

Samherji hf.
Consolidated
Financial Statements
2006

Samherji hf.
Glerárgötu 30
600 Akureyri

Id. 610297-3079

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Endorsement by the Board of Directors and the CEO

The Company is a general fishing industry firm which owns eighteen fishing vessels and operates fish processing plants at Akureyri, Dalvíkurbyggð, Grindavík, Grimsby and Cuxhaven. The Financial Statements contain the Consolidated Financial Statements of Samherji hf. and its subsidiaries which were eleven 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.

According to the Income Statement, the operating revenues of the Group amounted to ISK 23,705 million in 2006 and of the Parent Company ISK 16,644 million. Net profit from the Group's operations for the year 2006 were ISK 1,915 million. According to the Balance Sheet total assets of the Group amounted to ISK 41,971 million and of the Parent Company ISK 26,678 million. The stockholders equity at year end amounted to ISK 9,205 million, including ISK 880 million in capital stock. The equity ratio of the Group was 21.9%, and 34.5% of the Parent Company.

The Company's share capital amounted to ISK 880 million as decided in its Articles of Association. At the end of the year the number of shareholders was twelve, representing an increase of three during the year. Four shareholders owned more than 10.0% of the Company's capital stock at the end of 2006, Kristján Vilhelmsson 32.4%, Þorsteinn Már Baldvinsson 31.6%, Fjárfestingafélagið Fjörður ehf. 13.1% and Bliki ehf. 10.9%.

The Board of Directors propose that a dividend of 50% be paid to shareholders in 2007. Reference is made to the Financial Statements regarding other changes in shareholders' equity.

The Board of Directors of Samherji hf. and the CEO hereby confirm the Consolidated Financial Statements for the year 2006.

Akureyri, March 23, 2007.

Board of Directors:

Eiríkur S. Jóhannsson

Óskar Magnússon

Kristján Vilhelmsson

CEO:

Þorsteinn Már Baldvinsson

Independent Auditors' Report

To the Board of Directors and Shareholders of Samherji hf.

Report on the Financial Statements

We have audited the accompanying Financial Statements and Consolidated Financial Statements of Samherji hf. and its subsidiaries, which comprise the Balance Sheet as at December 31, 2006, and the Income Statement and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with the Financial Statements Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of Samherji hf. as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with the Financial Statements Act.

Akureyri, March 23, 2007.

KPMG Endurskoðun Akureyri hf.

Arnar Árnason

Income Statement for the year 2006

	Notes	Group		Parent	
		2006	2005	2006	2005
Operating revenue:					
Fish processing revenue	5	6.883.488	6.123.333	4.745.361	4.698.220
Catch from fishing vessels	5	10.401.591	8.889.133	5.714.659	6.028.190
Catch from own fishing vessels to own production	5	(1.237.510)	(1.141.496)	(823.099)	(863.583)
Sales revenue		5.950.305	5.513.977	6.285.078	5.848.532
Other income		532.066	170.456	93.988	108.102
Gain on sale of assets		1.174.564	1.735.176	627.893	1.723.550
		<u>23.704.504</u>	<u>21.290.579</u>	<u>16.643.880</u>	<u>17.543.011</u>
Operating expenses:					
Production cost		5.570.645	5.710.469	3.500.762	4.053.757
Catch from own fishing vessels to own production	5	(1.237.510)	(1.141.496)	(823.099)	(863.583)
Operation of fishing vessels		7.297.379	6.960.564	4.372.230	4.941.241
Cost of goods sold		5.986.277	5.347.871	6.517.997	5.802.243
General and administrative expenses		681.625	492.537	347.996	208.177
		<u>18.298.416</u>	<u>17.369.945</u>	<u>13.915.886</u>	<u>14.141.835</u>
Operating profit before financial income and expenses		5.406.088	3.920.634	2.727.994	3.401.176
Depreciation	19	(1.728.972)	(1.459.210)	(979.253)	(824.385)
Operating profit before financial income and expenses		3.677.116	2.461.424	1.748.741	2.576.791
Financial income (expenses):					
Interest income and dividends		424.723	240.120	187.893	217.882
Provision and gain on sale of shares		596.422	1.501.307	1.436.488	1.518.879
Unrealized premium (loss) on share ownership		839.675	0	(5.500)	0
Interest expenses and indexation		(1.970.257)	(840.892)	(1.318.472)	(655.729)
Exchange rate difference		(1.313.899)	326.911	(1.055.752)	263.248
		<u>(1.423.336)</u>	<u>1.227.446</u>	<u>(755.343)</u>	<u>1.344.280</u>
Share of results in subsidiaries	25	0	0	899.074	(240.428)
Share of results in associated companies	26	16.577	194.813	(103.384)	147.780
Operating profit before income tax		2.270.357	3.883.683	1.789.088	3.828.423
Income tax	13,34	(244.238)	(838.442)	126.126	(724.630)
Net profit before minority interest		2.026.119	3.045.241	1.915.214	3.103.793
Minority interest		(110.905)	58.552	0	0
Profit for the year	32	<u>1.915.214</u>	<u>3.103.793</u>	<u>1.915.214</u>	<u>3.103.793</u>
Earnings per share:					
Earnings per share of ISK 1	6	2,19	2,12	2,19	2,12

Balance Sheet

Assets					
		Group		Parent	
	Notes	2006	2005	2006	2005
Fixed assets:					
Intangible assets:					
Purchased catch quota		9.345.059	8.381.025	5.153.513	5.643.647
Other intangible assets		76.258	109.614	0	0
	7,16	<u>9.421.317</u>	<u>8.490.639</u>	<u>5.153.513</u>	<u>5.643.647</u>
Property and equipment:					
Buildings		1.006.272	887.288	710.544	696.952
Fishing vessels		6.677.887	5.476.424	4.417.980	3.795.348
Machinery and equipment		1.325.374	1.122.486	577.579	633.620
	8,18	<u>9.009.533</u>	<u>7.486.198</u>	<u>5.706.103</u>	<u>5.125.920</u>
Investments:					
Shares in subsidiary companies	25	0	0	4.249.375	2.673.287
Shares in associated companies	26	3.550.452	4.083.473	2.851.483	3.482.210
Shares in other companies	27	9.613.895	407.053	18.439	20.527
Loans to associated companies	28	77.693	32.365	85.224	41.329
Long-term notes		135.369	37.949	3.890	3.419
		<u>13.377.409</u>	<u>4.560.840</u>	<u>7.208.411</u>	<u>6.220.772</u>
Long-term inventories:					
Inventories of farmed fish and juveniles	12,29	126.605	108.826	0	0
Fixed assets		<u>31.934.864</u>	<u>20.646.503</u>	<u>18.068.027</u>	<u>16.990.339</u>
Current assets:					
Inventories	12,29	3.702.713	3.545.086	1.882.622	2.339.245
Receivables:					
Accounts receivable		3.997.874	2.919.962	1.781.625	1.606.024
Due from subsidiaries and associated companies		639.134	656.412	3.985.734	2.590.301
Other receivables		664.817	603.525	528.856	438.416
Prepaid expenses		54.654	59.102	6.979	26.774
Cash and cash equivalents		976.941	257.135	424.110	119.042
Current assets		<u>10.036.133</u>	<u>8.041.222</u>	<u>8.609.926</u>	<u>7.119.802</u>
Total assets		<u>41.970.997</u>	<u>28.687.725</u>	<u>26.677.953</u>	<u>24.110.141</u>

December 31, 2006

Equity and liabilities

	Notes	Group		Parent	
		2006	2005	2006	2005
Equity:					
Share capital	31	879.793	871.491	879.793	871.491
Share premium		1.282.430	1.180.040	1.282.430	1.180.040
Statutory reserve		86.912	86.912	86.912	86.912
Retained earnings		6.955.489	4.955.875	6.955.489	4.955.875
Total shareholders' equity	32	<u>9.204.624</u>	<u>7.094.318</u>	<u>9.204.624</u>	<u>7.094.318</u>
Minority interest		<u>622.429</u>	<u>360.697</u>	<u>0</u>	<u>0</u>
Obligations:					
Pension liability	33	158.400	148.511	0	0
Deferred income tax liabilities	13,34	2.480.180	2.315.388	2.139.248	2.270.200
		<u>2.638.580</u>	<u>2.463.899</u>	<u>2.139.248</u>	<u>2.270.200</u>
Long-term debt:					
Bonds		382.163	704.141	382.163	704.141
Credit institutions		20.878.485	6.707.817	11.254.304	4.916.477
	35	<u>21.260.648</u>	<u>7.411.958</u>	<u>11.636.467</u>	<u>5.620.618</u>
Current liabilities:					
Credit institutions		2.061.135	7.195.505	92.136	6.224.257
Accounts payable		1.572.259	1.526.998	612.538	767.081
Liabilities to subsidiaries and associated companies		1.140.947	270.376	723.726	474.218
Current maturities of long-term debt	36	2.306.070	1.161.871	1.838.610	776.813
Taxes for the year		228.394	188.674	0	80.643
Other liabilities		935.911	1.013.429	430.604	801.993
		<u>8.244.716</u>	<u>11.356.853</u>	<u>3.697.614</u>	<u>9.125.005</u>
Total liabilities		<u>32.143.944</u>	<u>21.232.710</u>	<u>17.473.329</u>	<u>17.015.823</u>
Total equity and liabilities		<u><u>41.970.997</u></u>	<u><u>28.687.725</u></u>	<u><u>26.677.953</u></u>	<u><u>24.110.141</u></u>
Mortgages and commitments	21,22				

Statement of Cash Flows 2006

	Notes	Group		Parent	
		2006	2005	2006	2005
Cash flows from operating activities:					
Profit for the year	32	1.915.214	3.103.793	1.915.214	3.103.793
Adjustment to reconcile net profit to net cash:					
Gain on sale of assets and premium of ownership in shares .....	(	2.609.380)	(3.236.483)	(2.057.601)	(3.242.429)
Depreciation	19	1.728.972	1.459.210	979.253	824.385
Indexation and currency fluctuation on long-term debt ...		1.374.899	(260.056)	1.315.928	(232.605)
Effects of subsidiary- and associated companies	25,26	(16.577)	(194.813)	(795.690)	92.648
Other items .....	(	277.960)	544.480	55.984	576.021
Working capital from operations		<u>2.115.168</u>	<u>1.416.131</u>	<u>1.413.088</u>	<u>1.121.813</u>
Changes in operating assets and liabilities .....	(	249.088)	(403.312)	(9.096)	(782.008)
Net cash provided by operating activities		<u>1.866.080</u>	<u>1.012.819</u>	<u>1.403.992</u>	<u>339.805</u>
Cash from investing activities:					
Investment in intangible assets	16	(108.171)	(692.985)	0	(376.664)
Proceeds from sale of intangible assets		1.695.535	1.414.182	1.089.780	1.408.841
Investment in fixed assets	18	(1.588.771)	(1.321.352)	(1.156.107)	(489.818)
Proceeds from sale of fixed assets		247.637	1.283.809	95.839	1.264.170
Investment in subsidiaries and associated companies (less acquired cash) .....	(	1.527.274)	(848.022)	(145.447)	(1.002.412)
Proceeds from sale of shares in associated companies		67.500	0	94.500	0
Investment in other companies .....	(	14.772.642)	(1.216.352)	(12.507.126)	(1.183.606)
Proceeds from sale of shares in other companies		7.326.767	6.738.282	14.207.902	6.738.282
Long-term notes, (increase) .....	(	111.806)	(71.161)	(30.826)	(14.412)
Receivables, decrease (increase)		191.970	(995.469)	(1.438.234)	(468.477)
Net cash (used in) provided by investing activities	(	<u>8.579.255)</u>	<u>4.290.932</u>	<u>210.281</u>	<u>5.875.904</u>
Cash from financing activities:					
Own shares, change	32	61.693	0	61.693	0
Dividends paid	32	(438.097)	(498.000)	(438.097)	(498.000)
Change in share of minority interest		16.782	17.778	0	0
Proceeds from long-term borrowings		15.012.070	2.179.116	6.447.609	1.490.706
Payments of long-term debt .....	(	2.044.460)	(2.298.601)	(950.286)	(1.979.138)
Current liabilities, decrease .....	(	5.205.679)	(4.818.861)	(6.430.124)	(5.261.333)
Net cash provided by (used in) financing activities		<u>7.402.309</u>	<u>(5.418.568)</u>	<u>(1.309.205)</u>	<u>(6.247.765)</u>
Increase (decrease) in cash and cash equivalents		<u>689.134</u>	<u>(114.817)</u>	<u>305.068</u>	<u>(32.056)</u>
Exchange rate difference in cash of foreign subsidiaries ..		<u>30.672</u>	<u>(12.455)</u>	<u>0</u>	<u>0</u>
Cash and cash equivalents at beginning of year		<u>257.135</u>	<u>384.407</u>	<u>119.042</u>	<u>151.098</u>
Cash and cash equivalents at end of year		<u><u>976.941</u></u>	<u><u>257.135</u></u>	<u><u>424.110</u></u>	<u><u>119.042</u></u>

Notes

Accounting principles and policies

Basis of preparation

1. The Financial Statements of Samherji hf. contain 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 (ISK). It is based on cost accounting and is prepared according to the same accounting principles as for the previous year apart from the changes in accounting policies explained in note 14.

Subsidiaries are companies in which the Company holds controlling interest, directly or indirectly. A controlling interest exists when the Company has significant influence over the financial and operational policies of a subsidiary. The Financial Statements of the subsidiaries are included in the Group's Consolidated Financial Statements from the acquisition of the controlling interest until the interest is no longer held.

All material balances between the Group companies, transactions and profits created in transactions between Group companies 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 denominated in foreign currencies are stated in ISK at the year end 2006 exchange rate. Operational revenue and expenses in foreign currencies are converted at the spot rate on the transaction date. Exchange rate difference is posted to 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 in 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 catch 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 are 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 capital stock during the year and shows the profit per each ISK 1 of capital stock. Profit for the year 2006 amounted to ISK 1,915 million and the weighted average number of outstanding shares was ISK 875 million.

Intangible assets

7. The intangible assets in the Balance Sheet consist 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 are 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 acquisition cost is entered under the item other intangible assets and will be expensed over the period of five years.

Notes cont.:

Fixed Assets

8. The net book value of property and equipment is based on historical cost less depreciation. Depreciation is calculated as a fixed annual percentage based on the estimated service life of the assets until residual value is reached. Estimated service life is as follows:

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

Subsidiaries

9. Investments in subsidiaries are capitalised at a value corresponding to the Company's share in their stockholders' equity, including the difference between the purchase price and the Company's share in the stockholders' equity of the subsidiaries at the acquisition date. 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. Investments of the Group in associated companies are capitalised at a value corresponding to the Company's share in their stockholders' equity of the associated companies including the acquisition cost and the premium is amortized over the period of five to seventeen years.

Other companies

11. Investment in other companies registered on the stock market is stated at market value at year end. The market value of unlisted companies has been evaluated and the valuation is based on the latest known transactions of these shares and also the latest information about the performance and financial position of these companies. The difference of market value and purchase price in other companies is entered in the Income Statement as unrealized premium on share ownership.

Inventories

12. 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, less selling expenses, whichever is lower. Farmed fish and juveniles which are not intended for sale during the next twelve months are entered as inventories among fixed assets in the Balance Sheet but farmed fish and juveniles which will be sold during the next twelve 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

13. The Company's deferred income tax liability has been calculated and recorded in the Financial Statements. The liability represents the timing difference in the accounting methods used for tax purposes compared to the ones used for Financial Statements, which is 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 difference in expenses, especially depreciation, which are generally expensed earlier for income tax purposes than in the Financial Statements.

Change in accounting principles

14. A change has been made in the accounting principles regarding capitalization of investment in other companies where the Group holds minority interest. The Company's Board of Directors has decided that this investment will from the year 2006 be entered at market price. The Company's investment in other companies are entered at market price where it is available or at cost price taking provision into account, where market price is not known.

Effects of the change in accounting principles on the Company's operation 2006 is that the profit and equity are ISK 693 million higher than if the accounting principles had remained unchanged. The Company's investment in other companies at year end is ISK 845 million higher and deferred income tax liability is ISK 152 million higher than it would have been if the accounting principles had not been changed.

Notes cont.:

Personnel

15. Salaries and related expenses are specified as follows:	Group	Parent
Salaries	3.860.288	2.741.578
Salary-related expenses	729.706	443.450
Salaries and related expenses total	4.589.994	3.185.028
Average number of employees for the year	751	483

Salaries and fringe benefits paid to the CEO, Board of Directors and seven managers for their work for companies within the Group amounted to ISK 83 million, thereof salary and fringe benefits to the CEO was ISK 19 million.

Intangible Assets

16. During the year the Company sold catch quota with a gain on the sale of ISK 1,169 million. Intangible assets at year-end specify as follows.

Group:	Catch quota	Other intangible assets	Total
Book value 1.1.2006	8.381.025	109.614	8.490.639
Transferred by merger	96.968	0	96.968
Transferred from subsidiaries	1.508.385	0	1.508.385
Additions during the year	105.211	2.960	108.171
Effects of exchange rate fluctuations during the year	615.181	0	615.181
Sales during the year	(544.276)	0	(544.276)
Expensed during the year	(817.435)	(36.316)	(853.751)
Book value 31.12. 2006	9.345.059	76.258	9.421.317
Parent:			
Book value 1.1.2006	5.643.647	0	5.643.647
Transferred by merger	427.727	0	427.727
Sales during the year	(475.986)	0	(475.986)
Expensed during the year	(441.875)	0	(441.875)
Book value 31.12. 2006	5.153.513	0	5.153.513

17. Catch quota which the Company has been allocated for the fishing year 2006-2007 is as follows:

	Allocated catch quota	Uncaught 31.12.2006
Cod	10.587	6.065
Haddock	3.831	2.633
Saithe	3.682	3.210
Perch	4.683	4.935
Catfish	123	172
Greenland halibut	1.848	2.223
Plaice	215	165
Prawns	887	889
Herring	17.300	1.330
Capelin	27.606	0
Total	70.762	21.622
Allocated catch quota in cod equivalents	28.145	18.960

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

Notes cont.:

17. 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	577
Herring, Norwegian	16.031
Blue whiting	21.087
Ocean perch, Reykjanes Ridge	3.499
Cod, Barents Sea off Norway	392
Cod, Barents Sea off Russia	274
Total	<u>41.860</u>

Estimated exploitable catch of foreign subsidiaries during the year 2007 is as follows:

Cod	10.981
Haddock	1.647
Saithe	1.760
Perch	2.298
Ocean Perch	450
Greenland halibut	4.582
Saithe in North Sea	1.250
Mackerel	1.500
Herring	1.500
Other species	280
Total	<u>26.248</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 ocean perch for the year 2007 has not been made so the quantity quoted is based on allocation for the year 2006. Allocated catch quota of capelin is based on original allocation and additional allocation made at the beginning of 2007.

Fixed Assets

18. Property and equipment are specified as follows:

Group:	Buildings	Fishing vessels	Machinery & equipment	Total
Total value 1.1.2006	1.657.355	8.611.738	3.058.341	13.327.434
Depreciation total 1.1.2006	(770.067)	(3.135.314)	(1.935.855)	(5.841.236)
Book value 1.1.2006	887.288	5.476.424	1.122.486	7.486.198
Transferred from subsidiaries	0	529.058	1.250	530.308
Effects of exchange rate fluctuations during the year	4.338	465.723	50.145	520.206
Additions during the year	181.036	958.676	449.059	1.588.771
Sales during the year	(11.721)	(179.708)	(49.300)	(240.729)
Depreciation 2006	(54.669)	(572.286)	(248.266)	(875.221)
Book value 31.12.2006	1.006.272	6.677.887	1.325.374	9.009.533
Depreciation ratio	4%	6-33%	12-33%	

Notes cont.:

18. cont.

	Buildings	Fishing vessels	Machinery & equipment	Total
Parent:				
Total value 1.1.2006	1.265.585	6.162.272	2.001.312	9.429.169
Depreciation total 1.1.2006	(568.633)	(2.366.924)	(1.367.692)	(4.303.249)
Book value 1.1.2006	696.952	3.795.348	633.620	5.125.920
Transferred by merger	0	44.473	0	44.473
Additions during the year	62.679	958.676	134.752	1.156.107
Sales during the year	(10.181)	(34.534)	(38.304)	(83.019)
Depreciation 2006	(38.906)	(345.983)	(152.489)	(537.378)
Book value 31.12.2006	710.544	4.417.980	577.579	5.706.103
Depreciation ratio	4%	6-33%	12-33%	

19. Depreciation according to the Income Statement of the Group / Parent amounts to ISK 1,729.0 / 979.3 million as follows:

	Group	Parent
Depreciation of fixed assets, see note 18	875.221	537.378
Depreciation of catch quota and other intangible assets, see note 16	853.751	441.875
Depreciation according to the Income Statement	1.728.972	979.253

Mortgages and Commitments

20. Mortgages by the Group / Parent with a remaining loan balance of ISK 3,237.9 / 1,496.7 million at year end are registered against the fixed assets of the Group / Parent of book value of ISK 9,009.5 / 5,706.1 million at the same time.

	Book value	Remaining loan balance	Collateral securities
Group:			
Fishing vessels	6.677.888	2.829.345	5.434.702
Buildings and machinery	2.331.645	408.579	177.731
Total	9.009.533	3.237.924	5.612.433
Parent:			
Fishing vessels	4.417.980	1.381.112	5.434.702
Buildings and machinery	1.288.123	115.554	177.731
Total	5.706.103	1.496.666	5.612.433

21. The Parent Company has guaranteed commitments of its subsidiaries and associated companies amounting to ISK 7,561 million at year end. The Group has pledged against its liabilities its shares in Síldarvinnslan hf. by nominal value of ISK 591 million and shares in Tryggingamiðstöðin hf. by nominal value of ISK 23 million. Also eight million shares in Kaupþing banki hf. and one fishing vessel are bound by a negative pledge which implies that selling or pledging of these assets must be approved by the lien holder. The Company has also put up a collateral pledged by inventories and receivables, as a loan security for its obligations.

Notes cont.:

Real estate Value and Insurance Value

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

	Official valuation	Insurance value	Book value
Parent:			
Buildings at Akureyri	306.598	1.055.450	272.536
Buildings at Dalvíkurbyggð	377.470	1.026.360	377.003
Buildings at Grindavík	267.941	582.007	45.698
Buildings at Öxarfjörður	883	0	15.307
Parent total	952.892	2.663.817	710.544
Subsidiaries:			
Buildings at Grindavík	248.649	337.515	33.971
Buildings at Núpár	84.871	240.560	56.000
Buildings at Öxarfjörður	95.162	141.030	143.104
Buildings owned by foreign subsidiaries			62.653
Subsidiaries total	428.682	719.105	295.728
Group total	1.381.574	3.382.922	1.006.272

23. In the year 2006 the Company bought the trawler Margrét EA-710 for ISK 959 million including changes that have been made to the ship. At year end 2006 the Group had 18 fishing vessels by a book value of ISK 6,678 million. At year end book value and insurance value of fishing vessels are as follows:

	Insurance value	Book value
Parent:		
Akureyrin EA 110	270.453	163.996
Baldvin Þorsteinsson EA 10	1.500.000	1.384.707
Björgúlfur EA 312	132.717	146.575
Björgvin EA 311	321.191	260.133
Margrét EA 710	1.200.000	931.225
Margrét EA 71 -	35.000	8.800
Vilhelm Þorsteinsson EA 11	1.710.814	1.431.099
Víðir EA 910	315.061	91.445
Parent total	5.485.236	4.417.980
Subsidiaries:		
Onward Fishing Company Ltd. and connected companies, four vessels	1.465.147	688.797
CR Cuxhavener Reederei GmbH and subsidiaries, five vessels	3.245.330	1.559.150
Hjalteyrin, útgerðarfélag ehf.	20.000	11.960
Total subsidiaries	4.730.477	2.259.907
Group total	10.215.713	6.677.887

24. Insurance value of machinery and equipment of the Group / Parent amounted to ISK 3,126.4 / 2,575.8 million at year end.

Notes cont.:

Investments

Subsidiaries

25. The subsidiaries of Samherji hf. were eleven at year-end 2006. At beginning of the year UK Fisheries Ltd. which is in 50% ownership by Onward Fishing Company Ltd., acquired all shares in J. Marr Fishing Ltd., and that company is included in the Consolidated Financial Statements of UK Fisheries Ltd., from February 1, 2006. During the year Samherji hf. acquired 41.2% share in Rif ehf., but before Samherji hf. held 49.0% share in that company. The Board of Directors of Samherji hf. and Rif ehf. have agreed on a merger schedule of the companies by the name of Samherji hf. based on the date of July 1, 2006 and the Company's Financial Statements contain the Financial Statements of the merger company from that date. Hjalteyrin útgerðarfélag ehf. which is 100% owned by Samherji hf. is also for the first time a part of the Company's Consolidated Financial Statements but that company began its operation at the beginning of 2006. During the year the Company sold 12.5% share in the subsidiary company Seagold Ltd. During the year share capital in Íslandslax hf. was increased by ISK 602.4 million and at year end that company was wholly owned by Samherji hf. and at the beginning of the year Samherji's direct share in Atlantex sp. z.o.o. was sold to a subsidiary company in Germany.

Investments in subsidiaries are specified as follows:

	Share %
CR Cuxhavener Reederei GmbH, Germany	100,0%
Sp/f FramInvest, Faroe Islands	73,3%
Hjalteyrin, útgerðarfélag ehf., Akureyri	100,0%
Icefresh GmbH, Germany	85,0%
Íslandslax hf., Grindavík	100,0%
Kaldbakur ehf., Akureyri	100,0%
Oddeyri ehf., Akureyri	100,0%
Onward Fishing Company Ltd., UK	100,0%
Seagold Ltd., Bretlandi	62,5%
Silfurstjarnan hf., Öxarfirði	19,8%
Snæfugl ehf., Fjarðabyggð	59,0%

Associated Companies

26. During the year the Company acquired 50.0% share in the associated company Samvís hf. for the amount of ISK 5 million. The Company sold its share in Eldar ehf. by a realized profit of ISK 580 million. The subsidiary Kaldbakur ehf. held 19.3% share in Eldar ehf. at year end which is entered among investments in other companies.

Investments in associated companies are as follows:	Share %	Book Value	Entered in the Income Statement
Samvís ehf., Grindavík	50,0%	(26.443)	(29.276)
Seley ehf., Neskaupstað	30,0%	39.906	6.293
Síldarvinnslan hf., Neskaupstað	34,8%	2.816.037	(79.926)
SR-mjöl hf., Reykjavík	20,0%	6.411	1.781
Sæból ehf., Grundarfirði	47,0%	15.572	(2.256)
Parent total		2.851.483	(103.384)
Subsidiaries:			
Bergfrost, Faroe Islands	42,6%	(1.106)	(19.374)
Framherji Sp/f., Faroe Islands	33,3%	196.425	125.125
Síldarvinnslan hf., Neskaupstað	12,9%	503.650	14.210
Group total		3.550.452	16.577

Notes cont.:

Investment in Other Companies

27. Investment in other companies is specified as follows:

	Share %	Book value
Companies listed on the Stock market:		
Kaupþing banki hf.	1,1%	7.014.276
Tryggingamiðstöðin hf.	2,5%	1.031.273
Straumur Burðarás hf.	0,1%	240.816
Hf. Eimskipafélag Íslands	0,3%	195.000
FL Group hf.	0,1%	104.040
Listed companies total		<u>8.585.405</u>
Investment in other companies not listed on the Stock market.		<u>1.028.490</u>
Investment in other companies total		<u>9.613.895</u>

Long-term receivables

28. Loans to associated companies are as follows:

	Group	Parent
Loans according to currencies:		
Notes in CAD	22.039	22.039
Notes in DKK	139.848	139.848
Notes in EUR	80.069	91.366
Notes in CHF	4.367	4.367
Current maturities	(168.630)	(172.396)
Loans to associated companies total	<u>77.693</u>	<u>85.224</u>

Inventories

29. Inventories are specified as follows:

	Group	Parent
Finished goods	1.908.655	1.407.927
Farmed fish and juveniles	1.152.854	0
Supplies	641.204	474.695
Inventories entered as current assets	<u>3.702.713</u>	<u>1.882.622</u>
Inventories of farmed fish and juveniles entered as fixed assets	126.605	0
Inventories total	<u>3.829.318</u>	<u>1.882.622</u>

30. Insurance value of catch and fishing gear amounted to ISK 861.2 million at year end 2006. Products and raw materials on shore are insured for ISK 4,162.7 million at year end and farmed fish and juveniles for ISK 1,335.3 million.

Notes cont.:

Equity

31. In continuation of the decision on the merger of Samherji hf. and Fjárfestingafélagið Fylkir ehf., the Annual General Meeting of Samherji hf. held on the 10th of August 2006 decided upon a reduction of share capital. After the reduction the Company's share capital amounts to ISK 880.0 million as decided in its Articles of Association. At year end the Company held own shares by nominal value of ISK 0.2 million.

32. Changes in equity:

	Share capital	Share premium	Statutory reserve	Retained earnings	Total
Balance 1.1.2006	871.491	1.180.040	86.912	4.955.875	7.094.318
Paid in capital	5.240	56.453			61.693
Effects of merger	3.062	45.938			49.000
Dividends paid				(438.097)	(438.097)
Profit for the year				1.915.214	1.915.214
Exchange rate difference of foreign assets				522.497	522.497
Equity 31.12.2006	<u>879.793</u>	<u>1.282.430</u>	<u>86.912</u>	<u>6.955.489</u>	<u>9.204.624</u>

Obligations

33. 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 2006 ISK stands at 158.4 million.

34. The deferred income tax liability of the Group / Parent amounted to ISK 2,480.2 / 2,139.2 million at year end 2006 according to the Balance Sheet. The change in the liability during the year is as follows:

	Group	Parent
Balance 1.1. 2006	2.315.388	2.270.200
Transferred from subsidiaries	159.509	(51.778)
Transferred by merger	(2.236)	(2.236)
Income tax on regular operations	244.238	(126.126)
Income tax payable in 2007	(342.250)	0
Currency adjustment and other changes	105.531	49.188
Deferred income tax liability at year end 2006	<u>2.480.180</u>	<u>2.139.248</u>

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

	Group	Parent
Intangible assets	1.135.032	1.028.191
Fixed assets	815.257	514.384
Investments	587.922	542.645
Other Balance Sheet items	67.605	67.605
Tax loss carry-forward	(125.636)	(13.577)
Deferred income tax liability at year end 2006	<u>2.480.180</u>	<u>2.139.248</u>

Notes cont.:

Long-term debt

35. Long-term debt is specified as follows:

	Group	Parent
Loans in EUR	4.550.577	3.090.400
Loans in GBP	4.564.630	2.341.145
Loans in CHF	3.172.978	3.033.445
Loans in USD	2.553.851	2.464.939
Loans in JPY	1.111.868	1.107.929
Loans in SEK	493.595	493.595
Loans in NOK	272.919	272.919
Loans in RFÍ	33.276	33.276
Loans in DKK	18.397	18.397
Loans in foreign currencies total	16.772.091	12.856.045
Indexed loans in ISK	662.861	619.032
Unindexed loans in ISK	6.131.766	0
Total long-term debt including current maturities	23.566.718	13.475.077
Current maturities	(2.306.070)	(1.838.610)
Total long-term debt according to the Balance Sheet	21.260.648	11.636.467

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

	Group	Parent
Year 2007	2.306.070	1.838.609
Year 2008	3.436.449	2.981.091
Year 2009	8.948.473	2.285.611
Year 2010	2.721.114	2.332.787
Year 2011	933.450	549.106
Subsequent years	5.221.162	3.487.873
Total long-term debt including current maturities	23.566.718	13.475.077

Derivatives

37. The company has entered into derivative 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 2006 is positive of ISK 237.0 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 of long-term debt, as shown in note 35.

Other matters

38. At the beginning of 2007 the Company purchased the fishing vessel Oddeyrin EA-210 for about ISK 690 million.

39. In March 2007 the Company purchased the fishing vessel Engey RE-1 for about ISK 2,800 million.

Notes cont.:

40. Five-year summary of the Group in ISK millions:

Operation:	2006	2005	2004	2003	2002
Operating revenue	23.705	21.291	16.760	12.377	13.001
Operating expenses less depreciation	(18.298)	(17.371)	(14.494)	(10.125)	(10.003)
Operating profit before depreciation	5.407	3.920	2.266	2.252	2.998
Depreciation	(1.729)	(1.459)	(1.380)	(1.144)	(1.244)
Operating profit before financial expenses ..	3.678	2.461	886	1.108	1.754
Financial income and expenses	(1.423)	1.227	1.140	(394)	410
Effects of associated companies	17	195	1.212	499	109
Income tax	(244)	(838)	(409)	(199)	(414)
Minority interest in operating results of subsid. ..	(111)	59	85	53	20
Profit for the year	1.915	3.104	2.914	1.067	1.879
Balance Sheet:					
Fixed assets	31.935	20.647	20.096	16.028	15.846
Current assets	10.036	8.041	6.752	6.167	6.143
Total assets	41.971	28.688	26.848	22.195	21.989
Stockholders' equity	9.205	7.094	11.557	8.974	8.202
Minority interest	622	361	286	235	198
Obligations	2.638	2.464	1.054	785	770
Long-term debt	21.261	7.412	7.918	7.635	7.548
Current liabilities	8.245	11.357	6.033	4.566	5.271
Total equity and liabilities	41.971	28.688	26.848	22.195	21.989

41. Main ratios for the Group:

Working capital from operations	2.115	1.416	1.542	2.245	3.092
Current ratio	1,2	0,7	1,1	1,4	1,2
Equity ratio.....	21,9%	24,7%	43,0%	40,4%	37,3%