largest travel agency in the Nordic countries, is among those entrepreneurs who have made their mark on the Icelandic business sector over the past few years.

In 1992, Andri Már founded the Heimsferdir travel agency. At the beginning the company offered Icelanders new destinations such as Barcelona, Prague and Budapest. With direct charter flights to those and other destinations, Heimsferdir became a leader in exotic travel.

Andri Már was born in Reykjavík in 1963 and can be said to have the travel business in his blood. His father, Ingólfur Gudbrandsson, is a well-known pioneer in the travel indus-

try in Iceland, having offered cheap flights to Majorca in Spain in the 1970s. Andri Már, however, started from scratch. At the beginning he had only two employees, including himself, and for the first ten years growth was only internal.

In 2002 the company had become a leader in charter flights from Iceland, and in 2003 Andri Már began expanding by buying other companies. His first acquisition was Terra Nova in Iceland, and he followed suit with the Swedish Solresor, Norwegian Solia and Danish Bravo Tours in 2005.

In February 2006, Andri Már bought JetX Airlines. The company owns 11 jets, all of which are used in charter flights. At this junc-

ture the mother company Primera was formed.

Soon travel agencies Lomamatkat and Matkavekka in Finland joined the Group, and in 2007 Budget Travel in Ireland became the company's latest acquisition. Over one million passengers will travel with the Primera group of companies in 2007. Primera expects its next annual turnover to be close to USD 1 billion.

It came as no surprise when Andri Már Ingólfsson was selected Marketing Man of the Year in Iceland in 2007. He has proven himself to be a strong leader in a very competitive market and even though, as yet, not many people have noticed, he has built up one of the largest companies in Iceland. □



PHOTO: PÁLL KJARTANSSON

Tjörnin, central Reykjavík.

I&I

