

Samherji hf.

Interim Financial Statements

June 30, 2002

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Endorsement by the Board of Directors

The Interim Financial Statements of Samherji hf. for the period January 1, -June 30, 2002 are prepared in accordance with the same accounting principles in previous year. The Company has however, in accordance with change passed by the Icelandic Parliament at year end 2001, discontinued to report the effects of general price level changes in its Financial Statements. Assets previously revalued are now entered at cost value in the Company's records. Depreciation is based on cost value and income due to changes in the price level are no longer entered in the Statement of Earnings. If the same accounting procedures had been used as the year before net profit of the period would have been higher by ISK 58.2 million and stockholders equity ISK 175.1 million higher.

Net profit of the period according to the Statement of Earnings amounted to ISK 1,754.5 million. According to the Balance Sheet the stockholders' equity at the end of June amounted to ISK 7,822.7 million and the equity ratio of the Group was 37.1% compared to 34.3 % at the beginning of the year.

At the end of June the capital stock of the Company amounted to ISK 1,636.4 million but during the period the Company sold own shares with nominal value of ISK 47.4 million and purchased own shares with nominal value of ISK 17.0 million, and at the end of June 2002 the Company had own shares of ISK 23.6 million.

The Board of Directors and the General Manager of Samherji hf. hereby confirm the Interim Financial Statements for the period January 1,- June 30, 2002.

Akureyri, August 19, 2002.

Board of Directors

Finnbogi Jónsson

Jóhannes Geir Sigurgeirsson

Óskar Magnússon

Arngrímur Jóhannsson

Jón Sigurðsson

General Manager

Þorsteinn Már Baldvinsson

Auditors' Report

To the Board of Directors of Samherji hf.

We have reviewed the accompanying Balance Sheet of Samherji and its subsidiary as of June 30, 2002 and the related Statement of Earnings and Statement of Cash Flows for the six months then ended in accordance with standards established in Iceland.

A review consists principally of a review of the documents on which the Interim Financial Statements are based, inquires of company personnel and analytical procedures applied to financial data and ratios. It is substantially less in scope than an audit performed in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the Financial Statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the Interim Financial Statements in order for them to conform with generally accepted principles in Iceland.

Akureyri, August 19, 2002.

Arnar Árnason

KPMG Endurskoðun Akureyri hf.

Statement of Earnings January 1, - June 30, 2002

	Notes	2002	2001
		1.1. - 30.6.	1.1. - 30.6.
Operating revenue:			
Fish processing revenue		3.531.500	3.058.383
Catch from fishing vessels		4.171.506	2.964.141
Catch from own vessels to own production		(866.568)	(716.243)
Sales revenue		247.199	616.963
Other income		14.283	65.507
Gain on sale of assets		76.889	
		7.174.809	5.988.751
Operating expenses:			
Production cost		2.844.664	2.242.527
Catch from own vessels to own production		(866.568)	(716.243)
Operation of fishing vessels		2.785.297	2.115.950
Cost of goods sold		231.237	588.135
General and administrative cost		159.229	146.142
Loss on sale of assets			119.405
		5.153.859	4.495.916
Profit before depreciation and financial expenses		2.020.950	1.492.835
Depreciation	9	(505.358)	(497.898)
Operating profit before financial income and (expenses)		1.515.592	994.937
Financial income and (expenses):			
Interest earned and dividends		42.132	19.205
Gain on sale of shares in associated companies		14.274	
Interest expenses		(265.112)	(355.291)
Currency fluctuations		761.819	(1.239.464)
Calculated inflation adjustment	6		290.800
Share of income (loss) of associated companies.....	3,14	61.322	(108.800)
		614.435	(1.393.550)
Operating profit before taxes		2.130.027	(398.613)
Income tax	4,19	(370.582)	53.608
Tax on net worth		(4.911)	
Net profit (loss) for the period	18	1.754.534	(345.005)

Balance Sheet

Assets			
	Notes	2002	2001
		30.6.	31.12.
Fixed assets:			
Intangible assets:			
Purchased catch quota	6	3.210.421	3.441.609
Property and equipment:			
Buildings		788.960	820.834
Fishing vessels		5.231.741	4.598.963
Machinery and equipment		808.875	768.428
	8-12	<u>6.829.576</u>	<u>6.188.225</u>
Investments:			
Shares in associated companies	3,14	2.973.622	1.221.970
Assets in other companies	15	1.883.546	506.367
Loans to associated companies	16	238.988	90.423
Other long-term notes		23.713	24.207
		<u>5.119.869</u>	<u>1.842.967</u>
	Fixed assets	<u>15.159.866</u>	<u>11.472.801</u>
Current assets:			
Inventories:			
Products	2	2.206.430	1.901.958
Supplies	2	495.924	533.682
Receivables:			
Accounts receivable		1.461.808	1.964.241
Due from associated companies		487.396	432.173
Other receivables		912.882	1.353.856
Current maturities of long-term notes		2.824	335.079
Prepaid expenses		141.465	70.672
Cash		206.574	47.759
	Current assets	<u>5.915.303</u>	<u>6.639.420</u>
	Total assets	<u><u>21.075.169</u></u>	<u><u>18.112.221</u></u>

June 30, 2002

Stockholders' equity and liabilities

	Notes	30.6. 2002	31.12. 2001
Stockholders' equity:			
Capital stock	17	1.636.417	1.606.185
Contributed capital in excess of par		612.017	278.196
Revaluation reserve		(19.243)	
Statutory reserve		176.503	176.503
Retained earnings		5.417.023	4.158.513
Stockholders' equity	18	7.822.717	6.219.397
Deferred liabilities:			
Deferred income tax liabilities	4,19	758.886	636.722
Long-term debt:			
Bonds		1.322.397	502.220
Credit institutions		6.244.878	6.334.219
	20-21	7.567.275	6.836.439
Current liabilities:			
Credit institutions		1.975.332	2.259.243
Accounts payable		763.242	751.422
Liabilities to associated companies		234.654	4.224
Current maturities of long-term debt		1.299.408	975.561
Taxes for the year		253.417	
Other liabilities		400.238	429.213
		4.926.291	4.419.663
Total liabilities		13.252.452	11.892.824

Stockholders' equity and liabilities

21.075.169 18.112.221

Mortgages 22

Statement of Cash Flows January 1, - June 30, 2002

		1.1. - 30.6. 2002	1.1. - 30.6. 2001
Cash flows from operating activities:			
Net profit	18	1.754.534	(345.005)
Adjustment to reconcile net profit to net cash:			
(Gain) loss on sale of assets		(91.163)	119.405
Depreciation	9	505.358	497.898
Indexation and currency fluctuation on long-term debt		(605.446)	1.082.729
Calculated inflation adjustment			(290.800)
Effects of associated companies	3,14	(61.322)	108.800
Change of obligations	4,19	122.166	(23.298)
		<u>1.624.127</u>	<u>1.149.729</u>
Working capital from operation			
Changes in operating assets and liabilities		<u>1.044.365</u>	<u>(455.894)</u>
Net cash provided by operating activities		<u>2.668.492</u>	<u>693.835</u>
Cash flows from investing activities:			
Investment in fixed assets	8	(1.536.173)	(90.579)
Proceeds from sale of assets		664.793	125.092
Investment in associated companies		(1.667.036)	(247.078)
Investment in shares in other companies		(1.501.555)	
Proceeds from sale of shares in other companies		95.637	
Long-term notes , decrease		181.898	61.567
Receivables, increase		(24.830)	(4.942)
		<u>(3.787.266)</u>	<u>(155.940)</u>
Net cash used in investing activities			
Cash flows from financing activities:			
Own shares, change	18	364.116	
Dividends paid	18	(496.023)	(248.357)
Proceeds from long-term borrowing		2.204.286	
Payments of long-term debt		(522.389)	(742.300)
Current liabilities, (decrease) increase		(272.400)	55.429
Other changes			(28.099)
		<u>1.277.590</u>	<u>(963.327)</u>
Net cash provided by (used in) financing activities			
Increase in (decrease) in cash		<u>158.816</u>	<u>(425.432)</u>
Cash at beginning of year		<u>47.758</u>	<u>473.964</u>
Cash at end of period		<u>206.574</u>	<u>48.532</u>

Notes

Accounting policies

1. The Interim Financial Statements are in all main respects based on the same accounting principles as the year before, except see note 5. The Company had one subsidiary at June end, Onward Fishing Company Ltd. UK, 100% owned by the Company, see note 13. In the Consolidated Financial Statements the effects of intercompany transactions are eliminated.
2. Inventories are valued based on the following: Products are valued at average production cost, which consists of direct and indirect production cost. Supplies are entered at the latest purchase price, except for used fishing gear which is valued at 50% of its purchase price.
3. Investments in associated companies are entered by the equity method taking into account the difference between the original purchase price of the shares and the Company's share of the stockholders' equity on the date of the purchase. The premium of domestic associated companies is amortized over the period of five to twelve years.

The Interim Financial Statements of a foreign subsidiary are based on original cost price. In the Consolidated Financial Statements amounts of its Balance Sheet are converted to Icelandic krónur based on the rate of exchange at June end 2002, but amounts from the Statement of Earnings are entered at the average exchange rate during the period. The exchange rate difference which develops by the transfer of the Financial Statement of the foreign subsidiary into Icelandic krónur is entered to the revaluation account. The Parent Company's share in revaluation and operational results of its foreign associated companies is entered in the Financial Statements in a comparable way.

4. The deferred income tax liability of the Company has been calculated and is included in the Interim Financial Statements. The liability represent the timing difference in the accounting methods used for tax purposes compared to the Financial Statements. The difference occurs because expenses, especially depreciation, are generally expensed earlier for income tax purposes than in the Financial Statements.

Changes in accounting policies

5. In accordance with changes in Financial Statements Act which were passed at the end of the year 2001, the Company does not longer report the effects of general price level changes in its Financial Statements. Assets that were before revalued according to changes of the Consumer Price Index, fixed assets and shares in other companies, are now entered at cost price. Depreciation is based on cost value rather than revalued cost value and effects of general price level changes are not entered in the Statement of Earnings. The effects of these changes on the Statement of Earnings and the Balance Sheet are such, that the operating results are not presented at the average price level of the period and the above mentioned assets are not presented at June end 2002 price level as before. If the same accounting procedures had been used as the year before, the net profit of the period would have been ISK 58.2 million higher and Stockholders' equity higher by ISK 175.1 million.

In accordance with international accounting principles comparative figures from previous year has not been changed. Book value and shares in other companies at the end of the year 2001 is considered as a cost price of these assets. When comparing operating results from various periods the number one item that has to be checked is the calculated inflation adjustment. The effects of the changes on other items such as depreciation and share of results of associated companies are less and does not have decisive effects on the comparison.

Intangible assets

6. The intangible assets in the Balance Sheet consists of fishing licenses and catch quota and also premium of shares in a subsidiary, which is linked to the above mentioned assets. The book value of these assets at year end is ISK 3,210.4 million. Fishing licenses and catch quota are expensed over the period of twelve and half year, but premium due to investments in the subsidiary, which primarily consists of fishing licenses and catch quota, is expensed over the period of twenty years. Catch quota and fishing licenses of a subsidiary in foreign territorial waters is entered in the Balance Sheet among fixed assets and is not depreciated in the subsidiary's Financial Statements. In the Consolidated Financial Statements of Samherji hf. these fishing licenses and catch quota are depreciated in the same way as in the Financial Statements of the Parent Company. Changes during the year are as follows:

Book value 1.1.2002	3.441.609
Effects from currency fluctuations during the period	(32.641)
Depreciation	(198.547)
Net book value 30.6.2002	<u>3.210.421</u>

Notes, cont.:

7. Catch quota which the Parent Company has been allocated in Icelandic territorial waters is as follows:

	Allocated catch quota	Uncaught 30.6.2002
Cod	11.531	(301)
Haddock	1.916	16
Saithe	1.715	449
Ocean perch	5.647	204
Ocean catfish	162	195
Greenland halibut	2.463	236
Plaice	179	127
Shrimp	4.262	2.238
Herring	19.408	3.255
Capelin	43.852	43.852
Total	<u>91.135</u>	<u>50.271</u>
Allocated catch quota in cod equivalents	28.420	4.742

Calculations of cod equivalents is based on coefficients issued by the Ministry of Fisheries.

In addition to the above mentioned catch quota the Company has fishing licenses for deep sea fishing in the following areas:

Shrimp, Flemish hat	1.164	1.164
Herring, Nordic-Icelandic herring stock	14.117	2.005
Deep sea ocean perch, Reykjanes ridge	6.793	1.239
Blue whiting	25.472	19.504
Cod, Barents Sea off Norway	563	229
Cod, Barents Sea off Russia	338	312
Total	<u>48.447</u>	<u>24.453</u>

Estimated exploitable catch of Onward Fishing Company Ltd. during the year 2002 is as follows:

Cod	1.032
Haddock	241
Saithe	34
Ocean perch	513
Greenland halibut	17
Total	<u>1.837</u>

The above mentioned fishing permits are in Norwegian, and Spitzbergen waters and a part of the ocean perch is in Icelandic waters. Onward Fishing Company Ltd. has also fishing permits for 646 tons in the North-sea and will be allocated 100 days to catch shrimp in Spitzbergen water.

Notes, cont.:

Property and equipment

8. Property and equipment, revaluation and depreciation are as follows:

	Buildings	Fishing vessels	Machinery & equipment	Total
Total value 1.1.2002	1.712.884	9.274.548	2.638.091	13.625.523
Depreciation total 1.1.2002	(892.050)	(4.675.585)	(1.869.663)	(7.437.298)
Book value 1.1.2002	820.834	4.598.963	768.428	6.188.225
Effects of currency fluctuations during the period			(108)	(108)
Additions during the period		1.405.461	130.712	1.536.173
Depreciation during the period	(20.945)	(195.709)	(90.157)	(306.811)
Net book value 30.6.2002	788.960	5.231.741	808.875	6.829.576
Depreciation ratio	2-4%	6-33%	12-33%	

9. Depreciation according to the Statement of Earnings amounts to ISK 505.4 million, as follows:

Depreciation of fixed assets see note 8	306.811
Depreciation of catch quota, see note 6	198.547
Depreciation according to the Statement of Earnings	505.358

10. The principal buildings of the Company specify as follows:

	Official assessment value	Insurance value	Book value
Factory building and workshop, Laufásgötu, Akureyri	197.245	777.975	103.059
Factory building etc, Dalvík	300.706	643.820	415.933
Factory building etc., Grindavík	252.888	525.649	190.806
Factory building etc., Eskifirði	46.021	116.868	22.027
Factory building etc., Árskógssandi	40.007	112.227	33.825
Factory building etc., Hrísey	58.546	271.399	10.507
Factory building etc., Stöðvarfirði	114.220	342.613	12.803
	1.009.633	2.790.551	788.960

11. In April the Company sold the freezing trawler Baldvin Þorsteinsson EA 10 for ISK 600.0 million with a gain on the sale of ISK 164.7 million. The Company purchased the fishing vessel Hannover NC 100 for ISK 850.0 million. The ship which has got the name Baldvin Þorsteinsson EA 10, is now in Riga in Lettland where it will be converted into a multi purpose fishing vessel. In July the Company sold the fishing vessel Kambaröst SU 210 for ISK 80.0 million and loss on the sale amounted to ISK 35.9 million which is entered as an expense in the Statement of Earnings. Also it has been decided to put the vessel Hríseyjan EA 410 into obsolescence and expense due to this is ISK 35.0 million. At the end of June the Company owned eleven ships with a book value of ISK 5,231.7 million. Book value and insurance value of the ships at end of June are as follows:

	Insurance value	Book value
Akureyrin EA 110	607.154	247.206
Baldvin Þorsteinsson EA 10	1.376.700	1.183.920
Björgúlfur EA 312	193.826	196.404
Björgvin EA 311	464.577	424.384
Hríseyjan EA 410	100.000	
Margrét EA 710	330.222	122.954
Oddeyrin EA 210	182.428	129.027
Seley SU 210	200.000	177.316
Vilhelm Þorsteinsson EA 11	1.881.250	1.763.816
Víðir EA 910	527.100	140.677
Þorsteinn EA 810	762.779	846.038
Total	6.626.036	5.231.741

Notes, cont.:

12. The insurance value of property and equipment of the Company amounted to ISK 3,253.9 million at year end. The insurance value of catch and fishing gear amounted to ISK 841.6 million at the same time. Products and raw materials on shore are insured for ISK 2,378.0 million at June end.

Investments

13. The Company had one subsidiary at the beginning of the year, Onward Fishing Company Ltd., and its net profit for the period was ISK 3.9 million, according to its Statement of Earnings. Amortization of the premium of the acquisition price of this company is ISK 12.2 million.
14. The Company had shares in sixteen associated companies at June end. During the year the Company acquired 30.4% share in Hraðfrystistöð Þórshafnar hf., 80.0% share in Krossanes ehf., 16.3% in Síldarvinnslan hf. and 3.3% in Sæsilfur hf.

The Company's share in the associated companies FAB GmbH, Framherji Sp/f., Hraðfrystistöð Þórshafnar hf., Rif ehf., Seagold Ltd., Íslandslax hf., Silfurstjarnan hf., Síldarvinnslan hf., Snæfugl ehf. and Víkurlax ehf. is entered in the Financial Statements according to the equity method, but shares in other associated companies have insignificant influence on the Company's Financial Statements and their effects are not entered in the Financial Statements. The Parent Company's associated companies at June end specifies as follows:

	Share %	Book value	Entered in the Statement of Earnings
FAB GmbH, Germany	35,0%	98.905	(16.167)
Framherji Sp/f., Faeroe Islands	30,0%	46.441	(6.595)
Hraðfrystistöð Þórshafnar hf.	49,7%	621.497	63.567
Íslandslax hf., Grindavík	64,7%	117.075	(56.454)
Krossanes ehf., Akureyri	100,0%	131.784	(57.451)
Rif ehf., Hrísey	49,0%	58.002	(2.786)
Seagold Ltd., UK	50,0%	47.076	3.192
Silfurstjarnan hf., Öxarfirði	48,4%	96.161	(7.467)
Síldarvinnslan hf., Neskaupsstað	16,3%	1.140.361	97.610
Snæfugl ehf., Fjarðabyggð	55,0%	206.756	117.808
Ulloriaq, Grænland	33,3%	33.964	(67.706)
Víkurlax ehf., Grýtubakkahreppi	85,0%	(3.432)	(6.229)
Fell Ltd., Reykjavík	50,0%	32.859	
SNS holding Ltd., Canada	43,2%	78.902	
Sæblikinn ehf., Akureyri	50,0%	251	
Sæsilfur hf., Fjarðabyggð	56,3%	267.020	
		<u>2.973.622</u>	<u>61.322</u>

15. Shares in other companies are as follows:

	Share %	Book value
Fiskeldi Eyjafjarðar hf.	16,5%	198.258
Kaldbakur fjárfestingafélag hf.	16,5%	794.500
Primex hf.	18,1%	163.740
SR-Mjöl hf.	12,9%	707.055
Other companies		19.993
Shares in other companies total		<u>1.883.546</u>

Notes, cont.:

Long-term notes

16. Loans to subsidiary companies are as follows:

Loans according to currencies:	Interest rate	Group
Notes in ISK	10,0%	249.035
Current maturities		(10.047)
Loans to associated companies total		<u>238.988</u>

Stockholders' equity

17. The capital stock of the Company was ISK 1,606.2 million, but during the period own shares with nominal value of ISK 47.2 million were sold and own shares with nominal value of SK 17.0 million were purchased. Total capital stock at the end of June amounted to ISK 1,660.0 million according to its articles of association, including owns shares of ISK 23.6 million. One vote is attached to each share of one ISK in the Parent Company.

18. Changes in stockholders' equity:

	Capital stock	Capital in excess of par	Revaluation reserve	Statutory reserve	Retained earnings	Total
Stockholders' equity 31.12.2001	1.606.185	278.197	344.171	176.503	3.814.341	6.219.397
Revaluation reserve transferred			(344.171)		344.171	
Stockholders' equity 1.1.2002	1.606.185	278.197		176.503	4.158.512	6.219.397
Own shares sold	30.232	333.820				364.052
Dividends opaid					(496.023)	(496.023)
Net profit					1.754.534	1.754.534
Revaluation of assets			(19.243)			(19.243)
Stockholders' equity 30.6.2002	<u>1.636.417</u>	<u>612.017</u>	<u>(19.243)</u>	<u>176.503</u>	<u>5.417.023</u>	<u>7.822.717</u>

Obligations

19. The deferred income tax liability of the Parent Company amounted to ISK 758.9 million at June end 2002 according to the Balance Sheet. The change in the liability during the period is as follows:

Balance 1.1. 2002	636.722
Income tax from operations	370.582
Income tax payable in 2003	(248.418)
Deferred income tax liability at the end of June 2002	<u>758.886</u>

Deferred income tax liability is specified as follows:

Intangible assets	257.935
Fixed assets	290.701
Shares in other companies	230.897
Other items	(20.647)
Deferred income tax liability at the end of June 2002	<u>758.886</u>

Notes, cont.:

Long-term debt

20. Long-term debt specify as follows according to currencies and indexation:

Loans in JPY	2.247.585
Loans in USD	1.665.747
Loans in EUR	1.290.318
Loans in CHF	741.629
Loans in GBP	635.677
Loans in RFI	266.108
Loans in DEM	109.018
Loans in other currencies	32.512
Loans in foreign currencies total	6.988.594
Loans in ISK indexed	1.878.089
Long-term debt total including current maturities	8.866.683

21. Annual maturities of long-term debt at June end 2002 are as follows:

July 2002 - June 2003	1.299.408
July 2003 - June 2004	1.430.326
July 2004 - June 2005	1.892.916
July 2005 - June 2006	941.034
July 2006 - June 2007	857.452
Subsequent years	2.445.547
Long-term debt total including current maturities	8.866.683

Mortgages and commitments

22. The Company has entered into derivatives contracts with financial institutions to limit its risk regarding currency and interest rate. These contracts are made due to the Company's debt portfolio. Real value of these contracts at the end of June 2002 is positive of ISK 53.0 million which is entered as an asset in the Balance Sheet.

Other matters

23. In June Samherji hf. was sentenced to pay damages to the Norwegian State of the amount of NOK 10,0 million which equals ISK 116.0 million. Samherji has decided to appeal this verdict to a higher court and it is assumed that the case will be received for adjudication in Bergen Norway early next year. As the company does not consider itself liable for damage, an expense due to this case is not entered in the Financial Statements.

24. In July the Company made a contract to buy the freezing trawler Sléttbakur EA - 304 for ISK 180.0 million.

25. At the beginning of August it was decided to sell the freezing trawler Akureyrin EA 110 to Onward Fishing Company, a subsidiary of Samherj hf. in UK, and the ship will be delivered at the beginning of September. The selling price is ISK 275.0 million but the sale has no effect on the operation and financial position of the Group. At the same time Norma Mary (ex. Snæfugl) will be returned to Síldarvinnslan hf.