



I&I

Issues and Images
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PHOTO: PALL STEFANSSON

Gudrún Bergmann

Travel Entrepreneur of the Year

In March Gudrún Bergmann, farmer, guesthouse owner and environmentalist from Hellnar, Snæfellsnes, west Iceland was selected Travel Entrepreneur of the Year by publisher Heimur Ltd. This award is given out to people who have made an outstanding contribution to Iceland's travel industry. Bergmann and her now deceased husband sold their business in Reykjavík in 1995 and started up a self-sustaining ecological community in Hellnar, offering guesthouse accommodation, New Age style courses, emphasizing organic food and living.

Kaupthingwinsexportaward

Progressive and productive

In April Kaupthing Bank was awarded the President of Iceland's Award for Export Achievement. At the awards ceremony the chairman of the Trade Council of Iceland, Valur Valsson, said: "Kaupthing Bank gets the award for the success it has achieved in foreign markets within a short time period. The company leads a strong group of Icelandic financial companies abroad and has been noticed as progressive and productive." Launched in 1989, the President of Iceland's Award for Export Achievement is a prestigious honour conferred annually on companies or individuals considered by the award committee to have made a substantial contribution towards promoting and stimulating Icelandic exports. Factors taken into consideration when the recipient is chosen include the value of exports, the share of exports in total sales and expansion into new markets. Presented under the auspices of the Trade Council of Iceland, the award consists of a work of art created specially by one of the country's leading artists and the right to use the award logo for the next five years. The award logo was designed by Hilmar Sigurðsson. Among previous winners are the Blue Lagoon (2004), Eimskip (1996) and Icelandair (1991).



PHOTO: RAGNAR TH. SIGURÐSSON

"Easily the coolest one I have been to," John Kennedy XFM

Iceland Airwaves 2005

Last year all flights from UK to Iceland were sold out for Airwaves weekend. This intimate Music Festival takes place in Reykjavík, Iceland 19-23 October 2005. Keane, The Bravery, The Shins, The Stills all performed 2004 with some of Iceland's best known performing alongside the newcomers.

The festival's uncompromising and creative spirit is reflecting the Icelandic vibrant music scene. Airwaves is now described by many music enthusiasts around the world as "the must go to" festival. Hosted in the capital city of Iceland, Reykjavík, it allows its visitors to experience the individuality where exciting talent is developing in every genre of music by the ever growing scene. Airwaves embraces this energy and excitement which appeals to music lovers a cross the board.

Electrifying experience including a weekend of a full course music menu topped with a party in the Blue Lagoon. Passes and packages are on sale now through www.icelandair.co.uk, an exclusive partner of the festival. Last year every single flight was sold out for the Airwaves weekend. Look out for "early bird" bookings discount. Icelandairwaves is run by Mr Destiny in collaboration with Icelandair and Reykjavík City Council.



PHOTO: GEEB ÓLAFSSON



National Museum of Iceland

Early Icelandic Painters

Participating in the Reykjavík Arts Festival 2005 the National Museum of Iceland will open to the public its little-known treasures of visual art from the 15th to the 18th century. The exhibition includes paintings on panel, paper and canvas and decorative and religious objects out of wood and bone. The identities of the creators of medieval masterpieces are in many cases unknown, but in the 16th century some artists started signing their work. In this exhibition many of the earliest Icelandic artists who can with certainty have works attributed to them are introduced. The oldest Icelandic works of art signed by their creator are the carved Chairs from Grund, from early 16th century. The oldest paintings that can be attributed with certainty to a known artist are on a pulpit dated to 1630. The title of the exhibition, "A Painting on a Panel" - Early Icelandic Painters refers to the poem "Áfangar" by poet and scholar Jón Helgason. Curator is Þóra Kristjánsdóttir, art historian at the National Museum.

Investing abroad

With a small economy and finite business opportunities at home, Icelandic companies are increasingly looking abroad for growth and profit. But is too much foreign investment a bad thing, or will Iceland's economy keep rolling on?



At last count, Iceland's population was still under 300,000. That's marvelous for everyone who enjoys his or her own bubble of personal space. But for CEOs who are beholden to stock holders, the small market presents them with a problem - only so many widgets can be sold on the local market.

With an economy the size of a moderately sized city, companies increasingly look abroad to maximize opportunities to help out the bottom line.

The action abroad is exploding. Pick up a local paper, and on any given day one can read about another Icelandic company gobbling up shares in a foreign interest.

The list grows daily, in all sectors of Icelandic business: the investment bank Kaupthing was the world's fastest-growing bank last year. Kaupthing is now bidding for Singer & Friedlander, a British investment bank. Bakkavör Group has penetrated the British market selling chilled products to companies such as Tesco and Marks & Spencer. Bakkavör recently purchased the food company Geest. There's the pharmaceutical company Actavis, which is so international that it recently co-sponsored IceArt, a cultural program at Sofia University aiming to develop the links between Bulgaria and Iceland. Icelandair is jumping into the mix. Last October, the Icelandair Group, which owns the country's flagship airline, purchased just over ten percent in EasyJet, Europe's second-largest budget airline. The competitor, Iceland Express, has bought Scandinavian low-budget airline Sterling. The list goes on. So why is there an ever-growing list of Icelandic companies investing in foreign markets?

"The market segments in Iceland are quite saturated," says Guðjón Rúnarsson, executive director of the Bankers and Securities Dealers Association of Iceland.

"If you are going to expand the selling of your products or services, you must go abroad."

MAXED OUT

To understand the smallness of the Icelandic market, one need only look at Baugur Group. It's impossible to live in Iceland and not feel the presence of Baugur, a company whose tentacles touch on just about every aspect of local life.

Walk into a supermarket and there's a good chance Baugur owns it. Turn on the TV, and the station you're watching is probably part of the 365 media conglomerate, mostly owned by Baugur. Flip on FM radio.

Yep, 365 also owns radio stations. Read daily newspapers Fréttablaðið or DV. Go to a movie. Call a friend on the Og Vodafone network and you're shopping from the owners of Baugur.

The company, run by Jón Ásgeir Jóhannesson, whose family owns Baugur, is so entrenched within Icelandic society that the then-Prime Minister Davíð Oddsson tried to rewrite a law in order to break up Baugur's media empire.

So, if you're looking to expand your fortunes, and you've scooped up so much of the local business market that politicians are legislating to slow you down, there's only one other choice. Invest abroad.

Back in 1989, Mr. Jóhannesson and his father owned one discount retailer. After the takeover of the UK firm Big Food Group, the company now has 50,000 employees with a turnover of ISK 700 billion. At press time, the Icelandic company Baugur was the largest private company in the UK, owning such powerhouses as London toy chain Hamleys and fashion retailers such as Oasis. Not content on becoming the biggest private company in the UK, Baugur recently purchased Denmark's largest department store, Magasin du Nord, in Copenhagen, and owns various Debenhams outlets in Stockholm and Copenhagen.

ICELAND: NO LONGER AN ISLAND

The trend towards foreign investment was made possible by the deregulation and liberalization of the financial markets over the past two decades.

"Full capital mobility between Iceland and the outside world was achieved in 1995 but it took a few more years to complete the privatization of state-owned banks," says Tryggvi Pálsson, Director of Financial Stability at Iceland's Central Bank.

Because of these deregulations, Icelandic businesses have been going hog-wild buying up companies abroad.

According to statistics provided by the Central Bank, foreign investment has jumped from ISK 7.91 billion in 1990 to an estimated ISK 244.22 billion in 2003.

This investment has helped to diversify the economy from one formerly dependent upon the fishing industry, the locomotive that once powered the nation's economy.

"Greater economic diversity has meant more growth and stability and helped with the credit rating of the country, and presumably the credit rating of the banks, because in the past Iceland was seen as a one-commodity economy," says Pálsson. "Today, Iceland is much more



open and diversified. It is no longer an economic island in the sense it used to be."

While fishing is still a valuable sector within the Icelandic economy, looking at the figures surrounding Kaupthing shows why the economy is changing. According to the Financial Times, Kaupthing was the fastest growing bank in the world last year. Adding to its growth, Kaupthing purchased the Danish investment bank FIH last September, and now has total assets around Euro 21 billion, a figure that is 2.1 times Iceland's GDP in 2004. And a majority of the assets and income are drawn outside of Iceland.

Imagine how much fish must be sold to reach 2.1 times the GDP.

"The build-up of Kaupthing bank is certainly an eye opener. Its rise to prominence is quite remarkable," says Pálsson.

The number of listed companies has fallen from 64 in 2003 to about 30. According to the Financial Times, the liquidity provided by the market listings does not satisfy the larger Icelandic companies, hence the many companies that are investing abroad, including Actavis,

a pharmaceutical company, which has plans to float on the London Stock Exchange next year.

But the delistings do not seem to concern Thórhur Fridjónsson, President and CEO of ICEX. Fridjónsson contends that the loss of companies is in part due to mergers with other listed companies.

"The reduction of listed companies is offset by the sizeable increase in share prices," Fridjónsson said.

These larger companies are now more liquid than before, and Fridjónsson adds that the market value of listed companies has increased considerably as a percentage of Iceland's GDP. Critics point out that the value goes up mostly because the companies own stocks in one another and the effect of increasing stock prices is spiraling.

The only things threatening to ground Iceland's bullish economy are rising inflation, which the strength of the Icelandic krona will possibly moderate, and the high price of oil, which has the potential to negatively influence the economy. □

Kárahnjúkar: The Largest Power Plant

The biggest and most expensive project in Iceland's history

The largest project in the history of Iceland is the power plant at Kárahnjúkar in east Iceland. More than half a century has passed since the idea of harnessing the power of some of east Iceland's great glacial rivers was first raised, and it is now almost three decades since proposals were first made for the introduction of power-intensive industry to the region. In the seventies there was some interest in building a smelter in Reydarfjörður, but it was only in 2003 that an agreement with Alcoa, the world's leading producer of aluminum, was signed. This agreement for a new greenfield 320,000 tons per annum aluminum smelter was the necessary prerequisite for building the Kárahnjúkar power plant. The project is thought to be the main reason for the strong Icelandic economy at the moment. The estimated total cost is ISK 100 billion (USD 1.550 billion). In the future it is estimated that approximately 400 jobs will be created at the aluminum plant, Fjardarál.

The project has been in the works for years. Even though it has great support among locals, it has been controversial. Environmentalists who claim that it permanently damages a large part of land have fought it very hard. Political parties on the left have been split on the project. The Left-Green party has been firmly against it, while the Social Democratic Alliance has been more divided. The two ruling parties, the Independence Party and the Progressive Party, have both been firmly in favor of the project.

Earlier plans proposed a development to harness three glacial rivers: the Jökulsá á Fjöllum, the Jökulsá í Fljótsdal and Jökulsá á Dal, all of which originate in the north-east segment of the Vatnajökull ice cap and run through the north eastern part of the country. The project currently under construction includes the two latter rivers simultaneously and linked together. This means that a proposed reservoir at Eyjabakkar could be omitted, and that a single large reservoir, Háslón, handles the seasonal storage for both rivers. In addition to the large dams, tunnels totaling 72 kilometers are being constructed.

An extensive Environmental Impact Assessment (EIA) on the Kárahnjúkar hydropower project was completed in 2001. Following a final positive ruling by the Ministry for the Environment, legislation authorizing the project was passed with a sizable majority by the Icelandic Parliament, the Althing, in 2002. Later the same year, the Ministry of Commerce and Industry issued the necessary permit, and the local municipalities concerned then issued a construction permit in February 2003.

Most people had thought of the area around the new power plant as a barren desert. The environmentalists see things differently. They

claim place is unique and extraordinary beautiful and that the project will impact about 1000 square kilometers of untouched wilderness. Furthermore, they say that the project has not been shown to be profitable.

Landsvirkjun, The National Power Company, says that in the long run the project will be profitable. The company has also pointed out that now large areas of wilderness are now accessible to the public because of roads that the company has constructed. The annual revenues from the Kárahnjúkar plant could be close to ISK 7 billion (USD 110 million).

The main contractor, Impregilo, an Italian construction company, has imported many workers from abroad and some unions have claimed that the salary and living conditions are substandard. The company has improved its relations with the public in recent months. The number of Icelandic laborers on the project has been considerably fewer than originally anticipated. The country has been experiencing good times economically and therefore jobs have had to be filled by foreigners.

Electricity generated at the Kárahnjúkar power plant will be transmitted to the Fjardarál aluminum smelter, which will be constructed at the seaside port of Reydarfjörður, on Iceland's east coast. Road construction and other preparatory work began in the second half of 2002, and a 40-year contract to provide power for the plant was signed with US multinational Alcoa in March 2003. Once the contract had been signed, building work on the Kárahnjúkar project could begin.

Even though public opinion has been divided on the project, a firm majority has supported it. A Gallup poll revealed that it enjoys significantly greater support outside the Reykjavík area where about 75% of respondents are in favor, in contrast to about 58% in Reykjavík and surrounding areas. Men are more in favor of the project than women. The question asked was: Are you in favor of or opposed to the Kárahnjúkar hydro station and the building of an aluminum plant in Reydarfjörður? The Iceland Nature Conservation Association had Gallup ask a somewhat different question: "Do you think that it was the correct decision by the authorities to build the power plant at Kárahnjúkar?" About 56% thought it was the right decision, 44% disagreed.

This biggest and most expensive project in Icelandic history will soon be completed. The local economy has been strengthened and Iceland is using a higher percentage of its natural power. However, it is clear from the controversy surrounding it that each future power project will be more difficult, as people factor in the loss of nature against economic gain. □



PHOTO: PÁLL STEFÁNSSON

From Kárahnjúkar

Where can we get tickets? Search no further!

In 2000 Reykjavik was named one of the European Cities of Culture and the Reykjavik Arts Festival is now an annual event



It seems that not so long ago, Iceland was very much out of the artistic mainstream. The country had many talented artists to be sure, but international talent did not come frequently to this part of the world. If someone who was internationally known came to Iceland, people talked about it for years. Louis Armstrong and Ella Fitzgerald both gave performances here in the sixties and this was so remarkable that people still remember it. Led Zeppelin came in 1970, just as they were becoming famous, and people camped out for tickets. Indeed, the year 1970 was special in many ways. It was the first year of the Reykjavik Arts Festival, which has always emphasized classic art, and many of the older generation felt that Led Zeppelin was far removed from that category. Vladimir Ashkenazy, the world famous pianist and conductor, is an Icelandic citizen, and contributed more than anyone to the success of this first bi-annual arts festival. Pavarotti, Rostropovitsj, Daniel Barenboim and Yehudi Menuhin are but a few of the excellent classical musicians to have performed at the Reykjavik Arts Festival.

Nowadays Icelanders are getting more used to international stars. In 2000 Reykjavik was named one of the European Cities of Culture and the Reykjavik Arts Festival is now an

annual event. In fact, the festival is no longer the only attraction for world famous musicians. Many big names have performed in Iceland in recent years and this might in fact be as good a place as any to find a good concert. Elton John played here a few years ago, and Robert Plant performed with his new band in April, 35 years after the legendary Led Zeppelin concert. The Shadows (yes they are still around) gave a concert in May, and Joe Cocker will be here in early September. Last year, The Pixies and Kraftwerk played in Hafnarfjörður, a suburb of Reykjavik. And where do the world's tenors sing in between their World Championship soccer performances? You guessed it! During the space of a single week this past spring, both Plácido Domingo and José Carreras sold out concerts in Reykjavik.

Why the sudden interest in Iceland? One can only speculate, but the fame of Björk has certainly not hurt. Many performers want to experience first-hand the culture that fostered this highly original artist. Other Icelandic musicians of international renown are Emiliana Torrini and Sigur Rós, to name just two successes of recent years. There is no doubt that many Icelandic musicians have gained recognition from the international music community and many want to discover if there is even more such talent in Reykjavik.

Some of the most famous stars in the world have been seen on Reykjavik's streets and cafés, and also in villages around the country. Paul McCartney spent the night at Hótel Valhöll at Thingvellir, Mick Jagger came ashore from his yacht in Ísafjörður on the West Fjords and Rod Stewart followed the Scottish national soccer team to Iceland. One attraction for the stars is that even though they are recognized, they are generally left in peace. Indeed, Iceland may well be one of the few places in the world where the rich and famous can merge in with the crowd. Case in point: A few years ago, Ringo Starr was guest of honor at a summer festival in Atlavik, near Egilstadir, in the east. Ringo and his wife were walking alone in the woods without interruption. Suddenly Ringo was startled by a big man in an Icelandic sweater who approached him with arms wide open, speaking Icelandic. Ringo later learned that the slightly intoxicated man had said, "Don't you remember me, my old friend? You used to be my high school teacher."

Yet it is not only the "rocking chair" talent that keeps flowing in. Last year, Franz Ferdinand was voted the best new band in Britain. Are they coming to Iceland? Of course, in September! □



PHOTO: GER OLAFSSON

Singer, songwriter Robert Plant in Iceland.

Playing with the best

Ólöf María Jónsdóttir: First Icelander in the European Golf Pro Circle



Ólöf María Jónsdóttir

Young Icelandic golf pro Ólöf María Jónsdóttir has been a member of the Icelandic national golf team since 1993. A four-time Icelandic champion, she earned the right to play in the European golf pro circle last fall. She will be playing in at least eleven events this season.

On her very first pro tournament in Tenerife, on the Canary Islands, she made the cut after the first two days, meaning that she was in the top half. Most observers agree that Ólöf María will gain important experience this summer and that in the future she will have an excellent chance at the big trophies. Those who know her well say that she is a fierce competitor and that she spends time after each round studying her mistakes. Even if she has a bad day she does not give up but

returns with even more determination the next.

Ólöf María starting playing golf at a young age. She made the Icelandic national team well before turning twenty, thereby gaining important experience for competing internationally. She also played European handball when she was young and was considered a promising player, but soon chose golf as her main sport. She played with the men from the beginning because most women were not in her league. She has always been determined to be the best.

She won her first national title in 1997 and she is the current Icelandic champion. The list of other tournaments she has won in Iceland is too long to record here. Ólöf María went to

college in the United States and played in the national college tournaments. She graduated with a BSc in Health Science and turned pro a year later. She already had her eyes on the European tour and in 2004 she won the right to compete with the best European players.

Ólöf María has not relaxed after she joined their ranks. She trains seven to eight hours per day. She starts her days by running and then goes to the golf course for practice. In the afternoon she plays nine holes with two golf balls. "If you want to succeed you have to practice. You will not improve unless you train hard," Ólöf María says. "I hope that now that I have broken the ice, other Icelandic women will make it all the way." □

Actavis looks to America

Actavis Group continues to grow



CEO of Actavis Group, Robert Wessman

One of the biggest companies on the Icelandic stock market is Actavis Group, which produces and sells pharmaceutical drugs. Its headquarters are in Iceland, but the company has operations in 28 countries and employs some 7,000 people. The company's history dates back to 1956 when its predecessor, Pharmaco, was founded. Actavis has operations in numerous countries, including Malta, Bulgaria, Turkey, and the Nordic countries.

One of the main emphases in pharmaceutical production in Iceland has been to manufacture generic drugs as soon as the patent for the original drug runs out. The company has set high manufacturing standards and the Icelandic factory adheres to Good Manufacturing Practice and fulfills all produc-

tion standards needed for the US market.

CEO Róbert Wessman is happy with the rapid growth of his company. "Due to competition, the lifetime of generic drugs is rather short. We must therefore stress development, be the first to market drugs, and have a wide selection. To achieve this we need to have a good sales force in many countries, so that we can work in many markets simultaneously."

The Actavis brand name was introduced in 2004. The change was undertaken worldwide, so that all divisions of the company now use the Actavis name, whereas previously some companies within the Group used local names.

Actavis Group continues to grow. So far this year it has acquired the Indian drug research company Lotus Laboratories and signed a

manufacturing agreement with the Indian generic drug company Emcure. It also acquired the Czech generic pharmaceutical company Pharma Avalanche, in March. With headquarters in Prague, Pharma Avalanche was established in 2000 and currently employs 30 people. Its primary focus is on the marketing and sales of generic pharmaceuticals on the Czech and Slovak Republic markets.

Wessman continues: "We will continue to buy more companies to consolidate the market. We see opportunities in the US market and we are developing drugs that we hope to market in America within the next two years. We aim to strengthen our position both there and in Central Europe." □

The geothermal natural wonder, Lake Mývatn

Few areas in Iceland, or even the world, offers such a wide spectrum of geological formations



If you stay a whole week in Iceland in the summer, a trip to Mývatn is an unforgettable experience. Mývatn is a lake in the north of Iceland, approximately one hour's drive from Akureyri. You can fly to Akureyri up to six times a day in the summer (the flight takes about 45 minutes) and there may even be flights directly to Mývatn some days.

Mývatn is situated between the ever-drifting American and Eurasian plates and is one of the most active volcanic areas in Iceland. Between 1975 and 1984, the volcano Krafla that looms over the lake erupted nine times. During this period, residents had to park their cars in the direction they would drive to flee a lava flow. Underground lava flows heated up the village's wells and drinking water had to be refrigerated. About 440 inhabitants call the Mývatn township home.

The lake is the fourth largest in Iceland. Frequent lava flows have left it very irregular in shape. It is dotted with many islets and rock formations. It is also exceptionally shallow, no more than 4.5 m at its deepest point. The flora is unusually rich. The water in the lake comes from springs on the bed of the lake and drains into Laxá river.

Few areas in Iceland, or even the world, offer such a wide spectrum of geological formations. There is intense geothermal activity as well, producing mud pools and spectacular colored deposits. The geothermal power plant uses steam as its source of energy.

The area offers countless fascinating walks, long and short. You can walk for an hour or the whole day. A road leads to Mt. Hverfell and it is well worth looking around on the top. It is not difficult to climb if you follow the trail and the view is worth the effort. The lava area Dimmuborgir is a whole world unto itself, with endless bizarre lava formations, including the natural masterpiece known as the Elves' church. Just stay on one of the three marked paths and you will have a unique experience. But don't wander off the trail, people have got lost, not to be found again.

The latest attraction is geothermal baths. You can swim in a geothermal lagoon to soothe stress and strain, and there are even changing room facilities.

You can also swim through chest-high stalks of late summer angelica on a tiny

island in the middle of Lake Mývatn. Your head might be encased in a small swarm of notorious Mývatn flies. Some light cigarettes to keep the flies at bay. The rampant angelica plant, "hvönn" in Icelandic, is used to make the national spirit brennivín (only slightly less notorious than the flies), to anchor nets for ice fishing when the lake freezes over, and as a preventative against cancer.

The area is now mostly serving the tourist and farming industries. It used to be an industrial area producing diatomite, which was used mostly for beer production. The lake was a rich source, but in the fall of 2004 the plant was closed. Many fear that people will move away, now that the biggest employer is gone.

FROM THE HOTSPRINGS

Most of the people here know how to make the hot-spring bread. The heavy, sweet rye loaf baked here is a year-round staple on tables in the Mývatn area.

A dozen or so homemade ovens are lined up in the steaming earth behind the village of Reykjahlid, where most of the 440 residents live. From the dirt road that wraps behind the

milky blue waters of Reykjahlid's geothermal blue lagoon, you can spot the ovens by the rocks that secure their homemade lids. Nearby, small family garden plots are kept to grow carrots and potatoes in the greenhouse-like atmosphere, and a steam bath is fashioned out of an old metal hut placed over a vent that has been used for this purpose since 1600.

FROM THE LAKE

It is a rare visitor to Mývatn who does not notice one thing straightaway: the flies. The lake itself is named after the flies - or mý - that swarm its shores in terrific black clouds. Tourists tramp around the area cursing and swatting the air, but the people who live on this land speak almost affectionately of them. The area's winged constituency is vital to their livelihood.

"The more flies the better," says Elva Ásgeirsdóttir, a young Mývatn native and summer park ranger. It is Mývatn's very own proverb because more flies mean one thing: more food. Flies are the food source for the trout and the ducks in the lake and in the river Laxá that runs nearby. When you drive in the

car and the mý hitting your windshield sound like rain, then it's a good year for everybody.

Elva explains: "In the old days, when there was not much food in Iceland, people around here always had enough to eat because of the lake. People from the valleys around the lake came up here to eat because Mývatn always had the duck eggs and the trout." Today, smoked trout from the lake continues to draw outside interest. Sixteen individually owned smokehouses are operated on the sheep farms that surround the lake. Farms that run both see a prettier profit distributing their smoked trout in Iceland than they do from their farms of up to 1,400 sheep.

Mývatn's smokehouses are a natural extension of the sheep farms. When sheep cozy up in sheep houses over the long winter, tad - or dung - builds up in a thick layer on the floor of the house. When the sheep are put out to pasture in the spring, the tad is shoveled off the floor in blocks and put outside to dry for several weeks in the sun. The dried tad is then burnt on the floor of the smokehouse under pieces of trout that have been salted and hung, or Arctic charr, or lamb. The meat is smoked for four days in the sharp-smelling smoke. The

largest smokehouse on the lake, Geitey, produces two tonnes of smoked trout per month. Visitors can drop by Geitey's smokehouse anytime, buy some fish, and get a tour.

The farmer goes out two or three times in late spring to collect a thousand or so eggs from the nests of ducks breeding in Mývatn. In earlier days, when farm families were bigger and more isolated, eggs were one of their principal foods. Fresh duck eggs are used like chicken eggs, hard-boiled, fried and in baking, but the Mývatn specialty is the "old egg". By holding an egg to the light of the sun or a home-rigged light box, egg collectors can see if any development has begun in the egg, or whether they're "old". Once collected, old eggs are buried in crates or buckets of tad ash from the smokehouses. There they "ripen" in the ash anywhere from six months to four years. When they are ready to eat (some say two years is perfect), the rotten eggs are mixed with butter, spread on rye, and enjoyed.

The taste? "Like very, very strong cheese," Elva told me. It seems you either love them or you hate them. □

Krista Mahr is the editor of Iceland Review.



PHOTOS: PALLI STEFÁNSSON

Sportshero encourages kids to be active

Magnús Scheving's idea has exploded into a multi-faceted concept

Sportacus played by Magnús Scheving



Magnús Scheving is a two-time European aerobics champion (1994 and '95), and won the silver medal in the World Championships of Aerobics in 1994. Many years ago he decided to turn his talents into a business and now has his own company, LazyTown.

LazyTown Entertainment originated as a book back in 1991 to help promote health and nutrition for kids. Since then the idea has exploded into a multi-faceted concept, the backbone of which are 40 TV episodes purchased by the Nickelodeon television company.

So what is LazyTown? "You can't explain it," the creator, director and superhero star of the show answers. "It's like trying to define freedom. Once you do, you minimize it." Yes, Magnús is the guy in the blue suit which upon closer inspection has a six pack of muscles sewn into the stomach area. He then pops off the spaceship set where he is posing for photographs and basically speed walks to the other side of the set to direct a scene before breaking for lunch. En route he finishes his previous thought:

"Anything can happen on LazyTown. Can you take a rocket ship to the moon? Why not?"

The filming of the 40 episodes took almost 12 months in 2004. The pace was 12 hours a day, sometimes more. You'd better be in good shape to work like that.

The TV series features Sportacus, played by Magnús, and Robbie Rotten, who is more Wile E. Coyote than villain. Then there's Stephanie, the girl with pink hair who arrives in LazyTown

from the outside world and quickly befriends Sportacus and the kids: Ziggy, Stingy, Trixie and Pixel, who are puppets. The town is watched over by Bessie and the Mayor, also brought to life by puppeteers.

The world that these zany characters occupy is best understood by what was once written on the LazyTown website:

"The sign welcoming people to LazyTown has fallen over and the town is so lazy that nobody has picked it up. This is where Sportacus steps in. As a superhero, and with the help of Stephanie and the kids, he battles against Robbie Rotten in stories that encourage kids to eat right and exercise. Of course these are friendly battles, as the show prides itself on having no violence."

According to Magnús, "Parents want their kids to be healthy and safe. They don't want them to eat much sugar. They want them to share. No violence. And brush their teeth and go to sleep early. That's basically it." In a nutshell, this is LazyTown. The show, in a fun, fast-paced manner, gets kids excited about health.

Take a tour of the modern studio and it quickly becomes apparent that the creative forces behind the show (about 130 people strong) are extremely talented. The man who designed the puppets, Neal Scanlan, won an Oscar for Best Effects and Visual Effects for the film Babe; Richard Welnowski who handles the HD Compositing (that's the green screen virtual effects stuff) won the 1990 Emmy Award for Outstanding Achievement in special

effects for the film The Orchestra, the first ever Emmy Award for HD Compositing; co-producer Richard Patrick has worked production on umpteen Woody Allen films, plus scores of other features.

"The talent pool is equal to or surpasses any film I've worked on," explains Richard Patrick.

All that talent is necessary because the crew shot 34 episodes in less than a year. But while shooting so many shows in such a short period may seem like a ball of stress, the set is actually quite relaxed.

Despite the talented production team surrounding LazyTown Entertainment, everything goes through Magnús, who directs and also has a hand in writing, editing - you name it. LazyTown is his baby.

"I never get tired," Magnús says, as he takes a moment to have his makeup touched up. After a nano-second of reflection he says: "Of course I get tired, but not really."

The series is currently airing on Nick Jr., broadcast in more than 90 million homes across the US on Nickelodeon. It's also shown on CBS on weekends; Canada's YTV, the country's number one youth network, just started broadcasting it; and it will air on German and French television this fall. LazyTown premiered on Discovery Kids in Latin America, on March 29, 2005. Norway and Iceland are set to air the episodes this fall. □

PHOTOS: PALL STEFANSSON



Rannveig Rist

At the helm of two of Iceland's largest companies



CEO of Alcan in Iceland and chairman of Iceland Telecom, Rannveig Rist

Rannveig Rist is one of the best-known CEOs in Iceland. She is CEO of Alcan in Iceland, the aluminum smelter one passes on the road between Keflavik airport and Reykjavik, and also the chairman of Iceland Telecom, which until now has been owned by the state but is currently undergoing a privatization process. Rannveig is a mechanical engineer and also holds an MBA degree from an American university. She claims she always wanted to be a captain of a large ship when she was younger. Indeed, she has worked as a motor mechanic both in fish processing plants and at sea and even has a diploma in the trade. Fate has led her to the helm, albeit not of a ship but rather the oldest and largest aluminum smelter in Iceland.

Rannveig started working at Alcan (then ISAL) in 1990 and was offered the position of President in 1997. Since then she has not

only been CEO of one of the largest companies in Iceland, she has also been on a number of boards, most prominently that of Iceland Telecom. Rannveig describes herself as a workaholic, and adds that a busy job like hers can be trying for her family. She is reported to have a good eye for talent and says that she tries to delegate tasks to her subordinates, getting them to work independently.

Alcan Iceland Ltd. is by far the biggest industrial company in Iceland. It plays a large role in Iceland's economy, supplying about 14% of all goods exported from Iceland. The smelter's annual capacity is 178,000 tons and it employs 500 people year-round. The company was the first heavy industry company in Iceland based solely on foreign investment. Aluisse, a Swiss company, built the plant in the sixties amid great controversy, with many members of Althingi (Iceland's parliament)

being firmly opposed to foreign investment in Iceland. Since then the company has grown steadily and the controversy has mostly vanished. Alcan, a Canadian company, took over Aluisse a few years ago, but new ownership has not changed the company's standing as one of the leading companies in Iceland. A few years ago a second aluminum smelter was built at Grundartangi in Hvalfjörður and currently the foundation is being laid for a third smelter in Reydarfjörður, in the east. These are owned by different companies that are drawn to Iceland by virtue of its inexpensive electric power. Rannveig says that more smelters in Iceland work in Alcan's favor. "People were afraid of getting isolated when there was only one smelter. Now people do not see this as an isolated world, since there are now other players in this field." □

A grandmaster finds a new home

Iceland grants citizenship to Bobby Fischer

The atmosphere was tense at Reykjavik airport. Iceland was awaiting its newest citizen and the press corps was ready. Bobby Fischer had been in jail in Japan for almost eight months and resembled a barbarian when he stepped off the plane. He did not greet the large welcoming committee. Soon enough he appeared at a news conference, however, looking a bit more civilized but ranting about American and Jewish conspiracies. It is unlikely that anyone in the crowd agreed with him. So why on earth would Icelanders invite somebody like that to be a citizen of their country?

The answer is simple: Chess. It is very popular in Iceland. From ancient times there are stories of people in Iceland playing chess and in 1931, world champion Aljeckin was honored with the Order of the Falcon – the nation's highest form of recognition – when he came to Iceland. Fischer was a child prodigy in chess and Icelanders have followed his development since the late fifties. He first came to Iceland in 1960, at the age of 17. He returned in 1972 to beat Boris Spassky in the fight for the world championship. Although Fischer often made demands that seemed unreasonable, he was still very popular in Iceland, as was his competitor.

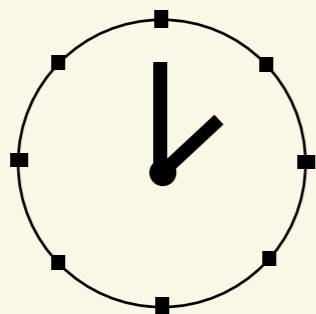
Since 1972 Fischer has only played one official match, a rematch with Spassky in the former Yugoslavia. Unfortunately for him, the US was enforcing an embargo on "performing any contract in support of a commercial project in Yugoslavia, as well as from exporting services to Yugoslavia." A letter from the government to Fischer read, in part: "The purpose of this letter is to inform you that the performance of your agreement with a corporate sponsor in Yugoslavia to play chess is deemed to be in support of that sponsor's commercial activity." To most Icelanders this seems far-fetched. At the moment no other individuals are being pursued for a similar violation of this act.

The Washington Post was critical of the Icelandic parliament for granting Fischer citizenship, publishing an editorial citing the "shame of Iceland." The Post's criticism focused on Fischer's statements about the US, Israel and Jews. However, Icelanders take a different view of the issue. Helgi Ágústsson, Icelandic ambassador to the US, wrote to the editor of the Post: "While of course respecting the Post's right to criticize the decision, the Embassy strongly disagrees with the underlying assumption that granting citizenship to Mr. Fischer somehow

reflects Iceland's support of his statements. On the contrary, Iceland is an old friend of both the US and Israel, and a country with a strong tradition of religious tolerance could not disagree more with his remarks. Humanitarian concern was at the heart of Iceland's decision to accept Mr. Fischer's request for citizenship. The Washington Post actually points out that Mr. Fischer can be considered the subject of pity, rather than hatred. This is the essence of his case and his circumstances." In other words, most Icelanders feel that the greatest chess master of all time should not rot in jail simply for playing chess.

Meanwhile, Fischer seems to be adjusting well to life in Iceland. He frequently goes to an antiquarian bookstore and has been seen sipping beer at local bar. He has not played chess, but he did give a lecture on the world chess championships between Russian masters Kasparov and Karpov, which he claims were fixed. The audience did not embrace those claims, but grandmaster Jóhann Hjartarson, Iceland's highest rated chess player, said that it was interesting to meet the legend and to hear him speak about chess. □

ADiary ofBusinessandPolitics



IN MARCH discount airline Iceland Express purchased Sterling Airlines, the largest low-cost airline in Scandinavia for a reported 5 billion ISK. The combination of Iceland Express and Sterling may set up significant competition with Icelandair, the largest airline in Iceland. At present, Sterling carries more passengers per year than Icelandair—1.8 million per year compared to 1.3 million.

ON MARCH 3RD the software company CCP won Innovation Award of the Icelandic Centre for Research and the Trade Council of Iceland. The aim of the awards is to highlight the important connections that exists between education and research and higher levels of wealth generation in the business sector. CCP designed the multicontestant internet game EVE-online. Many thousands play the game on-line every day.

ON MARCH 17TH professor Kristín Ingólfssdóttir became the first woman to be elected Rector (President) of the University of Iceland. The election was close. Ingólfssdóttir received 52% of the vote. She is professor of pharmacy.

ON APRIL 8TH a new media law proposal was announced. The state media committee announced their new proposal on media ownership. According to the proposal, no individual or company may own more than 25 percent in a media company, which has leading share in the market. This law would affect media companies such as 365 (which owns *Fréttablaðið*, *DV*, *Stöð 2* and a host of radio stations), Morgunblaðið, and TV station Skjár Einn. Minister of Education Thorgerdur Katrín Gunnarsdóttir said that the proposal was a “historic political consensus, which will generate healthy competition and variety on the Icelandic media market.”

IN APRIL the Progressive Party decided to make its financial information public. The decision comes after the Progressive Party had received criticism on how it organizes its finances. The Progressive Party has suggested that all members of parliament make their financial information transparent.

ON APRIL 28TH Kaupthing Bank submitted a formal takeover bid for British bank Singer & Friedlander. The price is 547 million pounds for the bank. Singer & Friedlander was founded in 1907. The board of the bank has recommended that shareholders accept the takeover bid.

ON MAY 6TH a new daily newspaper was published for the first time, the Paper (*Bladid*). *Bladid* is printed in 80 thousand copies daily.

ON MAY 10TH a member of the Liberal Party, Gunnar Örylgsson decided to cross party lines and joined the Independence Party. Örylgsson cited internal battles in the Liberal Party and that the philosophy of the Independence Party is closer to his own. With Örylgsson's defection the majority of the ruling coalition (Independence Party and Progressive Party) has increased to 35 against 28.

IN MAY a number of companies have expressed interest in building new aluminum smelters in Iceland. In addition to US aluminum conglomerate *Alcoa* (market cap. USD 25 billion), several other new candidates have entered the fray. *BHP-Billton*, *Russal*, *Rio-Tinto* and *Nordurál* have all expressed interest in building a new smelter in the North of Iceland; and *Nordurál* is also in discussions with the municipality of Reykjanesbær and the geothermal utility of Sudurnes, *Hitaveita Sudurnesja*, to construct a new smelter in Helguvík, close to the international airport in Keflavík.

IN MAY a large business delegation organised by the Trade Council of Iceland accompanied President Ólafur Ragnar Grímsson on his state visit to China. This is the largest business group ever to leave Iceland and the size of the delegation reflects the interest in pursuing opportunities in China. A number of deals were signed between the Chinese and Icelandic companies.

ON MAY 21ST a new chairman of the Social Democrats, Ingibjörg Sólrún Gísladóttir, was elected by an overwhelming majority of 7997 votes out of the approximately twelve thousand votes cast; her sole adversary, former party chairman Össur Skarphéðinsson, received 3970. A new vice chairman, Ágúst Ólafur Ágústsson, was also elected.

ON MAY 26TH public companies Nýherji (computers and technology) and Kaupthing Bank received the IR Nordic Awards for investor relations on behalf of Iceland. The award is given by British magazine *Investor Relations Magazine*.

ON MAY 30TH a shareholders meeting in Sjóvík and Sölumidstöð Hradfrystihúsanna formally agreed to the merger of the two companies. The new company will be called Icelandic Group, Plc. Former Major of Reykjavík, Þórólfur Árnason, has been named CEO of Icelandic Group, Plc.

ON MAY 31ST Burdará holding company sold Eimskip shipping to Avion group. Avion is led by Magnús Thorsteinsson, who has been chairman of Eimskip since early 2004. The price was ISK 23 billion (USD 350 million). Thorsteinsson has recently sold his shares in Samson, the company that owns 45% of Landsbankinn.

statistics

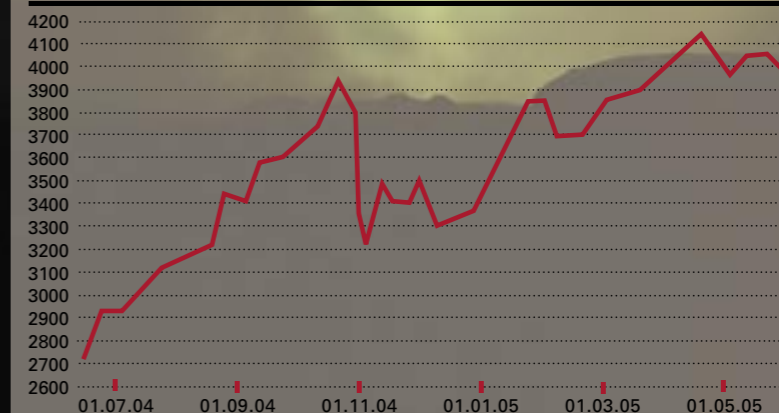
VITAL STATISTICS

Number of inhabitants Dec. 31, 2004	293,577	
GNP increase 2004	4.30%	
GNP	811 Billion ISK	13 Billion USD
GNP per capita	36,519 USD	
Total exports 2004	202 Billion ISK	3.3 Billion USD
Total imports 2004	240 Billion ISK	3.9 Billion USD
Balance of trade 2004	-38 Billion ISK	-0.6 Billion USD
Rise of stock index 12 months (to June 1 2005)	58.90%	
Stockmarket turnover 2004	721 Billion ISK	11.8 Billion USD
Bondmarket turnover 2004	1,496 Billion ISK	24.5 Billion USD
Wage increase 12 months (May-Apr.)	6.7%	
Inflation 12 months (May-April)	3.6%	
Unemployment April 2005	2.3%	

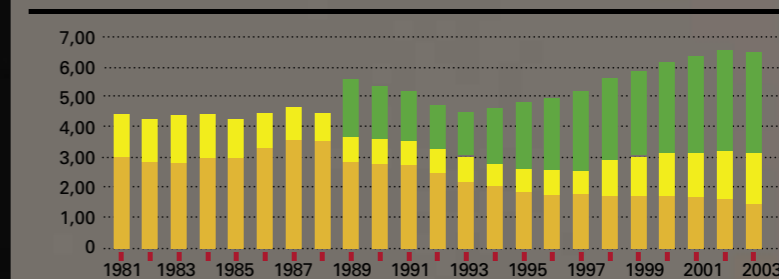
CHANGES IN STOCK PRICE MARCH 1 2005 - JUNE 1 2005 (TOP AND BOTTOM)

Company	% change
Bakkavör Group hf.	29,9 %
Icelandic Group hf.	20,9 %
Straumur Investment Bank hf.	18,0 %
Kögun (software)	16,9 %
Íslandsbanki hf.	15,0 %
Marel hf.	-0,9 %
Tryggingamiðstöðin hf. (Insurance)	-1,9 %
Atorka Group hf. (Investment)	-3,1 %
Össur hf.	-7,8 %
Medcare Flaga hf.	-7,9 %

ICELANDIC STOCK INDEX 12 MONTHS



ALCOHOL CONSUMPTION PER CAPITA



Alcohol consumption has changed in Iceland in recent years. Beer was not allowed until 1989. Wine consumption is increasing but hard liquor is declining. Even though consumption has been rising it is still among the lowest in the world per capita.

Íslandsbankiinvades Norway

Expandingatarapidrate



PresidentandCEOofÍslandsbanki, Bjarni Ármannsson

The Icelandic banks Íslandsbanki, KB Bank and the National Bank of Iceland have been in the news almost constantly for the past year or so. All three have been expanding at a rapid rate and all delivered substantial profits in 2004. The first few months of 2005 seem to have yielded excellent results as well. Íslandsbanki was no exception, and the year 2004 was yet another record year for the bank. Bjarni Ármannsson, President and CEO of Íslandsbanki, was happy with the results: "The Bank's overall performance has never been better, with profits in all divisions of the Bank. This testifies to a solid foundation. The Bank's increased share in the housing loans market raised the quality of the loan portfolio, and the integration of banking and insurance activities has proven successful."

Íslandsbanki was the only private commercial bank in Iceland until the state sold its shares in Búnadarbanki (now part of KB Bank) and the National Bank of Iceland. A year and a

half ago the bank acquired all shares in Sjóvá insurance. It has now resold two thirds of the company to a company owned by Karl Wernersson and his family, a major investor in Iceland. Among their investments are shares in Íslandsbanki, Actavis and other large companies. By doing so the bank has made a sizeable profit, but at the same time increases its ability to extend loans by ISK 200 billion. The two companies continue to cooperate closely.

Íslandsbanki bought two Norwegian banks in 2004. First, it launched an offer for all the shares in KredittBanken in Norway in August 2004, and in the fourth quarter, Íslandsbanki made a voluntary offer to purchase all outstanding shares in BN bank.

Ármannsson continues: "The emphasis on expansion at the beginning of the year proved well founded and the Bank's foothold in Norway will increase risk distribution and open prospects in international markets. An important factor was the trust shown by share-

holders in the employees and strategy of the Bank, through their extensive oversubscription in the three recent share issues, which resulted in proceeds to the Bank in excess of ISK 32 billion (USD 500 million)."

In 2004 the profits for the bank were in excess of ISK 11 billion (180 million USD). The profits for the first quarter of 2005 were ISK 3,038 million (USD 47 million) in earnings after taxes and a 21.7% return on equity. This was before the sale of Sjóvá. Ármannsson is pleased: "BN bank became part of Íslandsbanki on April 1st this year, and the bank's bottom line will be strengthened by BN bank's profit. It will also transform the consolidated balance sheet, as more than half of lending is now to Norway. In the domestic market, the emphasis will be on further rationalization and providing total financial services. The proceeds and profit from the sale of the Sjóvá shares will be used to strengthen the bank outside Iceland." □



Hikers in Fjallabaksleid. Photo by Páll Stefánsson

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