

I&I

Issues and Images
ICELAND





PHOTO: PÁLL KJARTANSSON

Issues and Images

Vol. 4 3-2008

Editor: Benedikt Jóhannesson

Design: Erlingur Páll Ingvarsson

Photographers: Geir Ólafsson, Páll Kjartansson, Páll Stefánsson and MBL

TCI Editorial Consultant: Lilja Víðarsdóttir

On the cover: Photo by Geir Ólafsson

Printing: Ísafoldarprentsmiðja

Published for the Trade Council of Iceland by Heimur Publishing Ltd. www.icelandreview.com
Copyright Heimur Publishing. No articles in the magazine may be reproduced elsewhere in whole or in part without the prior permission of the publisher.
icelandreview@icelandreview.com

I&I

Contents

4 ON AND OFF

Record Salmon Catch in Ytri-Rangá
A Film Debut by a Veteran
A Young Designer
Culture Night a Success in the Rain

6 MORE ATTRACTIVE TO FOREIGN TOURISTS

The devaluation of the Icelandic krona has an upside for travelers.

8 HANNA BIRNA KRISTJÁNSDÓTTIR TAKES OFFICE IN REYKJAVÍK

The fourth mayor in less than a year.

10 OUR SILVER BOYS

Iceland takes second place in handball at the Olympics.

12 AN OPERA HOUSE IN ICELAND

Icelandic architects win competition to design an opera house in Kópavogur.

13 FROM SHEEP TO STUDENTS

A sheep farm becomes an international center for Icelandic culture and nature.

14 RECYCLING THE NATO BASE

Academics replace air force personnel.

15 SOLITARY CONFINEMENT

If you want to get away from it all, there is no better place than Hornstrandir.

16 ART BY THE POND

The finest collection of Icelandic art may be found at the National Gallery of Iceland.

17 DR. BRAGI TAKES BEAUTY OSCAR

Proving that beauty and science do mix.

18 SCREAM!

The Icelandic thriller is here to stay.

20 A DIARY OF BUSINESS AND POLITICS

The top stories in business and politics in Iceland from June to September 2008.

22 A YOUNG EXECUTIVE AT GLITNIR BANK

Lárus Welding has been CEO of Glitnir since spring 2007.

23 ICELANDIC DESIGN

Three pieces from designer Þórunn Árnadóttir



TRADE COUNCIL OF ICELAND

Borgartún 35, IS-105 Reykjavík. Tel +354 511 4000 Fax +354 511 4040
icetrade@icetrade.is www.icetrade.is



INVEST IN ICELAND AGENCY

Borgartún 35, IS-105 Reykjavík. Tel +354 561 5200 Fax +354 511 4040
info@invest.is www.invest.is



MINISTRY FOR FOREIGN AFFAIRS

Rauðarárstigur 25, IS-150 Reykjavík. Tel +354 545 9900 Fax +354 562 4878
vur@utn.stjr.is www.mfa.is



PHOTO: GERI OLAFSSON

Sports:

Record Salmon Catch in Ytri-Rangá

Salmon rivers in Iceland have been very abundant this summer. However, none has come close to Ytri-Rangá in South Iceland, which has yielded over 10,000 salmon. In the space of three days, over 1,100 salmon were pulled from their natural surroundings. Admittedly it was by the first group that was allowed to use worms as bait. But even the “real” sportsmen with flies only caught some 8,000 salmon over the course of the summer.

“The river is literally stuffed with fish,” a group of happy anglers claimed, something nobody would dispute. “We once caught 25 salmon in two hours.” Mind you, they did have two rods.

Ytri-Rangá’s “sister” river, Eystri-Rangá, produced over 7,000 salmon. “This must be some sort of world record,” one exhausted fisherman said. □

Country Wedding:

A Film Debut by a Veteran

A new film by an Icelandic director is always interesting news. The movie *Country Wedding* by Valdís Óskarsdóttir premiered in August 2008. Valdís is no newcomer to movies. She is an award-winning Icelandic film editor whose work includes *The Celebration*, *Les Misérables*, *Finding Forrester* and *Eternal Sunshine of the Spotless Mind*. She received multiple awards in early 2005 for her work on *Eternal Sunshine of the Spotless Mind*. In addition, she has twice won the Danish Film Academy’s Robert Award for Best Editing.

Country Wedding has been well received by audiences and critics alike. The movie is a comedy with serious undertones. The story revolves about a bride- and groom-to-be, who are going on separate buses to their wedding in a small country church. It turns out that neither the drivers nor anyone else on the buses know exactly where the church is located and an interesting and confusing sequence of events is set in motion.

□



PHOTO: MARGUNILA BIRGISTEIN

Director Valdís Óskarsdóttir.

Success:

A Young Designer

Designer Thórunn Árnadóttir may not be able to stop time, but she can certainly slow it down. The 25-year-old dynamo's clock is already making regular appearances on design blogs and in the media, including a mention in *The New York Times* for her role in the budding Slow Design movement. Besides the clock, she has assembled quite a peculiar portfolio of buzzing wall-hangings, nationalistic chocolates, athletic tablecloths and hypercolor radiators. Thórunn says: "Behind every piece is some little story, a twist on objects we are familiar with. I want to make people curious the moment they see the piece. It's healthy for a designer or artist to make an effort to study her own background and heritage. Especially because in these times of globalization where you can observe what's happening in art and design anywhere in the world, we probably spend more time browsing the Internet than reading folktales or going to the national museum." See featured samples of Thórunn's work on page 23. □

PHOTO: PALL STEFANSSON



Designer Thórunn Árnadóttir.

Annual Festival:

Culture Night a Success in the Rain

The 13th annual Culture Night was held in Reykjavik on Saturday, August 23. Although the name would suggest otherwise, Culture Night is also celebrated during the day, and is an important cultural, artistic, musical, food and sport-related festival. It is also the day of the Reykjavik Marathon.

Held in late summer, Culture Night is often rainy, and this year was no exception. However, the unfortunate weather did not prevent people from going downtown and enjoying everything the festival had to offer.

In the crowded city center shops, galleries and organizations displayed their products and introduced their services in booths. Fresh carrots, hot chocolate, designer hats, vintage outfits and paintings were for sale, a local bakery offered passers-by a taste of its cakes and breads and the Nordic Association introduced the latest in Nordic cooperation. □



PHOTO: MORGUNBLAÐIÐ/OLUUS

More Attractive to Foreign Tourists

The devaluation of the Icelandic krona
has an upside for travelers.



PHOTO: PALLI STEFANSSON

Tourists are getting their money's worth when they go to stores in Reykjavik these days. The wonderful woolen sweaters are now much more affordable than last year. Store owners and vacationers had been complaining about the strong Icelandic currency for years, but times have changed.

Iceland has been hit by the international recession. One of the consequences has been a devaluation of the Icelandic krona (ISK) against most major currencies. One euro bought ISK 88 a year ago, but at the time of printing got you ISK 128. The exchange rate against the US dollar went from 65 to 90 in the same period.

The tourism industry is one of the few sectors that are not complaining about the adverse economic conditions. The latest data shows that the number of nights that travelers spent at Icelandic hotels is up two percent from 2007. Hotel owners say that tourists are much happier

with prices this year. Iceland is no longer considered one of the most expensive countries in the world.

SUNNY AND COOL

The prices have not been the only thing making travelers happy this year. The weather has been unusually good. Icelanders are notorious for their constant bickering about the weather. This year they have seen record temperatures and more sunshine than anyone can remember. On July 30 the temperature in Reykjavik surpassed 26°C for the first time ever. At Thingvellir the temperature did not quite reach 30°C on the same day, but still the 29.7°C set a national record. So while nobody died from heat exposure, there were those who complained about the excessive temperatures. Some people are just very hard to please!



PHOTO: PALL STEFANSSON

One unusual feature stands out. Most often river fish try to avoid sunshine and warm weather. This year a record number of salmon has been recorded in most rivers. Nobody knows why this is but anglers are happy not to have to wait in the rain to stand a chance in their struggle with the clever fish.

Other sportsmen are also pleased. One of the Issues & Images staff met a golfer from Africa who had come to the country to find a mild climate with little rain. He was not disappointed. The midnight sun was an extra bonus that he had not heard about.

The biggest surprise? “I knew almost nothing about Iceland when I came, but was warned about the high prices. But my experience has been that they are reasonable.” □



PHOTO: PALL STEFANSSON





Hanna Birna Kristjánsdóttir Takes Office in Reykjavík

The fourth mayor in less than a year.

One year ago, Vilhjálmur Th. Vilhjálmsson had been mayor of Reykjavík for over a year. Most people expected him to serve the rest of the term, as traditionally Reykjavík mayors have kept their jobs for extended periods. However, in recent years the mayor's seat has been anything but secure. After Ingibjörg Sólrún Gísladóttir (now Minister for Foreign Affairs) resigned from her post in 2003, having served for nine years as mayor of Reykjavík and the leader of the left-wing Reykjavík Coalition, the city has had six different mayors.

In 2006, the Reykjavík Coalition did not present a slate of candidates and the outcome of the election was somewhat unclear in that there was no clear right- or left-wing majority. The right-wing Independence Party won seven seats on the city council, the Social Democratic Alliance four, the Left-Green Party two and the Progressive and the Liberal Parties one seat each. After the election the Independent Party and the Progressive Party formed a majority. A dispute involving Reykjavík Energy Corporation ended that cooperation and the Liberal Party formed a new majority

with the other three parties. Dagur B. Eggertsson of the Social Democrats then became mayor.

Some three months later, Ólafur F. Magnússon broke with that coalition and joined the Independence Party in forming a new majority. He became mayor and lasted almost seven months in office. Then, in August 2008, the Independence Party decided it wanted to work with the Progressive Party again. This time Hanna Birna Kristjánsdóttir became mayor.

Hanna Birna became the leader of the Independence Party delegates in Reykjavík in June 2008. She is 41 years old and holds degrees in political science and international politics. She was a member of the city council in 2002 and was employed by the Independence Party from 1995 to 2006, the last seven years as Deputy Manager.

So how long does she expect to stay in office? She says she is aiming for the rest of the term. Opinion polls indicate that this majority is more popular than the one before it. However, it only has the support of about a third of the voters. Most people now seem to want the carousel to stop. □



Our Silver Boys

Iceland takes second place in handball at the Olympics.

At 7:45 am on Sunday, August 24 the streets of Reykjavik were virtually empty. Only a few taxis trawled the deserted roads. But most of the nation was awake—watching television.

In homes around the country, in sports halls with specially erected screens and in Iceland's cinemas, the population watched as "our boys"—the men's handball team—were defeated by France, 28-23, in the gold medal match and final event of the Beijing Olympic Games.

But it wasn't really a defeat.

The handball team had accomplished what no other Icelandic team had. They were bringing home a silver medal, only the second in the



PHOTOS MORGUNBLADID/BRYNJAR GAUTI

country's history (the other was awarded to triple-jumper Vilhjálmur Einarsson in 1956). Two bronzes—in 1984 and 2000—complete the total Olympic haul for this island nation.

Iceland has now become the smallest nation ever to win an Olympic medal in a team sport.

To get that far, Iceland beat Russia, world champions Germany, and Poland to earn a seat in the semi-final match against Spain, which it won soundly 36-30.

The team even captured the attention of the international media, stoking the flames of Iceland's minority complex. "Iceland is So Hot Right Now" announced SportingNews.com. *The New York Times*

carried a story about the underdog heroes on the cover of their Saturday paper. From the *Financial Times* to the *Sydney Morning Herald*, the world lapped up the story of the little team that could.

Three days later, the team returned home to a heroes' welcome. Following a parade through central Reykjavík they were presented to a cheering group of 30,000 (ten percent of the entire population of Iceland), up on stage alongside the rest of the country's Olympic competitors. Those Icelanders who could not make it watched the event live on TV. It was a very special moment in the life of the nation. *Eliza Reid* □

An Opera House in Iceland

Icelandic architects win competition to design an opera house in Kópavogur.



“It is good to live in Kópavogur!” is the political slogan of Kópavogur Mayor Gunnar Birgisson. Certainly no one can dispute that the city, which lies adjacent to Reykjavík, has been good to the arts. It is the site of an attractive art gallery as well as the first concert hall in Iceland exclusively designed for performing music. Moreover, a few years ago the mayor expressed his wish to build the first Icelandic opera house in Kópavogur.

Music lovers have much to look forward to. A concert and conference hall is rising on the oceanfront in Reykjavík and should be ready in just over a year. In August the results of a competition for the design of an opera house were announced. The winners were Arkthing architects, with what the panel of judges called a “convincing and well expressed idea.”

The opera house will be situated close to the Kópavogur concert hall and art gallery on what could be called an ‘art square’ on top of a hill in Kópavogur. The square could also be called ‘art meets religion’ because the Kópavogur church with its distinctive arches is on the same hill.

The mayor was pleased: “This is one step towards our goal. An important step. If we want to call ourselves a cultured nation we must have an opera house.”

The Icelandic Opera Company, which has been operating in an old movie theater in downtown Reykjavík, recently celebrated its 25th anniversary. The theater has always been looked upon as a temporary shelter for the opera.

The next step is to start formal planning for the construction and to secure financing. It will take time, but Mayor Gunnar Birgisson thinks it is realistic to expect that within three or four years this important art form will finally have a permanent home in Iceland. □



From Sheep to Students

A sheep farm becomes an international center for Icelandic culture and nature.

A sheep farm becomes an international center on Icelandic culture and nature.

Svartárkot (Black River Cottage) is the farm highest up in the Bárðardalur valley in northern Iceland, abutting Ódádahraun, the wildest uninhabited lava interior in Iceland. To the south and east lie the rugged uninhabitable areas of the highlands, the domains of glaciers and lava fields, while a colorful cultural history is also to be found further down the valley, towards the lowlands.

Svartárkot maintains a handsome sheep husbandry, and there is excellent trout fishing in the lake. Of a few turf outbuildings still in use, one is for smoking the local trout. To the untrained eye it does not look a research center.

This summer, one course was run on in nearby Kidagil, based on the model of a general course that was successfully launched at a

conference in the summer of 2007. The course in 2008 had 25 participants from the department of Human Geography at the University of Edinburgh who explored Icelandic nature, listened to lectures, history and culture and also enjoyed activities such as whale-watching out of Húsavík under the midnight sun during the summer solstice, and eating and drinking at light-night barbecues in the wilds near Svartárkot and Mývatn.

The courses at Svartárkot are supervised by the Reykjavík Academy and are designed to get the most from the farm, the settlement and the wilderness, as well as the experience of living in that location. They also illustrate the dynamic connection between past and present and the integration of ecology with cultural studies. The Svartárkot courses try to reconnect today's society with the environment, for instance by allowing participants to fish in the lake.

A diverse range of teaching methods included lectures at the center, 2-3 day journeys into the central highlands, day trips to local history museums and to the community archive at Húsavík, as well as visits to spectacular waterfalls and geothermal areas. Specific programs emphasized material culture, folklore, craftsmanship, cuisine and horsemanship.

In 2009 three courses at Svartárkot will focus on cultural history, geography and environmental studies. The courses are intended for students with an interest in cultural studies, literature, history, anthropology, folklore, geography, geology, ecology and natural science, with the focus on integrating the study of culture and nature.

It is very hard to think of a more appropriate place for such studies. □



Recycling the NATO Base

Academics replace air force personnel.

Until 2005, Keflavik Airport served the dual function of being an international airport and a base for the North Atlantic Treaty Organization (NATO), which was staffed with military and technical personnel from the United States. However, changed conditions on a global scale eventually led the US to pull out of Iceland, leaving a small town of empty buildings.

Those buildings are now being put to good use. A project entitled Keilir Atlantic Center of Excellence has established a number of schools at the university level on the former NATO premises. The schools are in the fields of energy and technology, health and education, communications and safety and creative industries.

Issues & Images spoke with Magnús Árni Magnússon, who leads a program entitled Creative Sciences. Magnús Árni was previ-

ously assistant rector at Bifröst University and later a partner at Capacent Gallup.

What are creative industries?

The short answer is that they are those functions that originate in the creative power of the individual. This could be in the various arts: music, film, publishing, multimedia, and so on. We might also extend the idea to something called practical creativity.

How will you kick off?

We start with as many practical aspects as possible. Initially, a one year study program is being set up in collaboration with the University of Iceland and the Innovation Center Iceland. We start out with 19 students in a building that previously housed the US military's engineering department. We call it Eldey after a small island off the southwest coast of Iceland.

Are you adding anything new to the academic sector in Iceland?

Yes, we feel that by presenting an interdepartmental program we are offering a very interesting option. It will be an exciting first year. The school has been able to recruit a number of creative artists who will be working with us on developing the program. A combination of people from the business, academic and creative sectors will make this a unique program at this level. We combine excellent teaching with state-of-the-art technology. The program will be revolutionary for those who want to develop a business idea and use their time to learn something new while earning academic credits.

We intend to be leaders in creative industries in Iceland in cooperation with those who are already in those fields, within the academic and commercial sectors. □



Solitary Confinement

If you want to get away from it all, there is no better place than Hornstrandir.

The fox didn't seem to mind that he had human company. While we were preparing our cameras he looked at us long and hard and showed no trace of fear. However, suddenly he seemed to remember he had other things to do and disappeared into a maze of driftwood on the beach.

Issues & Images had joined a group that was spending five days in a stunning location on the northern West Fjords. Many consider Hornstrandir, with its fjords, mountains and valleys, to be the most beautiful part of Iceland. The landscape radiates mystery and a harsh beauty. The most generous fishing grounds in Iceland are close by and for cen-

turies the West Fjords were the most densely populated area of Iceland.

Most people come to this secluded location by boat. No roads lead to Hornstrandir, only hiking trails. If you decide to go on foot make sure that you are in top form. Most days you will have to walk 15 to 25 kilometers, climb mountains, take difficult paths and carry your supplies on your back. But for a real nature lover, it is worth it.

We took the boat a part of the way. Our captain, Reimar Vilmundarson, knows the area well. He told us that he had ferried almost 2,000 passengers this year. Most go directly to Hornbjarg, a distinctive moun-

tain by the sea. It is a two hour trip from Nordurfjörður, the last small village you can drive to along the way.

Hornstrandir no longer has any human inhabitants. Around the mid-20th century almost all the residents decided to leave. The dark and cold winters became too much for people in a modern society. Consequently you can now find many wild animals at Hornstrandir, that don't mind seeing you.

After five days Reimar came to pick us up. We left the foxes and eagles behind and stepped onto the boat. We sailed past some seals that watched us with their human eyes and seemed to wave goodbye. □



Art by the Pond

The finest collection of Icelandic art may be found at the National Gallery of Iceland.

In the heart of Reykjavík, on the banks of the Tjörnin pond, you'll find the National Gallery of Iceland. The gallery hosts exhibitions by contemporary artists and also exhibits works from its permanent collection of Icelandic art, covering in particular 19th and 20th century art, both Icelandic and international. The permanent collection incorporates key Icelandic works from the 20th century by the nation's leading artists, and the gallery owns the most valuable collection of works by Icelandic artists in the country.

The building in which the gallery is situated has served many functions. In the 1960s it was the main nightclub in Reykjavík and many of the current political and cultural leaders in

the country were frequent guests on its dance floor. It is rumored that the young Bill and Hillary Clinton once went there while on a stopover to Europe. Prior to that it was an ice house, used to store blocks of ice throughout the year before the invention of the refrigerator.

Even though the building was not designed as a gallery it has four modern exhibition halls. The permanent collection, which now incorporates more than 10,000 works, is constantly expanding. New works by young artists are added every year along with selected works by older painters, in order to improve the collection.

The collection also includes an impressive

array of works by internationally renowned artists such as Pablo Picasso, Edward Munch, Karel Appel, Hans Hartung, Victor Vasarely, Richard Serra and Richard Tuttle. In the collection are also works by many of Denmark's finest artists, including Joakim Skovgaard, Christian Blache and Peter Krøyer. Generous gifts from Icelandic artist such as Finnur Jónsson, Gunnlaugur Scheving and Gudmunda Andrésdóttir have added to the valuable collection.

After you have been to see one of the exhibitions it is good to relax over a cup of coffee and a sandwich. Of course you can also take Icelandic art home with you in the form of books, catalogues, posters and postcards. □

Dr Bragi Takes Beauty Oscar



Proving that beauty and science do mix.

Dr Jón Bragi Bjarnason, Professor of Biochemistry at the University of Iceland, has devoted his scientific career to researching beauty. Of course many of us spend a fair amount of time studying beauty, but maybe not from a scientific perspective.

His extensive research initially focused on the therapeutic value of enzymes for arthritis and wound healing. Clinical evidence of their effectiveness was so compelling that it prompted Dr Jón Bragi to explore their cosmetic potential as well. This in time led to production of the Dr Bragi cosmetic line. It has been well received and on Monday, April 21, 2008 Dr Bragi was awarded the title 'Best New Brand' at the prestigious CEW Awards at the Sheraton Hotel,

London. The awards have become known as the 'Beauty Oscars' as each winner is chosen by a panel of 600 beauty industry insiders.

Dr Bragi is a brand new skincare treatment line which is considered a breakthrough in skincare technology using a totally unique patented Penzyme formulation from Iceland.

Dr Bragi's Age Management Marine Enzyme is the signature product in a range developed to combat the signs of ageing. It is an oil-free but intensive moisturizer, which stimulates circulation and cell renewal and even helps to fade wrinkles.

Anti-ageing products normally promise a reduction in wrinkles and fine lines. With only one active ingredient, this is a fragrance,

chemical and preservative free alternative to the complex cocktail of products often used to combat the signs of ageing.

The unique anti-inflammatory formulation of Penzyme helps slow the signs of ageing by rejuvenating tired skin and adding moisture. Radiance comes from within as blood flow is increased providing constant moisture and firmness. Penzyme helps skin repair itself by encouraging the skin's defense and regeneration mechanisms, making it suitable for all skin types.

The Dr Bragi range consists of three products including Dr Bragi Age Management Marine, Intensive Treatment Mask and the forthcoming launch of Dr Bragi Face and Body Salvation. □



SCREAM!

The Icelandic thriller is here to stay.

Since 1997, over 70 crime novels have been published by Icelandic authors (relative to population, that's the equivalent of 15,000 crime novels being published every year in the UK) and they are topping the best-seller lists year in, year out. Some of these authors are being translated into as many as 30 languages.

"I think I'm going to kill a Pole and a billionaire," mutters Aevar Örn Jóseppson, slyly. Sitting in his cramped, book-lined study where the shelves are ordered by author and the hierarchy of influences is boldly proclaimed, his comment sends a shiver up my spine. Thankfully, he's talking about his next novel.

Arnaldur Indridason, considered by many to be both the instigator of the trend and its most skilful proponent, has won Britain's coveted Crime Writer's Association 'Gold Dagger' as well as the Scandinavian 'Glass Key' award twice. "Arnaldur is a pioneer,"

says crime author Stefan Máni, "his success is good for all of us. He has created a readership and put Icelandic crime fiction on the map." And while Indridason's international recognition may be significant (he's sold more than four million books worldwide), equally noteworthy is the fact that within the last few years, seven out of the ten most borrowed books in Iceland's own National Library were written by him.

Arnaldur Indridason's first crime novel *Synir duftsins* (Sons of Dust) and Stella Blómkvist's *Mordid í stjórnarráðinu* (Murder at the PM's Office), together marked the beginning of the new wave of crime fiction that is still very much alive today.

By 2000, a handful of other writers had joined Indridason and Stella Blómkvist (a *nom de plume* still disputed to this day), such as Árni Thórarinsson, Aevar Örn Jóseppson, Thráinn Bertelsson, Viktor Arnar Ingólfsson, Yrsa Sigurdardóttir and

Stefán Máni. These writers were in part following on from the success of Indridason's pioneering work, but the increase in interest on the part of authors (some of them already well-established but coming to this genre for the first time) was also partly due to the establishment of the Icelandic Crime Writers' Association in 2000.

Following an aggressive policy of privatization introduced in the early '90s, and Iceland's entry into the European Economic Area in 1994, the Icelandic economy saw huge growth and with it the nation itself experienced huge cultural shifts. Globalization hit Iceland hard and fast.

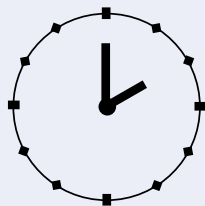
And there's no sign of any of this abating. Why should it? Iceland is a wealthy, modern country enjoying the benefits of its recent prosperity. But of course the velocity of these changes comes at a price, and Icelanders find themselves addressing some perplexing issues. □ Tobias Munthe



Author Thráinn Bertelsson writes darkly comic thrillers.

Opposite page: three books by Arnaldur Indriðason who received the Glass Key award, a literature prize for the best Nordic crime novel, in 2002 and 2003, and won the CWA Gold Dagger Award in 2005 for his novel *Silence of the Grave*.

A Diary of Business and Politics



June 8 The construction of a new aluminum smelter began in Helgúvík. The ground was broken and the first pot room is to be ready in 2010. The smelter will have a production capacity of 150,000 tons per year and is expected to begin smelting in 2010. The Nordurál company still has to apply for an operating license for the smelter as well as permission for emission of greenhouse gases.

June 12 Skyr, one of the most popular foods in Iceland, will be available in British stores this fall. Skyr is a soft fresh cheese that has not been strained and is similar to yogurt. It is high in protein and calcium but low in carbohydrates and fat. MS, Iceland's largest dairy production company, is posed to put skyr on British markets. Test shipments have already been sold in British health food stores.

June 12 Iceland's estimated income for the export of goods in 2008 suggests that aluminum will exceed fish as the largest export from the country. The estimated export value of aluminum for 2008 is ISK 165 billion (USD 2.1 billion). That is double the income from last year. Fishing industry exports are expected to total around ISK 130 billion (USD 1.6 billion) so aluminum exports will account for 45 percent of Iceland's exports, with ocean products falling to 36 percent.

June 28 Minister of Industry Össur Skarphéðinsson met the assistant director of US aluminum company Alcoa to sign a new declaration of intent for the planned aluminum smelter at Bakki near Húsavík in Northeast Iceland. "A declaration of intent from May 2006 is being updated," Skarphéðinsson's assistant Einar Karl Haraldsson said. In the last declaration of intent an annual 250,000-ton aluminum production and annual 400-megawatt energy usage was agreed on.

July 12 Iceland's Minister of Justice Björn Bjarnason discussed the possibility of Iceland adopting the euro through special agreements with the European Union without joining the EU, and his comments sparked a debate. Bjarnason said that by adopting the euro Iceland would add the third pillar to its cooperation with the EU, the other two being Iceland's membership in the European Economic Area and the Schengen Agreement

July 28 The 12-month inflation in Iceland reached 13.6 percent, according to new data from Statistics Iceland, and has not been higher for 18 years, or since August 1990. Consequently

the capital of mortgages grows and debt burden increases. The recent depreciation of the ISK has an impact on inflation, as does the six percent increase in the price of imported goods, which accounts for almost two percent of the 13.6 percent inflation.

Aug 1 Iceland's President Ólafur Ragnar Grímsson was re-inaugurated. The ceremony launched the president's fourth term in office. One term is four years and no one decided to run against Grímsson for the current term.

Aug 5 The online edition of the British business newspaper *Financial Times* reported that judging by the Q2 results of Iceland's three largest commercial banks Glitnir, Landsbanki and Kaupthing, their operations are on solid ground. Although the credit crunch has certainly affected the earnings of Glitnir, Landsbanki and Kaupthing, their financial strength, core operations and main sources of revenue still delivered good results.

Aug 5 Róbert Wessman announced that he will step down from his position as CEO of the Icelandic pharmaceutical company Actavis Group after ten years of leading the company. He will be replaced by Sigurdur Óli Ólafsson, Actavis' current deputy CEO. Wessman will now focus on his investment company Salt Investment, but will continue to have a seat on the board of Actavis.

Aug 7 The vast majority of shareholders of SPRON savings bank agreed on a merger with Kaupthing Bank. With the merger, SPRON shareholders will receive shares in Kaupthing and Exista investment company. The rate of shares in SPRON was estimated at ISK 3.83 (USD 0.05, EUR 0.03) per share, which is 15 percent higher than the rate on June 30 when a declaration of intent on the merger was signed between the two banks. Kaupthing has also acquired a 70 percent share in Sparisjódur Mýrasýslu, another savings bank.

Aug 15 The Independence Party-Liberal Party majority coalition on the Reykjavík City Council came to an end when leader of the Independence Party Hanna Birna Kristjánsdóttir and leader of the Progressive Party Óskar Bergsson announced

their cooperation. Their decision also put an end to Ólafur F. Magnússon's 203-day stint as mayor of Reykjavík. Kristjánsdóttir will be the capital's next mayor, the fourth mayor to serve this term, which began in 2006, and Bergsson will be chairman of the city council.

Aug 17 Investment company Fons sold its shares in Iceland, a British food chain. The sale is a part of transactions between Fons and Stodir Investment. Fons received shares in Northern Travel Group which owns Sterling airlines, Iceland Express airlines and other companies.

Aug 18 Almar Örn Hilmarrsson returned to the helm of Danish Sterling airlines. Almar Örn had previously been CEO of Sterling and following Fons's takeover of the company he returned to his previous position.

Aug 18 Economist Jón Steinsson of Columbia University said in a public lecture that Iceland's economic future had been painted too bleakly. He also stated that the government had been unfairly criticized for waiting to take large foreign loans.

Sept 2 Danish newspaper *Nyhedsavisen* is declared bankrupt. The daily was founded by Baugur Group investment company based on the success of *Fréttabladid* in Iceland. Both newspapers were distributed free of charge. Baugur Group sold part of its share in *Nyhedsavisen* to Morten Lund, a Danish investor, earlier this year.

Sept 2 Prime Minister Geir H. Haarde announces that the government has taken a EUR 300 million loan on terms that are much more favorable than the credit default swaps for the government.

Sept 9 Financial companies VBS and Saga Capital announce that they are engaged in merger talks. A merged company would have ISK 16.5 billion (EUR 130 million) in own capital.

Sept 10 Eimskip transport company share price fell by more than 20% in two days on rumors that a USD 200 million (EUR 141 million) loan taken by the buyers of British tourism company XL Leisure Group will have to be paid by Eimskip. Björgólfur Guðmundsson, majority owner and chairman of Landsbanki Bank, and his son Björgólfur Thor Björgólfsson, chairman of financial and investment companies Straumur-Burdarás and Novator, decided to step in and lend Eimskip the money to pay off the loan. The father and son were already the principal owners of Eimskip through various holding companies. □

Statistics

VITAL STATISTICS

Number of inhabitants July 1, 2008	319,355
GDP increase 2007	3.8%
GDP 2007	1,279 billion ISK 10.1 billion EUR
GDP per capita	31,535 EUR
Total exports 12 months 2007	305 billion ISK 2.4 billion USD
Total imports 12 months 2007	395 billion ISK 3.1 billion USD
Balance of trade 12 months 2007	-90 billion ISK -0.7 billion USD
Fall of stock index 12 months (to Sept 11, 2008)	-50.1%
Wage increase 12 months to July 2008	9.1%
Inflation 12 months to August 2008	14.5%
Unemployment (Q2 2008)	3.1%

CHANGES IN STOCK PRICE JAN. 1, 2008 TO SEPT. 11, 2008 (TOP AND BOTTOM)

Company	% change
Alfesca (food)	-1.7 %
Össur	-4.9 %
Nýherji (software and computers)	-5.2 %
Marel	-16.7 %
Kaupthing Bank	-21.0 %
Bakkavör (food)	-57.4 %
Teymi (software and telecommunications)	-61.6 %
SPRÖN (savings and loans)	-64.6 %
Exista (investment)	-67.3 %
Eimskip (shipping)	-70.7 %

RELIGIONS IN ICELAND

Religion	% of population
Lutheran (National Church)	80.7 %
Catholic	2.5 %
Reykjavik Free Church	2.4 %
Hafnarfjörður Free Church	1.6 %
Independent Church	0.9 %
Pentecostal Movement	0.6 %
Ancient Norse Mythology	0.4 %
Other religions and unknown	7.9 %
No stated religion	2.8 %

ICELANDIC STOCK INDEX 12 MONTHS

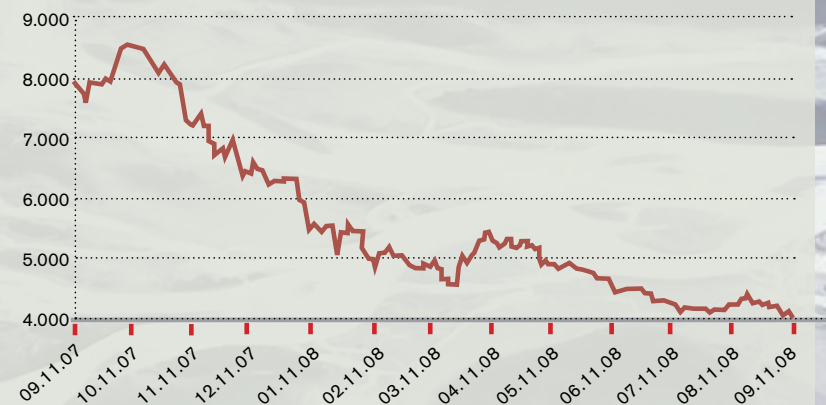




PHOTO: GEIR ÓLAFSSON

A Young Executive at Glitnir Bank

Lárus Welding has been CEO of Glitnir since spring 2007.

When Glitnir Bank announced that a new CEO was taking over, people listened. “Who is Lárus Welding?” they asked. He had been working at Landsbanki in London and was not well known in Icelandic business circles. But he was bold when he took over and said he would continue building up Glitnir’s strongholds in various countries, especially the Nordic countries and Britain. “We see many opportunities. Our niche is the food industry and energy production. We know those fields well and will build on them.”

The first year and a half turned out to be much more difficult than the 30-year-old chief executive could have imagined. The American mortgage crisis spread to Europe and Iceland was not immune. Glitnir had to lay off over 200 employees. Members of the board and the CEO all reduced their salaries by 50 percent as part of the bank’s cost-reduction efforts.

Lárus does not deny that the past year has been “... interesting.” However, he is certainly not resting on his laurels. After many prosperous years, Icelandic bankers had grown used to steady growth. The landscape is now completely different, but Glitnir has worked hard to adapt to new circumstances. In interviews Lárus has never underestimated the difficulty of the situation at hand best stresses that Glitnir is well equipped to weather the storm.

Lárus graduated from the business program at the University of Iceland and has worked in banking since then. He is very competitive and even though being CEO of Glitnir is a 24-hour job he takes the time to exercise. In the Glitnir-sponsored Reykjavík Marathon he ran a half marathon this year. It may be similar to his challenging job, in that he still has to complete the second half of the Glitnir marathon. □

ICELANDIC DESIGN

Three pieces from designer Þórunn Árnadóttir.



BLUSH
Cast iron radiator with heat-sensitive coating. Blue when cold, turns red when over 30°C.



CLOCK
One bead drops every five minutes, seeming to slow down time. Remove the beads from the cog to stop time and wear them proudly around your neck.



KRUMMI
Jewelry stand based on the raven (prominent in Icelandic folklore), which collects shiny objects for its nest.

More about Þórunn Árnadóttir on page 5.



PHOTO: PALL STEFANSSON

· TRADE COUNCIL OF ICELAND ·
www.icetrade.is

· INVEST IN ICELAND AGENCY ·
www.invest.is

· MINISTRY FOR FOREIGN AFFAIRS ·