

**Samherji hf.**  
**Financial Statements**  
**2004**

Samherji hf.  
Glerárgötu 30  
600 Akureyri

Id. 610297-3079

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# Endorsement by the Board of Directors and the CEO

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The Company is a general fishing industry firm which owns 9 fishing vessels and operates 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 six at the end of the year, and the Financial Statements of the Parent Company. 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 acquired all shares in the associated company CR Cuxhavener Reederei GmbH, Germany. By this investment the Company obtained majority share in Seagold Ltd., UK. The Company's subsidiary, Onward Fishing Company Ltd, acquired 50% share in UK Fisheries Ltd., which owns the subsidiary Boyd Line Ltd. The subsidiaries Snæfugl ehf. and Fjárfestingafélagið Krossanes hf. are now for the first time part of the Consolidated Financial Statements of Samherji hf. but were before among the associated companies. CR Cuxhavener Reederei GmbH, UK Fisheries Ltd. and Seagold Ltd. are part of the Consolidated Financial Statements of Samherji hf. from July 1, 2004, but Snæfugl ehf. and Fjárfestingafélagið Krossanes hf. from January 1, 2004. Comparative figures from previous year do not include figures from the Statement of Earnings, the Balance Sheet and the Statement of Cash Flows of CR Cuxhavener Reederei GmbH, UK Fisheries Ltd., Seagold Ltd., Snæfugl ehf. and Fjárfestingafélagið Krossanes hf.

According to the Statement of Earnings, total operating revenue of the Group amounted to ISK 16,760.0 million and of the Parent Company ISK 14,972.0 million. Net profit of the Group amounted to ISK 2,914.4 million. According to the Balance Sheet total assets of the Group amounted to ISK 26,848.0 million and of the Parent Company ISK 22,933.2 million. The stockholders equity at year end amounted to ISK 11,557.4 million, including capital stock of ISK 1,660.0 million. The equity ratio of the Group was 43.0%, but 50.4% of the Parent Company.

The Company's capital stock at year end amounted to ISK 1,660.0 million. During the year the Company purchased and sold own shares by nominal value of ISK 110.1 million. At the end of the year the number of shareholders was 1,569, representing a decrease of 367 during the year. Three shareholders owned 10% or more of the Company's capital stock, Kristján Vilhelmsson 16.1%, Þorsteinn Már Baldvinsson 15.7% and Kaupfélag Eyfirðinga svf. 10.0%.

The Board of Directors propose that a dividend of 30% be paid to shareholders in 2005. Reference is made to the Financial Statements regarding other changes in stockholders' equity.

The Board of Directors of Samherji hf. and the CEO hereby confirm the Company's Financial Statements for 2004 with their signatures.

Akureyri, March 7, 2005.

***Board of Directors:***

Finnbogi Jónsson

Eiríkur S. Jóhannsson

Óskar Magnússon

Jón Sigurðsson

Gunnar Felixson

***CEO:***

Þorsteinn Már Baldvinsson

# Auditors' Report

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To The Board of Directors and Stockholders of Samherji hf.

We have audited the accompanying Balance Sheet and Consolidated Balance Sheet of Samherji hf. as of December 31, 2004, 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. These 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. 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, 2004 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 7, 2005.

Arnar Árnason

Þorsteinn G. Þorsteinsson

***KPMG Endurskoðun Akureyri hf.***

# Statement of Earnings 2004

	Notes	Group		Parent	
		2004	2003	2004	2003
<b>Operating revenue:</b>					
Fish processing revenue .....	5	6.583.097	6.951.300	5.642.294	6.318.258
Catch from fishing vessels .....	5	7.132.537	5.790.353	5.365.127	5.397.997
Catch from own fishing vessels to own production .....	5	( 1.151.648)	( 1.372.734)	( 1.151.648)	( 1.372.734)
Sales revenue .....		4.062.390	915.345	5.044.427	1.111.594
Other income .....		133.617	36.792	71.805	34.914
Gain on sale of assets .....			55.719		7.622
		<u>16.759.993</u>	<u>12.376.775</u>	<u>14.972.005</u>	<u>11.497.651</u>
<b>Operating expenses:</b>					
Production cost .....		6.235.135	6.158.764	4.806.395	5.409.498
Catch from own fishing vessels to own production .....	5	( 1.151.648)	( 1.372.734)	( 1.151.648)	( 1.372.734)
Operation of fishing vessels .....		5.068.479	4.150.925	3.916.452	3.869.817
Cost of goods sold .....		3.902.065	875.480	4.943.478	1.071.729
General and administrative expenses .....		412.700	312.789	243.970	273.989
Loss on sale of assets .....		26.923		1.343	
		<u>14.493.654</u>	<u>10.125.224</u>	<u>12.759.990</u>	<u>9.252.299</u>
Operating profit before financial income and expenses .....		2.266.339	2.251.551	2.212.015	2.245.352
Depreciation .....	21	( 1.255.893)	( 1.143.946)	( 816.962)	( 897.419)
Special provision of fixed assets .....	21	( 123.862)		( 123.862)	
Operating profit before financial income and expenses .....		886.584	1.107.605	1.271.191	1.347.933
<b>Financial income (expenses):</b>					
Interest earned and dividends .....		8.258	27.568	3.579	24.214
Provision and gain on sale of shares .....		1.220.611	( 56.621)	1.277.343	( 48.604)
Interest expense and indexation .....		( 551.651)	( 562.621)	( 424.405)	( 476.328)
Exchange rate difference .....		462.344	197.375	338.399	157.619
		<u>1.139.562</u>	<u>( 394.299)</u>	<u>1.194.916</u>	<u>( 343.099)</u>
Share of results in subsidiaries .....	27			( 308.012)	( 270.516)
Share of results in associated companies .....	28	1.211.871	498.521	1.102.158	533.134
		<u>1.211.871</u>	<u>498.521</u>	<u>794.146</u>	<u>262.618</u>
Operating profit before income tax .....		3.238.017	1.211.827	3.260.253	1.267.452
Income tax .....	12,36	( 408.745)	( 198.596)	( 345.848)	( 200.873)
Net profit before minority interest .....		2.829.272	1.013.231	2.914.405	1.066.579
Minority interest .....		85.133	53.348		
<b>Net profit .....</b>		<u><u>2.914.405</u></u>	<u><u>1.066.579</u></u>	<u><u>2.914.405</u></u>	<u><u>1.066.579</u></u>
<b>Earnings per share:</b>					
Net earnings per share of ISK 1 .....	6	1,81	0,64	1,81	0,64

# Balance Sheet

<b>Assets</b>					
		<b>Group</b>		<b>Parent</b>	
	Notes	2004	2003	2004	2003
<b>Fixed assets:</b>					
Intangible assets:					
Purchased catch quota .....		4.604.118	2.441.115	1.446.046	1.631.580
Other intangible assets .....		173.628	289.341		
	7,18	4.777.746	2.730.456	1.446.046	1.631.580
Property and equipment:					
Buildings .....		951.388	922.730	746.065	718.586
Fishing vessels .....		5.320.937	4.611.272	4.167.960	4.373.728
Machinery and equipment .....		1.514.536	1.463.492	1.013.301	966.537
	8,20	7.786.861	6.997.494	5.927.326	6.058.851
Investments:					
Shares in subsidiary companies .....	27			2.821.101	927.475
Shares in associated companies .....	28	3.164.000	5.576.117	2.608.566	5.576.117
Shares in other companies .....	29	4.010.551	202.743	3.932.217	72.071
Loans to associated companies .....	30	29.604	122.313	29.604	122.313
Long-term notes .....		5.621	5.186	5.621	5.186
		7.209.776	5.906.359	9.397.109	6.703.162
Long-term inventories:					
Inventories of farmed fish and juveniles .....	11,31	321.194	393.270		
		20.095.577	16.027.579	16.770.481	14.393.593
<b>Current assets:</b>					
Inventories .....	11,31	2.915.084	3.216.152	1.617.745	2.294.940
Receivables:					
Accounts receivable .....		2.895.661	1.938.302	1.929.375	1.898.562
Due from subsidiaries and associated companies .....		81.908	178.793	2.101.871	1.087.235
Other receivables .....		416.745	697.510	322.195	618.622
Prepaid expenses .....		67.710	54.213	40.453	44.497
Cash .....		375.347	82.037	151.098	53.864
		6.752.455	6.167.007	6.162.737	5.997.720
		20.095.577	16.027.579	16.770.481	14.393.593
		26.848.032	22.194.586	22.933.218	20.391.313
		26.848.032	22.194.586	22.933.218	20.391.313

# December 31, 2004

## Stockholders' equity and liabilities

	Notes	Group		Parent	
		2004	2003	2004	2003
<b>Stockholders' equity:</b>					
Capital stock .....	33	1.660.000	1.660.000	1.660.000	1.660.000
Contributed capital in excess of par .....		1.043.178	847.933	1.043.178	847.933
Statutory reserve .....		176.503	176.503	176.503	176.503
Retained earnings .....		8.677.752	6.289.174	8.677.752	6.289.174
Stockholders' equity	34	<u>11.557.433</u>	<u>8.973.610</u>	<u>11.557.433</u>	<u>8.973.610</u>
<b>Minority interest in stockholders' equity of subsidiaries ...</b>		<u>285.705</u>	<u>234.598</u>		
<b>Obligations:</b>					
Pension liabilities .....	35	130.519			
Deferred income tax liabilities .....	12,36	923.442	785.077	919.539	807.922
		<u>1.053.961</u>	<u>785.077</u>	<u>919.539</u>	<u>807.922</u>
<b>Long-term debt:</b>					
Bonds .....		1.254.241	1.597.796	1.254.241	1.597.796
Credit institutions .....		6.663.541	6.037.098	4.821.522	5.280.057
	37	<u>7.917.782</u>	<u>7.634.894</u>	<u>6.075.763</u>	<u>6.877.853</u>
<b>Current liabilities:</b>					
Credit institutions .....		1.875.561	1.585.296	1.437.365	1.347.597
Accounts payable .....		1.561.516	966.502	988.159	592.400
Liabilities to subsidiaries and associated companies .....		330.615	158.137	147.748	102.803
Current maturities of long-term debt .....	38	1.304.647	1.301.304	1.047.096	1.174.441
Taxes for the year .....		288.409	190.467	255.995	190.467
Other liabilities .....		672.403	364.701	504.120	324.220
		<u>6.033.151</u>	<u>4.566.407</u>	<u>4.380.483</u>	<u>3.731.928</u>
Total liabilities		<u>15.004.894</u>	<u>12.986.378</u>	<u>11.375.785</u>	<u>11.417.703</u>
<b>Stockholders' equity and liabilities</b>		<u>26.848.032</u>	<u>22.194.586</u>	<u>22.933.218</u>	<u>20.391.313</u>
<b>Mortgages and commitments .....</b>	22,23				

# Statement of Cash Flows 2004

	Notes	Group		Parent	
		2004	2003	2004	2003
<b>Cash flows from operating activities:</b>					
Net profit .....		2,914.405	1,066.579	2,914.405	1,066.579
Adjustment to reconcile net profit to net cash:					
Provision and (gain) loss on sale of assets .....		( 1,193.687)	902	( 1,276.000)	40.982
Depreciation and special provision.....	21	1,379.755	1,143.946	940.824	897.419
Indexation and currency fluctuation on long-term debt ..		( 464.866)	( 134.754)	( 432.379)	( 135.145)
Effects of associated companies .....		( 1,211.871)	( 498.521)	( 794.146)	( 262.618)
Other items .....		48.119	( 36.070)	111.616	19.554
		<u>1,471.855</u>	<u>1,542.082</u>	<u>1,464.320</u>	<u>1,626.771</u>
Working capital from operation					
Changes in operating assets and liabilities .....		983.012	( 430.691)	715.844	( 407.363)
Net cash provided by operating activities		<u>2,454.867</u>	<u>1,111.391</u>	<u>2,180.164</u>	<u>1,219.408</u>
<b>Cash from investing activities:</b>					
Investment in intangible assets .....			( 326.853)		
Proceeds from sale of intangible assets .....			717.945		640.000
Investment in fixed assets .....	8,20	( 787.181)	( 768.796)	( 628.068)	( 535.575)
Proceeds from sale of fixed assets .....		72.003	693.718	2.959	691.768
Investment in subsidiaries and associated companies (less acquired cash) .....		( 2,164.743)	( 944.585)	( 1,791.006)	( 994.128)
Proceeds from sale of shares in associated companies .....		4,867.339	( 404.086)	4,867.339	( 404.086)
Investment in other companies .....		( 3,921.736)	395.757	( 3,919.890)	317.128
Long-term notes, decrease (increase) .....		89.773	( 23.440)	89.773	131.124
Inventories, (increase) .....			( 95.633)		
Receivables, decrease (increase) .....		128.178	124.840	( 97.136)	( 97.978)
Net cash used in investing activities		<u>( 1,716.367)</u>	<u>( 631.133)</u>	<u>( 1,476.029)</u>	<u>( 251.747)</u>
<b>Cash from financing activities:</b>					
Paid in capital .....			92.250		
Own shares, change .....	34	195.245		195.245	
Dividends paid .....	34	( 397.475)	( 332.000)	( 397.475)	( 332.000)
Proceeds from long-term borrowing .....		1,512.924	2,015.480	1,031.774	1,434.255
Payments of long-term debt .....		( 1,885.763)	( 2,375.159)	( 1,526.215)	( 2,302.935)
Current liabilities, increase (decrease) .....		147.830	( 170.790)	89.770	( 52.151)
Net cash used in financing activities		<u>( 427.239)</u>	<u>( 770.219)</u>	<u>( 606.901)</u>	<u>( 1,252.831)</u>
<b>Increase (decrease) in cash .....</b>		<b>311.261</b>	<b>( 289.961)</b>	<b>97.234</b>	<b>( 285.170)</b>
<b>Exchange rate difference in cash of foreign subsidiaries ..</b>		<b>( 17.951)</b>			
<b>Cash at beginning of year .....</b>		<b>82.037</b>	<b>371.998</b>	<b>53.864</b>	<b>339.034</b>
<b>Cash at end of year .....</b>		<b><u>375.347</u></b>	<b><u>82.037</u></b>	<b><u>151.098</u></b>	<b><u>53.864</u></b>
<b>Other items:</b>					
Interest paid on long-term liabilities .....		417.348	395.204	308.925	358.223
Interest paid on current liabilities .....		134.108	107.143	94.652	72.561

# Notes

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## 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. A controlling interest exists when the Company has significant influence over the financial and operational policies of a subsidiary. 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 2004 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 subsidiaries*

3. The operation of the Group abroad is considered as separable from the operation of the Parent Company. Accordingly assets and liabilities of foreign subsidiaries are converted into ISK at the year-end exchange rate. Revenue and expenses of the foreign subsidiaries 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 2,914.4 million and the weighted average number of shares was 1,614.2 million.

## Notes cont.:

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### *Intangible assets*

7. The intangible assets in the Balance Sheet consists of fishing licenses and catch quota and also premium of shares in subsidiaries, 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 subsidiaries, which primarily consists of fishing licenses and catch quota, is expensed over the period of twenty years. Catch quota and fishing licenses of subsidiaries in foreign territorial waters is entered in the Balance Sheet among intangible assets. In the Consolidated Financial Statements 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 year.

### *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 depreciated 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 12 months is entered as inventories among fixed assets in the Balance Sheet but farmed fish and juveniles which will be sold during the next 12 months 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 the year 2005. The principle changes are in valuation of intangible assets and shares in companies. The presentation of the Statement of Earnings and Balance Sheet will be modified and the number of notes will be increased. A work for these changes is now in process. A possible effect on the Company's stockholders' equity has not been estimated.

## Notes cont.:

### Quarterly Statements

14. Summary of operating results by quarters:	Q 1	Q2	Q3	Q4	Total
Operating revenue .....	3.491.929	3.744.215	5.104.923	4.418.926	16.759.993
Operating expenses, less depreciation .....	( 2.799.777)	( 3.315.932)	( 4.413.646)	( 3.964.299)	( 14.493.654)
Operating profit less depreciation (EBITDA)	692.152	428.283	691.277	454.627	2.266.339
Depreciation .....	( 275.958)	( 278.394)	( 395.040)	( 306.501)	( 1.255.893)
Special provision of fixed assets .....				( 123.862)	( 123.862)
Operating profit (EBIT) .....	416.194	149.889	296.237	24.264	886.584
Financial income and expenses .....	( 243.771)	203.724	( 96.690)	1.276.299	1.139.562
Effects of associated companies .....	488.725	83.924	432.900	206.322	1.211.871
Income tax .....	( 37.150)	( 60.963)	( 139.048)	( 171.584)	( 408.745)
Minority interest in subsidiaries .....	13.943	83.246	83.519	( 95.575)	85.133
Net profit .....	637.941	459.820	576.918	1.239.726	2.914.405

### Personnel

15. Salaries and related expenses are specified as follows:	Group	Parent
Salaries .....	3.642.135	2.823.840
Salary-related expenses .....	447.876	401.833
Salaries and related expenses total .....	4.090.011	3.225.673
Average number of employees for the year .....	789	606

### 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 option	Shares at year end
Þorsteinn Már Baldvinsson, CEO .....	16.835		269.654
Finnbogi Jónsson, Chariman of the Board .....	4.911	2.748	80
Eiríkur S. Jóhannsson, Director .....	1.310		115
Gunnar Felixson, Director .....	1.310		7
Jóhannes Geir Sigurgeirsson, Director .....	1.310		30
Jón Sigurðsson, Director .....	1.310		
Kristján Jóhannsson, Director .....	1.310		
Óskar Magnússon, Director .....	1.310		111
Executive board (8) .....	58.585		275.516
	88.191	2.748	545.513

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 utilized 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 control.

## Notes cont.:

### Auditors' Fees

17. Remuneration to the Company's Auditors is specified as follows:	2004
Audit of Financial Statements .....	9.809
Review of Interim Financial Statements .....	3.675
Other services .....	7.105
Total .....	<u>20.589</u>

Of the total amount, remuneration to others than KPMG in Iceland is ISK 5.7 million.

### Intangible Assets

18. Intangible assets specifies as follows:

<b>Group:</b>	Catch quota	Other intangible assets	Total
Book value 1.1.2004 .....	2.441.115	289.341	2.730.456
Transferred from subsidiaries .....	2.203.811	( 25.272)	2.178.539
Additions during the year .....	551.733		551.733
Effects of exchange rate fluctuations during the year .....	( 232.135)		( 232.135)
Expensed during the year .....	( 360.406)	( 90.441)	( 450.847)
Book value 31.12. 2004 .....	<u>4.604.118</u>	<u>173.628</u>	<u>4.777.746</u>
<b>Parent:</b>	Catch quota	Other intangible assets	Total
Book value 1.1.2004 .....	1.631.580	0	1.631.580
Expensed during the year .....	( 185.534)	0	( 185.534)
Book value 31.12. 2004 .....	<u>1.446.046</u>	<u>0</u>	<u>1.446.046</u>

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

	Allocated catch quota	Uncaught 31.12.2004
Cod .....	11.774	6.547
Haddock .....	4.777	3.810
Saithe .....	3.116	978
Perch .....	5.809	5.387
Catfish .....	124	88
Greenland Halibut .....	2.401	2.395
Plaice .....	183	155
Prawns .....	2.640	2.496
Herring .....	16.584	1.598
Capelin .....	72.836	72.836
Total .....	<u>120.244</u>	<u>96.290</u>
Allocated catch quota in cod equivalents .....	28.595	22.430

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

## Notes cont.:

### 19. Cont.

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

Prawns, Flemish Cap .....	513
Herring, Norwegian .....	13.361
Blue whiting .....	24.273
Ocean Perch, Reykjanes ridge .....	6.727
Cod, Barents sea off Norway .....	444
Cod, Barents sea off Russia .....	277
Total .....	<u>45.595</u>

Estimated exploitable catch of foreign subsidiaries during the year 2005 is as follows:

Cod .....	11.613
Haddock .....	1.330
Saithe .....	1.511
Perch .....	4.812
Ocean Perch .....	1.663
Greenland Halibut .....	3.395
Saithe in North Sea .....	3.656
Mackerel .....	847
Herring .....	1.000
Other species .....	285
Total .....	<u>30.112</u>

The above mentioned fishing permits are in Norwegian, and Spitzbergen waters and a part of the ocean perch is in Icelandic waters. Foreign subsidiaries have also fishing permits in the North-sea and will be allocated days to catch shrimp in Spitzbergen waters and at the Flemish Cap Allocation of fishing permits of Nordic-Icelandic herring and ocean perch for the year 2005 has not been made so the quantity quoted is based on allocation for the year 2004. Allocated catch quota of capelin are based on original allocation and additional allocation made at the beginning of 2005.

## Fixed Assets

20. Property and equipment are specified as follows:

<b>Group:</b>	Buildings	Fishing vessels	Machinery & equipment	Total
Total value 1.1.2004 .....	1.834.476	7.407.817	3.738.685	12.980.978
Depreciation total 1.1.2004 .....	( 911.746)	( 2.796.545)	( 2.275.193)	( 5.983.484)
Book value 1.1.2004 .....	922.730	4.611.272	1.463.492	6.997.494
Transferred from subsidiaries .....	0	1.058.018	24.754	1.082.772
Effects of exchange rate fluctuations during the year .....	0	( 50.814)	( 525)	( 51.339)
Additions during the year .....	85.795	347.864	353.521	787.181
Sales during the year .....	0	( 81.211)	( 19.125)	( 100.336)
Depreciation 2004 .....	( 57.135)	( 440.330)	( 307.581)	( 805.046)
Special provision of fixed assets .....	0	( 123.862)	0	( 123.862)
Net book value 31.12.2004 .....	<u>951.388</u>	<u>5.320.937</u>	<u>1.514.536</u>	<u>7.786.861</u>
Depreciation ratio .....	4%	6-33%	12-33%	

## Notes cont.:

20. Cont.

	Buildings	Fishing vessels	Machinery & equipment	Total
<b>Parent:</b>				
Total value 1.1.2004 .....	1.459.368	7.154.437	2.887.256	11.501.060
Depreciation total 1.1.2004 .....	( 740.782)	( 2.780.709)	( 1.920.718)	( 5.442.209)
Book value 1.1.2004 .....	718.586	4.373.728	966.537	6.058.851
Additions during the year .....	66.734	281.213	280.121	628.068
Sales during the year .....	0	0	( 4.302)	( 4.302)
Depreciation 2004 .....	( 39.255)	( 363.119)	( 229.055)	( 631.428)
Special provision of fixed assets .....	0	( 123.862)	0	( 123.862)
Net book value 31.12.2004 .....	746.065	4.167.960	1.013.301	5.927.326
Depreciation ratio .....	4%	6-33%	12-33%	

21. Depreciation according to the Statement of Earnings amounts to ISK 1,379.8 million as follows:

	Group	Parent
Depreciation of fixed assets, see note 20.....	805.046	631.428
Special provision of fixed assets see note 20 .....	123.862	123.862
Depreciation of catch quota and other intangible assets, see note 18 .....	450.847	185.534
Depreciation according to the Statement of Earnings .....	1.379.755	940.824

### *Mortgages and Commitments*

22. Mortgages by the Group / Parent with a remaining loan balance of ISK 3,520.9 / 2,455.6 million at year end are registered against the fixed assets of the Group / Parent of book value of ISK 7,786.9 / 5,927.6 million at the same time.

	Book Value	Remaining loan balance	Collateral securities
<b>Group:</b>			
Fishing vessels .....	5.320.937	3.046.937	2.424.721
Buildings and machinery .....	2.465.924	473.957	215.156
Total .....	7.786.861	3.520.894	2.639.877
<b>Parent:</b>			
Fishing vessels .....	4.167.960	2.211.541	2.424.721
Buildings and machinery .....	1.759.366	244.044	215.156
Total .....	5.927.326	2.455.585	2.639.877

23. The Parent Company has guaranteed commitments of its subsidiaries and associated companies amounting to ISK 1,039.6 million at the same time. The Parent Company is also a guarantor for third party in the amount of ISK 338.8 million due to intended investment in FAB GmbH.

### *Real estate Value and Insurance Value*

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

	Official valuation	Insurance value	Book value
<b>Parent:</b>			
Buildings at Akureyri .....	222.726	884.011	150.298
Buildings at Dalvíkurbyggð .....	351.573	877.314	395.730
Buildings at Eskifjörður .....	337.636	772.585	188.593
Buildings at Austurbyggð .....	97.016	347.908	11.444
<b>Parent total</b> .....	1.008.951	2.881.818	746.065

## Notes cont.:

24. Cont.

	Official valuation	Insurance value	Book value
<b>Subsidiaries:</b>			
Buildings at Grindavík .....	198.271	293.820	43.635
Buildings at Núpar .....	74.051	209.341	65.600
Buildings at Öxarfjörður .....	92.175	181.010	96.088
<b>Subsidiaries total</b> .....	<u>364.497</u>	<u>684.171</u>	<u>205.323</u>
<b>Group total</b> .....	<u>1.373.448</u>	<u>3.565.989</u>	<u>951.388</u>

25. During the year the Company bought the multi purpose fishing vessel Háberg GK 299. The purchase price of the ship, including improvements amounted to ISK 236.8 million. A decision has been made to make a special provision of the book value of the fishing vessels Margrét EA 710 and Oddeyrin EA 210 in the amount of ISK 123.9 million. At year end 2004 the Group owned fourteen fishing vessels by a book value of ISK 5,320.9 million, as follows:

	Insurance value	Book book
<b>Parent:</b>		
Akureyrin EA 110 .....	297.850	190.983
Baldvin Þorsteinsson EA 10 .....	1.500.000	1.590.971
Björgúlfur EA 312 .....	133.274	171.106
Björgvin EA 311 .....	357.179	335.940
Háberg GK 299 .....	195.000	232.086
Margrét EA 710 .....	208.543	50.000
Oddeyrin EA 210 .....	117.984	10.000
Vilhelm Þorsteinsson EA 11 .....	1.723.019	1.482.904
Víðir EA 910 .....	402.559	103.970
<b>Parent total</b> .....	<u>4.935.408</u>	<u>4.167.960</u>
<b>Subsidiaries:</b>		
Onward Fishing Company Ltd. and connected companies two fishing vessels .....	784.994	408.216
CR Cuxhavener Reederei GmbH and subsidiaries three fishing vessels .....	1.954.134	744.761
Total subsidiaries .....	<u>2.739.128</u>	<u>1.152.977</u>
<b>Group total</b> .....	<u>7.674.536</u>	<u>5.320.937</u>

26. Insurance value of machinery and equipment of the Group / Parent amounted to ISK 4,278.7 / 3,955.9 million at year end.

## Investments

### Subsidiaries

27. The Company had six subsidiaries at year end. During the year the Company acquired all shares in the associated company CR Cuxhavener Reederei GmbH, Germany. By the acquisition of CR the Company became a majority shareholder in Seagold Ltd., UK. In addition the subsidiary company, Onward Fishing Company Ltd. UK, acquired 50% share in UK Fisheries Ltd. which purchased all shares in the associated company Boyd Line Ltd. The subsidiary companies Snæfugl ehf. and Fjárfestingafélagið Krossanes hf. are now for the first time part of the Company's Consolidated Financial Statements, but were before among the associated companies. CR Cuxhavener Reederei GmbH, UK Fisheries Ltd. and Seagold Ltd. are included in the Consolidated Financial Statements of Samherji hf. from July 1, 2004 but Snæfugl ehf. and Fjárfestingafélagið Krossanes hf. from January 1, 2004. In November 2004 the Company increased its share in Snæfugl ehf by acquisition of 4.0% share, so Samherji hf. is now holding 59% share in Snæfugl ehf. Comparative figures from previous year's Financial Statements do not include figures from CR Cuxhavener Reederei GmbH, UK Fisheries Ltd., Seagold Ltd., Snæfugl ehf. and Fjárfestingafélagið Krossanes hf.

## Notes cont.:

### 27. Cont.

Shares in subsidiaries are specified as follows:

	Share %	Book value	Entered in the Statement of Earnings
CR Cuxhavener Reederei GmbH, Germany .....	100,0%	1.700.388	120.821
Fjárfestingafélagið Krossanes hf., Akureyri .....	100,0%	132.351	( 231)
Oddeyri ehf., Akureyri .....	100,0%	66.720	( 495.651)
Onward Fishing Company Ltd., UK .....	100,0%	540.849	1.671
Seagold Ltd., UK .....	75,0%	66.519	7.046
Snæfugl ehf., Fjarðabyggð .....	59,0%	317.250	58.332
Shares in subsidiaries total .....		2.824.077	( 308.012)

### Associated Companies

28. During the year the Company sold all its shares in Hraðfrystistöð Þórshafnar hf. Gain on the sale amounted to ISK 307.8 million and it is entered in the Statement of Earnings among financial items. The Company also sold all its shares in Kaldbakur hf. by a gain on the sale of ISK 1,028.8 million. Share of income in associated company Kaldbakur hf. is entered by the equity method until September 30. During the year the Company acquired 3.6% share in Síldarvinnslan hf. and at year end the Company's share in Síldarvinnslan hf. is 37.1%. The Company also purchased shares in Icefresh GmbH, Germany and Sæból ehf. Grundarfjörður. Shares in Hjalteyrin ehf., Icefresh GmbH and Sæból ehf. have negligible effects on the Company's operation and Balance Sheet so their effect is not included in the Financial Statements.

	Share %	Book value	Entered in the Statement of Earnings
Shares in associated companies are as follows:			
Framherji Sp/f., Faeroe Islands.....	30,0%	82.745	13.068
Hjalteyrin ehf., Árskógssandi .....	100,0%	502	
Hraðfrystistöð Þórshafnar hf., Þórshöfn .....	0,0%		18.241
Icefresh GmbH, Germany .....	85,0%	14.827	
Kaldbakur hf., Akureyri .....	0,0%		904.351
Rif ehf., Hrísey .....	49,0%	61.239	( 923)
Síldarvinnslan hf., Neskaupstað .....	24,2%	2.395.901	141.541
SR-mjöl hf., Reykjavík .....	20,0%	4.542	97
Sæblikinn ehf., Akureyri .....	50,0%		471
Sæból ehf., Grundarfirði .....	47,0%	17.500	
Effects of subsidiaries until controlling date .....			20.709
<b>Parent total .....</b>		2.608.566	1.102.158

### Owned by subsidiary:

Síldarvinnslan hf., Neskaupstað .....	12,9%	555.434	131.990
Ulloriaq, Greenland .....	33,3%	( 29.576)	( 22.277)
<b>Group total .....</b>		3.134.424	1.211.871

### Investment in Other Companies

29. Shares in other companies are as follows:

	Share %	Book value
Burðarás hf. ....	3,6%	2.839.437
Íslandsbanki hf. ....	0,9%	1.065.000
Other companies .....		27.780
<b>Parent total .....</b>		3.932.217

## Notes cont.:

29. Cont.

	Share %	Book value
<b>Owned by subsidiaries:</b>		
Fiskeldi Eyjafjarðar hf. ....	16,8%	70.915
Shares in other companies .....		7.419
<b>Subsidiaries total</b> .....		<u>78.334</u>
<b>Group total</b> .....		<u>4.010.551</u>

Shares in other companies are entered by a book value with consideration to provision. Expensed provision during the year amounted to ISK 116.0 million.

Book value of shares in companies listed on the stock market amounted to ISK 3,975.4 million at year end. Market value of the shares at the same time was ISK 3,500.1 million. As the reduction in market value is not considered to be permanent no provision has been made in the book value of the shares in the Financial Statements. The market value of the shares has increased substantially during the year 2005 and at the beginning of March it was ISK 3,841.6 million.

### Long-term notes

30. Loans to associated companies are as follows:

Loans according to currencies:	Group	Parent
Notes in CAD .....	24.318	24.318
Notes in EUR .....	16.740	16.740
Current maturities .....	( 11.454)	( 11.454)
Total loans to associated companies .....	<u>29.604</u>	<u>29.604</u>

### Inventories

31. Inventories are as follows:

	Group	Parent
Finished goods .....	1.533.757	1.137.715
Farmed fish and juveniles .....	805.654	
Supplies .....	575.673	480.030
Inventories entered as current assets .....	2.915.084	1.617.745
Inventories of farmed fish and juveniles entered as fixed assets .....	321.194	
Total inventories .....	<u>3.236.278</u>	<u>1.617.745</u>

32. Insurance value of catch and fishing gear amounted to ISK 765.0 at year end 2004. Products and raw materials on shore are insured for ISK 3,074.0 million at year end and farmed fish and juveniles for ISK 1,440.6 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. During the year the Company purchased own shares by nominal value of ISK 110.1 million which were resold within the year. Gain on the sale amounted to ISK 195.2 million which has been posted to the contributed capital in excess of par.

34. Changes in stockholders' equity:

	Capital stock	Capital in excess of par	Statutory reserve	Retained earnings	Total
Stockholders' equity 1.1.2004 .....	1.660.000	847.933	176.503	6.289.174	8.973.610
Own shares purchased .....		195.245			195.245
Dividends paid .....				( 397.475)	( 397.475)
Net profit .....				2.914.405	2.914.405
Exchange rate difference of foreign assets ...				( 128.352)	( 128.352)
Stockholders' equity 31.12.2004 .....	<u>1.660.000</u>	<u>1.043.178</u>	<u>176.503</u>	<u>8.677.752</u>	<u>11.557.433</u>

## Notes cont.:

### Obligations

35. Foreign subsidiaries of the Company have entered into pension plan agreements with some of its former and present employees. The vested pension at year end 2004 ISK stands at 130.5 million.

36. The deferred income tax liability of the Group / Parent amounted to ISK 923.4 / 919.5 million at year end 2004 according to the Balance Sheet. The change in the liability during the year is as follows:

	Group	Parent
Balance 1.1. 2004 .....	785.077	807.922
Transferred from subsidiaries .....	3.973	
Income tax on regular operations .....	408.745	345.848
Income tax payable in 2005 .....	( 266.374)	( 234.231)
Exchange rate difference .....	( 7.979)	
Deferred income tax liability at year end 2004 .....	<u>923.442</u>	<u>919.539</u>

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

Intangible assets .....	214.020	205.132
Fixed assets .....	429.167	318.563
Shares in other companies .....	332.851	305.476
Other items .....	89.010	90.368
Tax loss carry forward .....	( 141.606)	
Deferred income tax liability at year end 2004 .....	<u>923.442</u>	<u>919.539</u>

### Long-term debt

37. Long-term debt consist of the following:

	Group	Parent
Loans in JPY .....	1.689.872	1.688.188
Loans in USD .....	1.234.314	1.111.217
Loans in EUR .....	2.218.300	1.182.554
Loans in CHF .....	750.827	599.785
Loans in GBP .....	1.151.195	532.838
Loans in RFI .....	141.342	141.342
Loans in other currencies .....	17.494	17.494
Loans in foreign currencies total .....	<u>7.203.344</u>	<u>5.273.418</u>
Indexed loans .....	<u>2.019.085</u>	<u>1.849.441</u>
Total long-term debt including current maturities .....	<u>9.222.429</u>	<u>7.122.859</u>
Current maturities .....	( 1.304.647)	( 1.047.096)
Total long-term debt according to the Balance Sheet .....	<u>7.917.782</u>	<u>6.075.763</u>

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

Year 2005 .....	1.304.647	1.047.096
Year 2006 .....	1.428.826	1.006.797
Year 2007 .....	1.974.313	1.689.047
Year 2008 .....	1.013.509	797.720
Year 2009 .....	589.193	410.899
Subsequent years .....	2.911.941	2.171.300
Total long-term debt including current maturities .....	<u>9.222.429</u>	<u>7.122.859</u>

## Notes cont.:

### Derivatives

39. 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 2004 is negative of ISK 27.8 million and this amount is entered as a liability 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 37.

### Management Practices

40. The Board of Directors of Samherji hf. has set own working rules with the objective of maintaining exemplary management practices in the Company's operations along with strengthening confidentiality and trust between shareholders, board members, directors and other parties who have interests in the Company. Included in the Board's rules, amongst other things, are clauses about meeting order, detailed rules on Board member's qualification on participation in handling cases, rules on confidentiality, disclosure of CEO to the Board and other. In the light of the request issued by the Icelandic Chamber of Commerce, the Icelandic Stock Exchange and Confederation of Icelandic Employers, of management practices, it will fall upon the new Board to be elected on the next General meeting to reconsider the working rules of the Company with the aim of adjusting the rules to the above mentioned request.

### Other matters

41. In June 2002 Samherji hf. was sentenced to pay damages to the Norwegian State in the amount of NOK 10.0 million which equals ISK 101.4 million. Samherji hf. appealed this verdict to a higher court but at the beginning of January 2005 it sentenced Samherji hf. to pay damages to the Norwegian State of NK 14.0 million which equals ISK 141.6 million. Samherji has appealed this verdict to the supreme court of Norway. As the Company does not consider itself liable for damage, an expense due to this case is not entered in the Financial Statements.
42. The Company's Board of Directors has agreed to participate in the increase of share capital in FAB GmbH, Germany due to that company's investment in 58% share in Pickenpack - Hussmann & Hahn Seafood GmbH. After this investment FAB GmbH is the owner of all shares in Pickenpack - Hussmann & Hahn Seafood GmbH. The share of Samherji hf. in the increase of share capital amounts to EUR 4.0 million which equals ISK 334 million and it is assumed that Samherji's share in FAB GmbH will be 32% after the increase of the share capital.
43. At the beginning of February 2005 a fire in the Company's fishmeal plant in Grindavík caused substantial damage. The Company is insured for damages both for fire and work stoppage. Final assessment of the damages has not been made but it is apparent that the fire will affect the Company's operation in the year 2005.
44. In January 2005 the company purchased the multi purpose fishing vessel Högaberg from EM Shipping Spf. in Faeroe Islands. According to the terms of the contract the ship is returnable within 3 months from its signing.
45. Five-year summary of the Group in ISK millions:

<b>Operation:</b>	2004	2003	2002	2001	2000
Operating revenue .....	16.760	12.377	13.001	13.043	7.011
Operating expenses less depreciation .....	( 14.494)	( 10.125)	( 10.003)	( 9.583)	( 5.617)
Operating profit before depreciation .....	2.266	2.252	2.998	3.460	1.394
Depreciation .....	( 1.380)	( 1.144)	( 1.244)	( 1.026)	( 643)
Operating profit before financial expenses ..	886	1.108	1.754	2.434	751
Financial income and expenses .....	1.140	( 394)	410	( 1.238)	519
Effects of associated companies .....	1.212	499	109	( 74)	( 168)
Income tax .....	( 409)	( 199)	( 414)	( 14)	( 375)
Minority interest in operating results of subsid. ..	85	53	20		
Net profit of the year .....	2.914	1.067	1.879	1.108	727

**Notes cont.:**

45. Cont.

<b>Balance Sheet</b>	2004	2003	2002	2001	2000
Fixed assets .....	20.096	16.028	15.846	11.473	11.679
Current assets .....	6.752	6.167	6.143	6.639	4.914
<b>Total assets</b>	<b>26.848</b>	<b>22.195</b>	<b>21.989</b>	<b>18.112</b>	<b>16.593</b>
Stockholders' equity .....	11.557	8.974	8.202	6.219	5.405
Minority interest in the stockholders' equity of subsid.	286	235	198		
Obligations .....	1.054	785	770	637	583
Long-term debt .....	7.918	7.635	7.548	6.836	7.021
Current liabilities .....	6.033	4.566	5.271	4.420	3.584
Stockholders' equity, minority interest and liabilities total	26.848	22.195	21.989	18.112	16.593

46. Main ratios for the Group:

Working capital from operations .....	1.472	1.542	2.245	3.092	1.060
Current ratio - current assets / current liabilities	1,1	1,4	1,2	1,5	1,4
Equity ratio - Stockholders' equity / total assets	43,0%	40,4%	37,3%	34,3%	32,6%