

Samherji hf.

Financial Statements 2003

Samherji hf.
Glerárgötu 30
600 Akureyri

Id. 610297-3079

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Endorsement by the Board of Directors

The Company is a general fishing industry firm that operates 9 fishing vessels and fish processing plants at Akureyri, Dalvíkurbyggð, Grindavík and Stöðvarfjörður. The Financial Statements contain the Consolidated Financial Statements of Samherji hf. and its subsidiaries which were two at the end of the year, and the Financial Statements of the Parent Company. In addition of the subsidiaries three companies are in the Group of the subsidiaries so the Group contains six companies. The Financial Statements are prepared in accordance with the Financial Statements Act and Regulation on the Presentation and Contents of Financial Statements and Consolidated Financial Statements. The Company predominantly uses the same accounting principles as in previous year.

During the year the Company's subsidiaries, Íslandslax hf., Víkurlax ehf. and Reyðarlax ehf. were merged under the name of Íslandslax hf. In addition Íslandsbleikja hf. was merged to Íslandslax hf. but Íslandslax hf. was the sole owner of that company. At the same time the shares of Samherji hf. in the subsidiaries Íslandslax hf., Silfurstjarnan hf., Sæsilfur hf. and Fiskeldi Eyjafjarðar hf. were transferred to the holding company Oddeyri hf. which is 100% owned by Samherji hf. The effects of this on the Company's Financial Statements are nil.

According to the Statement of Earnings, total operating revenue of the Group amounted to ISK 12,376.8 million and of the Parent Company ISK 11,497.7 million. Net profit of the Group amounted to ISK 1,066.6 million. According to the Balance Sheet Total assets of the Group amounted to ISK 22,194.6 million and of the Parent Company ISK 20,391.3 million. The stockholders' equity at year end amounted to ISK 8,973.6 million, including capital stock of ISK 1,660.0 million. The equity ratio of the Group was 40.4%, but 44.0% of the Parent Company.

The Company's capital stock at year end amounted to ISK 1,660.0 million. At the end of the year the number of shareholders was 1,936, representing a decrease of 387 during the year. Four shareholders owned more than 10% of the Company's capital stock, Kaldbakur hf. 17.2%, Kristján Vilhelmsson 16,1%, Þorsteinn Már Baldvinsson 15.7% and Lífeyrissjóðir Bankastræti 7, 12.2%.

The Board of Directors propose that a dividend of 25% be paid to shareholders in 2004. Reference is made to the Financial Statements regarding other changes in stockholder's' equity.

The Board of Directors of Samherji hf. and the Managing Director hereby confirm the Company's Financial Statements for 2003 with their signatures.

Akureyri, March 5, 2004.

Board of Directors:

Finnbogi Jónsson

Jóhannes Geir Sigurgeirsson

Óskar Magnússon

Jón Sigurðsson

Gunnar Felixson

Managing Director:

Þorsteinn Már Baldvinsson

Auditors' Report

To The Board of Directors of Samherji hf.

We have audited the accompanying Balance Sheet and Consolidated Balance Sheet of Samherji hf. as of December 31, 2003, and the related Statement of Earnings, Statement of Cash Flows for the year then ended. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements presentation. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the Financial Statements give a true and fair view of the financial position of Samherji hf. as of December 31, 2003 and the results of its operations and its cash flows for the year then ended, in accordance with the law and generally accepted accounting principles in Iceland.

Akureyri, March 5, 2004.

Arnar Árnason

KPMG Endurskoðun Akureyri hf.

Statement of Earnings 2003

	Notes	Group		Parent	
		2003	2002	2003	2002
Operating revenue:					
Fish processing revenue	5	6.951.300	6.660.933	6.318.258	6.253.800
Catch from fishing vessels	5	5.790.353	6.945.053	5.397.997	6.693.439
Catch from own fishing vessels to own production	5	(1.372.734)	(1.349.594)	(1.372.734)	(1.349.594)
Sales revenue		915.345	463.209	1.111.594	463.209
Other income		36.792	139.895	34.914	115.343
Gain on sale of assets		55.719	141.080	7.622	144.199
		<u>12.376.775</u>	<u>13.000.576</u>	<u>11.497.651</u>	<u>12.320.396</u>
Operating expenses:					
Production cost		6.158.764	5.720.924	5.409.498	5.303.433
Catch from own fishing vessels to own production	5	(1.372.734)	(1.349.594)	(1.372.734)	(1.349.594)
Operation of fishing vessels		4.150.925	4.814.807	3.869.817	4.616.670
Cost of goods sold		875.480	446.264	1.071.729	446.264
General and administrative expenses		312.789	370.857	273.989	336.732
		<u>10.125.224</u>	<u>10.003.258</u>	<u>9.252.299</u>	<u>9.353.505</u>
Operating profit before financial income and expenses ...		2.251.551	2.997.318	2.245.352	2.966.891
Depreciation	21	(1.143.946)	(1.041.710)	(897.419)	(879.407)
Special provision of fixed assets			(201.914)		(201.914)
Operating profit before financial income and expenses		<u>1.107.605</u>	<u>1.753.694</u>	<u>1.347.933</u>	<u>1.885.570</u>
Financial income (expenses):					
Interest earned and dividends		27.568	46.774	24.214	45.568
Provision and gain on sale of shares		(56.621)	(150.742)	(48.604)	(150.742)
Interest expense and indexation		(562.621)	(552.600)	(476.328)	(509.285)
Exchange rate difference		197.375	1.066.970	157.619	1.051.410
		<u>(394.299)</u>	<u>410.402</u>	<u>(343.099)</u>	<u>436.951</u>
Share of results in subsidiaries	27			(270.516)	(203.092)
Share of results in associated companies	28	498.521	109.138	533.134	182.975
		<u>498.521</u>	<u>109.138</u>	<u>262.618</u>	<u>(20.117)</u>
Operating profit before income tax		1.211.827	2.273.234	1.267.452	2.302.404
Income tax	12,35	(198.596)	(413.724)	(200.873)	(423.173)
Net profit before minority interest		<u>1.013.231</u>	<u>1.859.510</u>	<u>1.066.579</u>	<u>1.879.231</u>
Minority interest		53.348	19.721		
Net profit		<u><u>1.066.579</u></u>	<u><u>1.879.231</u></u>	<u><u>1.066.579</u></u>	<u><u>1.879.231</u></u>
Earnings per share:					
Net earnings per share of ISK 1	6	0,64	1,13	0,64	1,13

December 31, 2003

Stockholders' equity and liabilities

	Notes	Group		Parent	
		2003	2002	2003	2002
Stockholders' equity:					
Capital stock	33	1.660.000	1.660.000	1.660.000	1.660.000
Contributed capital in excess of par		847.933	847.933	847.933	847.933
Statutory reserve		176.503	176.503	176.503	176.503
Retained earnings		6.289.174	5.517.338	6.289.174	5.517.338
Stockholders' equity	34	<u>8.973.610</u>	<u>8.201.774</u>	<u>8.973.610</u>	<u>8.201.774</u>
Minority interest in stockholders' equity of subsidiaries					
		<u>234.598</u>	<u>197.978</u>		
Obligations:					
Deferred income tax liabilities	12,35	<u>785.077</u>	<u>769.826</u>	<u>807.922</u>	<u>790.667</u>
Long-term debt:					
Bonds		1.597.796	2.441.318	1.597.796	2.441.318
Credit institutions		<u>6.037.098</u>	<u>5.106.874</u>	<u>5.280.057</u>	<u>4.796.604</u>
	36	<u>7.634.894</u>	<u>7.548.192</u>	<u>6.877.853</u>	<u>7.237.922</u>
Current liabilities:					
Credit institutions		1.585.296	1.753.268	1.347.597	1.399.747
Accounts payable		966.502	858.708	592.400	733.120
Liabilities to associated companies		158.137	82.654	102.803	81.310
Current maturities of long-term debt	37	1.301.304	1.889.999	1.174.441	1.819.437
Taxes for the year		190.467	274.157	190.467	274.157
Other liabilities		<u>364.701</u>	<u>412.307</u>	<u>324.220</u>	<u>363.799</u>
		<u>4.566.407</u>	<u>5.271.093</u>	<u>3.731.928</u>	<u>4.671.570</u>
Total liabilities		<u>12.986.378</u>	<u>13.589.111</u>	<u>11.417.703</u>	<u>12.700.159</u>
Stockholders' equity and liabilities		<u>22.194.586</u>	<u>21.988.863</u>	<u>20.391.313</u>	<u>20.901.933</u>
Mortgages and commitments	22,23				

Statement of Cash Flows 2003

	Notes	Group		Parent	
		2003	2002	2003	2002
Cash flows from operating activities:					
Net profit		1.066.579	1.879.231	1.066.579	1.879.231
Adjustment to reconcile net profit to net cash:					
Provision and gain on sale of assets		902	9.661	40.982	6.542
Depreciation and special provision.....	21	1.143.946	1.243.624	897.419	1.081.321
Indexation and currency fluctuation on long-term debt		(134.754)	(902.821)	(135.145)	(889.520)
Effects of subsidiaries and associated companies		(498.521)	(109.138)	(262.618)	20.117
Other items		(36.070)	124.775	19.554	153.945
		<u>1.542.082</u>	<u>2.245.332</u>	<u>1.626.771</u>	<u>2.251.636</u>
Working capital from operation					
Changes in operating assets and liabilities		(430.691)	516.885	(407.363)	736.370
Net cash provided by operating activities		<u>1.111.391</u>	<u>2.762.217</u>	<u>1.219.408</u>	<u>2.988.006</u>
Cash from investing activities:					
Investment in intangible assets	7,18	(326.853)	(73.668)		
Proceeds from sale of intangible assets		717.945	75.000	640.000	75.000
Investment in fixed assets	8,20	(768.796)	(2.565.409)	(535.575)	(2.361.247)
Proceeds from sale of fixed assets		693.718	667.007	691.768	939.803
Investment in subsidiaries and associated companies		(944.585)	(2.565.963)	(994.128)	(2.708.918)
Investment in other companies		(404.086)	(794.500)	(404.086)	(794.500)
Proceeds from sale of shares in other companies		395.757	167.817	317.128	167.817
Long-term notes, (increase) decrease		(23.440)	283.195	131.124	296.070
Inventories, (increase)		(95.633)	(180.600)		
Receivables, decrease (increase)		124.840	543.385	(97.978)	92.232
Net cash used in investing activities		<u>(631.133)</u>	<u>(4.443.736)</u>	<u>(251.747)</u>	<u>(4.293.743)</u>
Cash from financing activities:					
Paid in capital		92.250			
Own shares, change			623.617		623.553
Change in minority interest			92.400		
Dividends paid	34	(332.000)	(496.025)	(332.000)	(496.025)
Proceeds from long-term borrowing		2.015.480	3.296.790	1.434.255	3.196.069
Payments of long-term debt		(2.375.159)	(1.074.259)	(2.302.935)	(1.033.420)
Current liabilities, (decrease)		(170.790)	(444.629)	(52.151)	(663.879)
Net cash (used in) provided by financing activities		<u>(770.219)</u>	<u>1.997.894</u>	<u>(1.252.831)</u>	<u>1.626.298</u>
(Decrease) increase in cash		<u>(289.961)</u>	<u>316.375</u>	<u>(285.170)</u>	<u>320.561</u>
Cash at beginning of year		<u>371.998</u>	<u>55.623</u>	<u>339.034</u>	<u>18.473</u>
Cash at end of year		<u><u>82.037</u></u>	<u><u>371.998</u></u>	<u><u>53.864</u></u>	<u><u>339.034</u></u>
Other items:					
Interest paid on long-term liabilities		395.204	275.140	358.223	251.367
Interest paid on current liabilities		107.143	146.995	72.561	118.296

Notes to the Financial Statements

Accounting principles and policies

Basis of preparation

1. The Financial Statements of Samherji hf. contains the Consolidated Financial Statements of the Group and the Financial Statements of the Parent Company. The Financial Statements are prepared in accordance with the Financial Statements Act and the Regulation on the Presentation and Contents of Financial Statements and Consolidated Financial Statements. The Financial Statements are prepared in the Icelandic currency and the amounts are presented in thousands of Icelandic krónur. It is based on cost accounting and is prepared according to the same accounting principles as for the previous year.

Subsidiaries are companies in which the Company holds controlling interest. The Financial Statements of the subsidiaries are included in the Consolidated Financial Statements of the Company from the time of the acquisition of majority interest until the interest is no longer held. Balances between Group companies and intercompany transaction are eliminated in the Consolidated Financial Statements.

Associated companies are companies where the Group has significant influence over the financial and operational policies but not controlling interest. The Consolidated Financial Statements include the Group's share in the net profit or loss of associated companies. Should the Group's share of loss be higher than the book value of an associated company the book value is recorded at zero and further share of loss is not recorded unless the Company has granted guarantees for the associated company or financed it.

Foreign Currency

2. Assets and liabilities in foreign currencies are converted to ISK at the year end 2003 exchange rate. Operational revenue and expenses in foreign currencies are converted at the exchange rate on the transaction date. Currency fluctuations are included in the Statement of Earnings.

Financial Statements of foreign subsidiary

3. The operation of the Group abroad is considered as separable from the operation of the Parent Company. Accordingly assets and liabilities of a foreign subsidiary are converted into ISK at the year-end exchange rate. Revenue and expenses of the foreign subsidiary are converted into ISK at the average exchange rate for the year. Exchange rate difference thus created due to the conversion into ISK is entered in the stockholders' equity. The Parent Company's share in revaluation and operating results of its foreign associated companies is entered in the Financial Statements by a comparable way.

Derivatives

4. The Company uses derivatives in order to limit the foreign exchange risks of monetary assets and liabilities. The performance of the hedging is entered in the Statement of Earnings.

Derivatives which are used to hedge future transactions are entered in the Financial Statements at the same time as the hedged transactions.

Revenue recognition

5. In the instances when the Company's trawlers catches fish to own production, the value of the catch is recognized as revenue at the landing of the catch and charged as production cost at the same time. The value of the catch of the freezing trawlers is recognized as revenue at estimated average production cost. The products of the factories at land is recognized as revenue at average production cost. At the eventual sale of the products the income is corrected according to the final net price to producers.

Earnings per share

6. Earnings per share is the ratio between profit and weighted average number of outstanding shares during the year and shows the profit per share. The net profit for the year amounts to ISK 1,066.6 million and the weighted average number of shares was 1,660 million, of one ISK each.

Intangible assets

7. 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. Fishing licenses and catch quota are expensed over the period of seventeen years, but premium due to investment in a 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 intangible assets. In the Consolidated Financial Statement these fishing licenses and catch quota are depreciated in the same way as in the Financial Statements of the Parent Company. Goodwill due to investments in other subsidiaries and its acquisition cost is entered under the item other intangible assets and it will be expensed over the period of five years.

Notes cont.:

Fixed Assets

8. Fixed assets are capitalized at historical cost less depreciation. Depreciation is calculated as a fixed annual percentage based on the estimated useful life of the assets. Estimated useful life is specified as follows:

Buildings	25 years
Fishing vessels	17 years
Machinery and equipment	3 - 8 years

Subsidiaries

9. Shares in subsidiaries are entered at a value corresponding to the Company's share in the book value of the subsidiaries stockholders' equity, taking into account the difference between the purchase price of the shares and the Company's share in the stockholders' equity when acquired. The part of the premium that is linked to catch quota is included in that item in the Consolidated Balance Sheet and depreciated in the same way. The remainder of the premium is entered as other intangible assets and amortized over a period of five years.

Associated companies

10. Shares of the Group in associated companies are capitalized at a value corresponding to the Company's share in the stockholders' equity of the associated companies taking into account the acquisition cost and the premium is amortized over the period of five to seventeen years.

Inventories

11. Seafood inventories are valued at average production cost which consists of direct and indirect production cost. Inventories of farmed fish and juveniles are capitalized at average production price or estimated day's price whichever is lower. Farmed fish and juveniles which is not intended for sale during the next year is entered as inventories among fixed assets in the Balance Sheet but farmed fish and juveniles which will be sold during the next year are entered as current assets. Supplies are entered at the latest purchase price, except for used fishing gear which is valued at 50% of its purchase price. Uncertainty in estimating biomass is inherent to the fish farming industry.

Deferred Income Tax Liability

12. The Company's deferred income tax liability has been calculated and recorded in the Financial Statements. The liability represent the timing difference in the accounting methods used for tax purposes compared to the ones used for Financial Statements, and which are due to the fact that income tax calculation is based on other premises than the premises used for financial reporting. Thus the difference mainly consists of the timing differences in expenses, especially depreciation, which are generally expensed earlier for income tax purposes than in the Financial Statements.

International Financial Statements

13. According to rules on the presentation of Financial Statements of companies listed on the Iceland Stock Exchange, the Company will change its accounting principles to conform to international standards on Consolidated Financial Statements as of 2005. The Company will soon start making preliminary arrangements for these changes. A possible effect on the on the Company's stockholders' equity has not been estimated.

Quarterly Statements

14. Summary of the Group's operating results by quarters:	Q1	Q2	Q3	Q4	Total
	1.1-31.3	1.4-30.6	1.7-30.9	1.10-31.12	
Operating revenue	3.232.956	3.004.096	3.152.212	2.987.511	12.376.775
Operating expenses, less depreciation	(2.548.199)	(2.487.802)	(2.552.858)	(2.536.365)	(10.125.224)
Operating profit less depreciation (EBITDA)	684.757	516.294	599.354	451.146	2.251.551
Depreciation	(272.724)	(273.395)	(294.734)	(303.093)	(1.143.946)
Operating profit (EBIT)	412.033	242.899	304.620	148.053	1.107.605
Financial income and expenses	60.799	(117.955)	(293.550)	(43.593)	(394.299)
Effects of associated companies	181.266	(94.036)	4.754	406.537	498.521
Income tax	(84.728)	(28.251)	2.949	(88.566)	(198.596)
Minority interest in subsidiaries	10.771	20.059	103	22.415	53.348
Net profit	580.141	22.716	18.876	444.846	1.066.579

Notes cont.:

Personnel

15. Salaries and related expenses are specified as follows:	Group	Parent
Salaries	3.067.779	2.805.699
Salary-related expenses	401.115	376.193
Salaries and related expenses total	<u>3.468.894</u>	<u>3.181.892</u>
Average number of employees for the year	706	646

Management terms of Employment

16. Salaries and fringe benefits paid to the management of the Company, their stock option contracts and shares in the Company are specified as follows:

	Salaries	Stock options	Shares at year end
Managing Director	16.345	0	286.596
Working Chairman of the Board	5.684	2.748	80
Other board members (6)	<u>3.900</u>	<u>0</u>	<u>264</u>
	<u>25.929</u>	<u>2.748</u>	<u>286.940</u>

Stock option contract of the working Chairman of the Board amounts to nominal value of ISK 1.4 million with a buying rate of 9.5. The stock option will be cancelled if it has not been utilised within two years from it becomes active.

Included in the shares held by the aforementioned persons are shares held by their spouses, minor children and companies under their ownership.

Auditors' Fees

17. Remuneration to the Company's Auditors are specified as follows:	2003
Audit of Financial Statements	5.142
Review of Interim Financial Statements	3.173
Other services	<u>5.307</u>
Total	<u>13.622</u>

Of the total amount, remuneration to others than KPMG in Iceland is ISK 0.9 million.

Intangible Assets

18. Intangible assets specifies as follows:

Group:	Catch quota	Other	Total
	intangible assets		
Book value 1.1.2003	3.031.220	283.280	3.314.500
Additions during the year	325.936	87.191	413.127
Effects of exchange rate fluctuations during the year	(3.855)		(3.855)
Sales during the year	(596.229)		(596.229)
Expensed during the year	(315.957)	(81.130)	(397.087)
Book value 31.12. 2003	<u>2.441.115</u>	<u>289.341</u>	<u>2.730.456</u>
Parent:	Catch quota	Other	Total
	intangible assets		
Book value 1.1.2003	2.440.711		2.440.711
Sales during the year	(566.610)		(566.610)
Expensed during the year	(242.521)		(242.521)
Book value 31.12. 2003	<u>1.631.580</u>		<u>1.631.580</u>

Notes cont.:

19. Catch quota which the Parent Company has been allocated is as follows:

	Allocated catch quota	Uncaught 31.12.2003
Cod	12.557	8.136
Haddock	3.480	2.887
Saithe	2.288	1.741
Perch	4.952	4.680
Catfish	154	93
Greenland Halibut	2.832	2.811
Plaice	161	143
Prawns	2.436	1.997
Herring	15.859	3.662
Capelin	78.857	64.771
Total	123.576	90.921
Allocated catch quota in cod equivalents	30.998	23.324

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:

Prawns, Flemish Cap	1.733
Herring, Norwegian	9.508
Blue whiting	49.426
Ocean Perch, Reykjanes ridge	6.727
Cod, Barents sea off Norway	458
Cod, Barents sea off Russia	286
Total	68.138

Estimated exploitable catch of Onward Fishing Company Ltd. during the year 2004 is as follows:

Cod	2.292
Haddock	261
Saithe	38
Perch	377
Greenland Halibut	44
Total	3.012

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 in the North-sea and will be allocated days to catch shrimp in Spitzbergen waters. Allocation of fishing permits of Nordic-Icelandic herring ocean perch and blue whiting for the year 2004 has not been made so the quantity quoted is based on allocation for the year 2003. Allocated catch quota of capelin are based on original allocation and additional allocation made at the beginning of 2004. In this information about the remainder of allocated catch quota at year end, the catch quota of the vessel Þorsteinn EA 810 which was sold in November 2003, has been taken into consideration.

Notes cont.:

Fixed Assets

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

Group:	Buildings	Fishing vessels	Machinery & equipment	Total
Total value 1.1.2003	1.926.384	8.242.752	3.543.226	13.712.362
Depreciation total 1.1.2003	(948.967)	(2.676.363)	(2.344.893)	(5.970.223)
Book value 1.1.2003	977.417	5.566.389	1.198.333	7.742.139
Effects of exchange rate fluctuations during the year		(6.848)	(19)	(6.866)
Additions during the year	11.832	219.558	537.405	768.796
Sales during the year	(10.007)	(742.882)	(6.826)	(759.715)
Depreciation 2003	(56.513)	(424.946)	(265.400)	(746.859)
Net book value 31.12.2003	922.730	4.611.272	1.463.492	6.997.494
Depreciation ratio	4%	6-33%	12-33%	
Parent:	Building	Fishing vessels	Machinery & equipment	Total
Total value 1.1.2003	1.563.108	7.982.572	2.909.876	12.455.556
Depreciation total 1.1.2003	(795.415)	(2.673.111)	(2.051.320)	(5.519.846)
Book value 1.1.2003	767.693	5.309.461	858.555	6.935.710
Additions during the year		219.558	316.017	535.575
Sales during the year	(10.007)	(742.882)	(4.646)	(757.535)
Depreciation 2003	(39.100)	(412.409)	(203.389)	(654.898)
Net book value 31.12.2003	718.586	4.373.728	966.537	6.058.851
Depreciation ratio	4%	6-33%	12-33%	

21. Depreciation according to the Statement of Earnings amounts to ISK 1,143.9 million as follows:

	Group	Parent
Depreciation of fixed assets, see note 20	746.859	654.898
Depreciation of catch quota and other intangible assets, see note 18	397.087	242.521
Depreciation according to the Statement of Earnings	1.143.946	897.419

Mortgages and Commitments

22. Mortgages by the Group / Parent with a remaining loan balance of ISK 4,178.8 / 3,456.7 million at year end are registered against the fixed assets of the Group / Parent of book value of ISK 5,534.0 / 5,092.3 million at the same time.

Group:	Book value	Remaining loan balance	Collateral security
Fishing vessels	4.611.272	3.133.862	2.338.760
Buildings and machinery	922.730	1.044.975	205.792
Total	5.534.002	4.178.837	2.544.552
Parent:			
Fishing vessels	4.373.728	3.133.862	2.338.760
Buildings and machinery	718.586	322.880	205.792
Total	5.092.314	3.456.742	2.544.552

23. The Parent Company has also guaranteed commitments of its subsidiary companies amounting to ISK 1,096.0 million at the same time.

Notes cont.:

Real estate Value and Insurance Value

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

	Official valuation	Insurance value	Book value
Parent:			
Buildings at Akureyri	197.864	839.966	94.132
Buildings at Dalvíkurbyggð	332.944	826.336	417.341
Buildings at Grindavík	247.586	564.377	175.015
Buildings at Eskifjörður	45.243	128.062	20.597
Buildings at Stöðvarfjörður	93.642	327.764	11.501
Parent total	<u>917.279</u>	<u>2.686.505</u>	<u>718.586</u>
Subsidiaries:			
Buildings at Grindavík	173.171	276.174	52.080
Buildings at Núpar	70.041	196.781	70.400
Buildings at Öxarfjörður	87.947	170.777	81.664
Subsidiaries total	<u>331.159</u>	<u>643.732</u>	<u>204.144</u>
Group total	<u>1.248.438</u>	<u>3.330.237</u>	<u>922.730</u>

25. In November the Company sold the fishing vessel Þorsteinn EA 810. The selling price of the ship and catch quota amounted to ISK 1,360.0 million and this sale causes neither gain or loss. At year end 2003 the Group owned nine fishing vessels by a book value of ISK 4,611.3 million, as follows:

	Insurance value	Book value
Parent:		
Akureyrin EA 110	320.375	204.477
Baldvin Þorsteinsson EA 10	1.500.000	1.652.881
Björgúlfur EA 312	138.850	179.548
Björgvin EA 311	388.206	374.361
Margrét EA 710	217.925	110.905
Oddeyrin EA 210	124.897	98.569
Vilhelm Þorsteinsson EA 11	1.815.053	1.625.801
Víðir EA 910	426.344	127.186
Parent total	<u>4.931.650</u>	<u>4.373.728</u>
Subsidiary:		
Norma Mary	350.000	237.544
Group total	<u>5.281.650</u>	<u>4.611.272</u>

26. Insurance value of machinery and equipment of the Group / Parent amounted to ISK 4,275.7 / 3,844.8 million at year end.

Investments

Subsidiaries

27. The Company had two subsidiaries at year end, Onward Fishing Company Ltd. and Oddeyri ehf. During the year three of the Company's Subsidiaries, i.e. Íslandslax hf., Víkurlax ehf. and Reyðarlax ehf., were merged under the name of Íslandslax hf. In addition Íslandsbleikja ehf. was merged to Íslandslax hf., but Íslandslax hf. was the sole owner of that company. At the same time the shares of Samherji hf. in the subsidiaries Íslandslax hf., Silfurstjarnan hf., Sæsifur hf. and the Company's shares in Fiskeldi Eyjafjarðar hf. were transferred to the holding company Oddeyri ehf. which is 100% owned by Samherji hf. The effects of this on the operation and the Balance Sheet of Samherji hf. are nil. During the year the Group acquired shares in Íslandslax hf. and Silfurstjarnan hf. for the amount of ISK 88.6 million and the share capital of Oddeyri ehf. was increased by ISK 138.2 million to meet investment in Sæsifur hf. of the same amount.

Notes cont.:

27. Cont.:

Shares in subsidiaries are specified as follows:

	Share	Book value	Entered in the Statement of Earnings
Onward Fishing Company Ltd., UK	100,0%	365.105	39.924
Oddeyri ehf., Akureyri	100,0%	562.370	(310.440)
Shares in subsidiaries total		<u>927.475</u>	<u>(270.516)</u>

Owned by subsidiary:

Íslandslax hf., Grindavík	98,6%	21.361	(196.026)
Silfurstjarnan hf., Öxarfjörður	71,0%	85.231	(66.607)
Sæsilfur hf., Mjóifjörður	58,5%	338.159	(39.691)
		<u>444.751</u>	<u>(302.324)</u>

Associated Companies

28. At the beginning of 2003 two of the Company's associated companies, Síldarvinnslan hf. and SR-mjöl hf., were merged under the name of Síldarvinnslan hf. During the year the associated company FAB GmbH. was divided into two companies, FAB GmbH. and CR Cuxhavener Reederei GmbH. and Samherji hf. holds 35.0% share in CR Cuxhavener Reederei GmbH. after the division. The Company acquired 12.1% share in Kaldbakur hf. during the year for ISK 878.0 million. After this acquisition the Company's share in Kaldbakur hf. is 25.0% and the share is entered among shares in associated companies in the Financial Statements. The Company also acquired 30.0% share in Seley ehf. and 20.0% share in SR-mjöl ehf.

Shares in associated companies are as follows:

	Share %	Book value	Entered in the Statement of Earnings
CR Cuxhavener Reederei GmbH., Germany	35,0%	134.939	16.764
Framherji Sp/f., Faeroe Islands	30,0%	74.528	30.513
Hjalteyrin ehf., Árskógssandi	100,0%	502	
Hraðfrystistöð Þórshafnar hf., Þórshöfn	49,7%	637.517	(10.124)
Kaldbakur hf., Akureyri	25,00%	2.123.642	451.128
Krossanes hf., Akureyri	100,0%	132.582	798
Rif ehf., Hrísey	49,0%	69.507	8.617
Seagold Ltd., UK	50,0%	52.625	5.057
Seley ehf., Neskaupstað	30,0%	26.708	(3.292)
Síldarvinnslan hf., Neskaupstað	20,6%	2.079.160	17.476
Snæfugl ehf., Fjarðabyggð	55,0%	239.962	26.519
SNS eignarhaldsfélag ehf., Akureyri	100,0%		(10.045)
SR mjöl ehf., Reykjavík	20,0%	4.445	445
Sæblikinn ehf., Akureyri	50,0%		(722)
Parent total		<u>5.576.117</u>	<u>533.134</u>
Owned by subsidiary:			
Ulloriaq, Grænland	33,3%	(9.733)	(34.614)
Group total		<u>5.566.384</u>	<u>498.521</u>

Notes cont.:

Investment in Other Companies

29. At the beginning of the year Samherji hf. acquired 2.6% share in the Norwegian fish industry- and fish farming firm Fjord Seafood ASA. At the end of September the shares were transferred to the subsidiary company Oddeyri ehf. All shares in Fjord Seafood ASA were sold in November and gain on the sale amounted to ISK 78.6 million. During the year the Company invested in Fiskeldi Eyjafjarðar hf. for ISK 66.0 million. During the year a provision of shares in other companies of ISK 134.4 / 47.7 million by the Group / Parent was made, and the provision is expensed under the item provision and gain on sale of shares in the Statement of Earnings.

Shares in other companies are as follows:	Share %	Book value
Primex hf.	15,7%	36.026
Other companies		36.045
Parent total		72.071
Owned by subsidiaries:		
Fiskeldi Eyjafjarðar hf.	16,8%	127.647
Shares in other companies		3.025
Subsidiaries total		130.672
Group total		202.743

Long-term notes

30. Loans to associated companies are as follows:

Loans according to currencies:	Group	Parent
Notes in ISK	100.305	100.305
Notes in CAD	30.811	30.811
	131.116	131.116
Current maturities	(8.803)	(8.803)
Total loans to associated companies	122.313	122.313

Inventories

31. Inventories are as follows:

	Group	Parent
Finished goods	1.831.995	1.831.995
Farmed fish and juveniles	894.842	
Supplies	489.315	462.945
Inventories entered as current assets	3.216.152	2.294.940
Inventories of farmed fish and juveniles entered as fixed assets	393.270	
Total inventories	3.609.422	2.294.940

32. Insurance value of catch and fishing gear amounted to ISK 873.0 million at year end. Products and raw materials on shore are insured for ISK 2,160.7 million at year end and farmed fish and juveniles for ISK 1,808.1 million.

Stockholders' equity

33. Total capital stock at year end amounted to ISK 1,660.0 million according to the Company's articles of association. One vote is attached to each share of one ISK in the Company.

Notes cont.:

34. Changes in stockholders' equity:

	Capital stock	Capital in excess of par	Statutory reserve	Retained earnings	Total
Stockholders' equity 1.1.2003	1.660.000	847.933	176.503	5.517.338	8.201.774
Dividends paid				(332.000)	(332.000)
Net profit				1.066.579	1.066.579
Revaluation of assets				37.257	37.257
Stockholders' equity 31.12.2003	1.660.000	847.933	176.503	6.289.174	8.973.610

Obligations

35. The deferred income tax liability of the Group / Parent amounted to ISK 785.1 / 807.9 million at year end 2003 according to the Balance Sheet. The change in the liability during the year is as follows:

	Group	Parent
Balance 1.1. 2003	769.826	790.667
Income tax on regular operations	198.596	200.873
Income tax payable in 2004	(183.618)	(183.618)
Exchange rate difference	273	
Deferred income tax liability at year end 2003	785.077	807.922

The deferred income tax liability is attributable to the following Balance Sheet items:

	Group	Parent
Intangible assets	232.312	232.312
Fixed assets	398.896	371.527
Shares in other companies	180.824	180.824
Other items	24.245	23.259
Tax loss carry forward	(51.200)	
Deferred income tax liability at year end 2003	785.077	807.922

Long-term debt

36. Long-term debt

	Group	Parent
Loans in JPY	1.788.963	1.788.963
Loans in USD	1.541.059	1.397.013
Loans in EURO	1.819.548	1.483.799
Loans in CHF	796.121	796.121
Loans in GBP	794.038	583.415
Loans in RFI	195.227	195.227
Loans in other currencies	21.295	21.295
Loans in foreign currencies total	6.956.251	6.265.833
Indexed loans	1.979.947	1.786.461
Total long-term debt including current maturities	8.936.198	8.052.294
Current maturities	(1.301.304)	(1.174.441)
Total long-term debt according to the Balance Sheet	7.634.894	6.877.853

37. Annual maturities of long-term debt are as follows:

	Group	Parent
Year 2004	1.301.304	1.174.441
Year 2005	1.493.521	1.388.036
Year 2006	1.167.467	1.063.707
Year 2007	1.008.225	907.246
Year 2008	1.857.859	1.765.940
Subsequent years	2.107.822	1.752.924
Total long-term debt including current maturities	8.936.198	8.052.294

Notes cont.:

Derivatives

38. The company has entered into derivatives contracts with financial institutions to limit its risk regarding currency and interest rates. These contracts are related to the Company's debt structure. The status of the contracts at year end 2003 is positive of ISK 21.9 million and this amount is entered as an asset in the Balance Sheet.

The Company has entered into currency and interest rate swaps to limit its currency and interest rate risk. Accrued interest on account of these contracts is included in the Financial Statements. Effects of the currency and interest rate swaps are taken into account when presenting currencies and interest rates of long-term debt, as shown in note 36.

Other Matters

39. In June 2002 Samherji hf. was sentenced to pay damages to the Norwegian State by the amount of NOK 10.0 million which equals ISK 106.9 million. Samherji hf. has appealed this verdict to a higher court and it is assumed that the case will be received for adjudication in Bergen Norway at the end of June 2004. As the company does not consider itself liable for damage, an expense due to this case is not entered in the Financial Statements.
40. In November 2003 the Company sold the multi purpose fishing ship Þorsteinn EA-810 to Hraðfrystistöð Þórshafnar hf. together with 1.25% catch quota in capelin, 2.00% in blue whiting and 1.11% in Icelandic herring. The selling price for the ship and the catch quota amounted to ISK 1,360.0 million. There is no gain or loss on this sale for the Company. An argument has risen between shareholders of Hraðfrystistöð Þórshafnar hf. about the price of the ship and quota. A group of shareholders of Hraðfrystistöð Þórshafnar hf. has started legal proceedings against Samherji hf. and Hraðfrystistöð Þórshafnar hf. for the purpose of invalidating the contract of sale.
41. At the beginning of February 2004, talks started with Kaldbakur hf. about aquisition of Samherji's subsidiary company Onward Fishing Company Ltd. in cooperation with the Dutch fishing industry firm Parlevliet & Van der Plas b.v., of the fishing industry firm Boyd Line Management Services Ltd. Results of these talks are not at hand.
42. In January 2004 Samherji hf. bought own shares by nominal value of ISK 58.1 million by a selling price of ISK 535.9 million.
43. Five-year summary of the Group in ISK millions:

Operation:	2003	2002	2001	2000	1999
Operating revenue	12.377	13.001	13.043	7.011	9.102
Operating expenses less depreciation	(10.125)	(10.003)	(9.583)	(5.617)	(7.620)
Operating profit before depreciation	2.252	2.998	3.460	1.394	1.482
Depreciation	(1.144)	(1.244)	(1.026)	(643)	(883)
Operating profit before financial expenses	1.108	1.754	2.434	751	599
Financial income and expenses	(394)	410	(1.238)	519	(307)
Effects of associated companies	499	109	(74)	(168)	14
Income tax	(199)	(414)	(14)	(375)	(106)
Minority interest in operating results of subsidiaries	53	20			
Net profit of the year	1.067	1.879	1.108	727	200

Balance Sheet

Fixed assets	16.028	15.846	11.473	11.679	10.358
Current assets	6.167	6.143	6.639	4.914	3.557
Total assets	22.195	21.989	18.112	16.593	13.915
Stockholders' equity	8.974	8.202	6.219	5.405	4.658
Minority interest in the stockholders' equity of subsid.	235	198			
Obligations	785	770	637	583	964
Long-term debt	7.635	7.548	6.836	7.021	5.022
Current liabilities	4.566	5.271	4.420	3.584	3.271
Stockholders' equity, minority interest and liabilities total	22.195	21.989	18.112	16.593	13.915

Notes cont.:

44. Main ratios for the Group:

	2003	2002	2001	2000	1999
Working capital from operations	1,542	2,245	3,092	1,060	881
Current ratio - current assets / current liabilities	1.4	1.2	1.2	1.4	1.1
Equity ratio -Stockholders' equity / total assets	40.4%	37.3%	34.3%	32.6%	33.5%