

Samherji hf.
Consolidated
Financial Statements
2005

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 13 fishing vessels and operates fish processing plants at Akureyri, Dalvíkurbyggð, Grindavík and Cuxhaven. The Financial Statements contain the Consolidated Financial Statements of Samherji hf. and its subsidiaries which were ten 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 Statement of Earnings, the operating revenues of the Group amounted to ISK 21,291 million in 2005 and of the Parent Company ISK 17,543 million. Net profit from the Group's operations for the year 2005 were ISK 3,104 million. According to the Balance Sheet total assets of the Group amounted to ISK 28,762 million and of the Parent Company ISK 24,110 million. The stockholders equity at year end amounted to ISK 7,094 million, including ISK 871 million in capital stock. The equity ratio of the Group was 24.7%, and 29.4% of the Parent Company.

At the end of March 2005 some of the largest shareholders of Samherji hf., which then held 55.5% of the Company's share capital, made an agreement for the management and operation of the Company. These shareholders then made a take-over bid to other shareholders at the rate of 12.1 and this offer was valid until July 5, 2005. After the take-over bid the Company's Board of Directors asked for the delisting of the Company from the Iceland Stock Exchange and the delisting was made on July 28, 2005.

The Company's capital stock at year-end amounted to ISK 1,660.0 million. One vote is attached to each share of one ISK. During the year the holding company Fjárfestingafélagið Fylkir ehf. acquired 50.76 share in Samherji hf. The Board of Directors of Samherji and Fjárfestingafélagið Fylkir ehf. have agreed on a merger schedule of the companies by the name of Samherji hf. based on the date of September 30, 2005. The Company's Financial Statements contain the Financial Statements of the merger companies from October 1, 2005. Upon the merger Samherji hf. will come into possession of own shares by the nominal value of ISK 842.6 million but shareholders in Fjárfestingafélagið Fylkir ehf. will get shares in Samherji for the nominal value of ISK 54.1 million at the rate of 13.32. The Board of Directors of the Company will in continuation of the merger implement that the share capital of the Company will be reduced in accordance with section VIII of the Act respecting Public Limited Companies no. 2/1995 and a proposal of this will be submitted at a shareholders meeting where a decision concerning the merger will be made.

At the end of the year the number of shareholders was 9, representing a decrease of 1.560 during the year. Three shareholders owned more than 10.0% of the Company's capital stock at the end of 2005, Kristján Vilhelmsson 32.7%, Þorsteinn Már Baldvinsson 31.9% and Bliki ehf. 11.0%.

The Board of Directors propose that a dividend of 50% be paid to shareholders in 2006. 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 Consolidated Financial Statements for 2005.

Akureyri, March 31, 2006.

Board of Directors:

Eiríkur S. Jóhannsson

Óskar Magnússon

Jón Sigurðsson

Jóhannes Geir Sigurgeirsson

Kristján Vilhelmsson

CEO:

Þorsteinn Már Baldvinsson

Auditors' Report

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, 2005, 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 present fairly the financial position of Samherji hf. as of December 31, 2005 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 31, 2006.

Arnar Árnason

KPMG Endurskoðun Akureyri hf.

Statement of Earnings 2005

	Notes	Group		Parent	
		2005	2004	2005	2004
Operating revenue:					
Fish processing revenue	5	6.123.333	6.583.097	4.698.220	5.642.294
Catch from fishing vessels	5	8.889.133	7.132.537	6.028.190	5.365.127
Catch from own fishing vessels to own production	5	(1.141.496)	(1.151.648)	(863.583)	(1.151.648)
Sales revenue		5.513.977	4.062.390	5.848.532	5.044.427
Other income		170.456	133.617	108.102	71.805
Gain on sale of assets		1.735.176	0	1.723.550	0
		<u>21.290.579</u>	<u>16.759.993</u>	<u>17.543.011</u>	<u>14.972.005</u>
Operating expenses:					
Production cost		5.710.469	6.235.135	4.053.757	4.806.395
Catch from own fishing vessels to own production	5	(1.141.496)	(1.151.648)	(863.583)	(1.151.648)
Operation of fishing vessels		6.960.564	5.068.479	4.941.241	3.916.452
Cost of goods sold		5.347.871	3.902.065	5.802.243	4.943.478
General and administrative expenses		492.537	412.700	208.177	243.970
		<u>17.369.945</u>	<u>14.493.654</u>	<u>14.141.835</u>	<u>12.759.990</u>
Operating profit before financial income and expenses		3.920.634	2.266.339	3.401.176	2.212.015
Depreciation	20	(1.459.210)	(1.255.893)	(824.385)	(816.962)
Special provision of fixed assets		0	(123.862)	0	(123.862)
		<u>2.461.424</u>	<u>886.584</u>	<u>2.576.791</u>	<u>1.271.191</u>
Operating profit before financial income and expenses		2.461.424	886.584	2.576.791	1.271.191
Financial income (expenses):					
Interest earned and dividends		240.120	8.258	217.882	3.579
Provision and gain on sale of shares		1.501.307	1.220.611	1.518.879	1.277.343
Interest expense and indextation		(840.892)	(551.651)	(655.729)	(424.405)
Exchange rate difference		326.911	462.344	263.248	338.399
		<u>1.227.446</u>	<u>1.139.562</u>	<u>1.344.280</u>	<u>1.194.916</u>
Share of results in subsidiaries	26	0	0	(240.428)	(308.012)
Share of results in associated companies	27	194.813	1.211.871	147.780	1.102.158
		<u>194.813</u>	<u>1.211.871</u>	<u>147.780</u>	<u>1.102.158</u>
Operating profit before income tax		3.883.683	3.238.017	3.828.423	3.260.253
Income tax	12,35	(838.442)	(408.745)	(724.630)	(345.848)
		<u>3.045.241</u>	<u>2.829.272</u>	<u>3.103.793</u>	<u>2.914.405</u>
Net profit before minority interest		3.045.241	2.829.272	3.103.793	2.914.405
Minority interest		58.552	85.133		
		<u>3.103.793</u>	<u>2.914.405</u>	<u>3.103.793</u>	<u>2.914.405</u>
Net profit for the year	33	3.103.793	2.914.405	3.103.793	2.914.405
Earnings per share:					
Net earnings per share of ISK 1	6	2,12	1,81	2,12	1,81

Balance Sheet

Assets					
		Group		Parent	
	Notes	2005	2004	2005	2004
Fixed assets:					
Intangible assets:					
Purchased catch quota		8.381.025	4.604.118	5.643.647	1.446.046
Other intangible assets		109.614	173.628	0	0
	7,17	8.490.639	4.777.746	5.643.647	1.446.046
Property and equipment:					
Buildings		887.288	951.388	696.952	746.065
Fishing vessels		5.476.424	5.320.937	3.795.348	4.167.960
Machinery and equipment		1.122.486	1.514.536	633.620	1.013.301
	8,19	7.486.198	7.786.861	5.125.920	5.927.326
Investments:					
Shares in subsidiary companies	26	0	0	2.673.287	2.821.101
Shares in associated companies	27	4.083.473	3.164.000	3.482.210	2.608.566
Shares in other companies	28	407.053	4.010.551	20.527	3.932.217
Loans to associated companies	29	32.365	29.604	41.329	29.604
Long-term notes		37.949	5.621	3.419	5.621
		4.560.840	7.209.776	6.220.772	9.397.109
Long-term inventories:					
Inventories of farmed fish and juveniles	11,30	108.826	321.194		
Fixed assets		20.646.503	20.095.577	16.990.339	16.770.481
Current assets:					
Inventories	11,30	3.545.086	2.915.084	2.339.245	1.617.745
Receivables:					
Accounts receivable		2.919.962	2.895.661	1.606.024	1.929.375
Due from subsidiaries and associated companies		656.412	81.908	2.590.301	2.101.871
Other receivables		603.525	416.745	438.416	322.195
Prepaid expenses		59.102	67.710	26.774	40.453
Cash and cash equivalents		257.135	375.347	119.042	151.098
Curent assets		8.041.222	6.752.455	7.119.802	6.162.737
Total assets		28.687.725	26.848.032	24.110.141	22.933.218

December 31, 2005

Stockholders' equity and liabilities

	Notes	Group		Parent	
		2005	2004	2005	2004
Stockholders' equity:					
Capital stock	32	871.491	1.660.000	871.491	1.660.000
Contributed capital in excess of par		1.180.040	1.043.178	1.180.040	1.043.178
Statutory reserve		86.912	176.503	86.912	176.503
Retained earnings		4.955.875	8.677.752	4.955.875	8.677.752
		<u>7.094.318</u>	<u>11.557.433</u>	<u>7.094.318</u>	<u>11.557.433</u>
Stockholders' equity	33	7.094.318	11.557.433	7.094.318	11.557.433
Minority interest in stockholders' equity of subsidiaries ...					
		<u>360.697</u>	<u>285.705</u>		
Obligations:					
Pension liabilities	34	148.511	130.519		
Deferred income tax liabilities	12,35	2.315.388	923.442	2.270.200	919.539
		<u>2.463.899</u>	<u>1.053.961</u>	<u>2.270.200</u>	<u>919.539</u>
Long-term debt:					
Bonds		704.141	1.254.241	704.141	1.254.241
Credit institutions		6.707.817	6.663.541	4.916.477	4.821.522
	36	<u>7.411.958</u>	<u>7.917.782</u>	<u>5.620.618</u>	<u>6.075.763</u>
Current liabilities:					
Credit institutions		7.195.505	1.875.561	6.224.257	1.437.365
Accounts payable		1.526.998	1.561.516	767.081	988.159
Liabilities to subsidiaries and associated companies		270.376	330.615	474.218	147.748
Current maturities of long-term debt	37	1.161.871	1.304.647	776.813	1.047.096
Taxes for the year		188.674	288.409	80.643	255.995
Other liabilities		1.013.429	672.403	801.993	504.120
		<u>11.356.853</u>	<u>6.033.151</u>	<u>9.125.005</u>	<u>4.380.483</u>
Total liabilities		<u>21.232.710</u>	<u>15.004.894</u>	<u>17.015.823</u>	<u>11.375.785</u>
Stockholders' equity and liabilities		<u>28.687.725</u>	<u>26.848.032</u>	<u>24.110.141</u>	<u>22.933.218</u>
Mortgages and commitments	21,22				

Statement of Cash Flows 2005

	Notes	Group		Parent	
		2005	2004	2005	2004
Cash flows from operating activities:					
Net profit for the year	33	3,103.793	2,914.405	3,103.793	2,914.405
Adjustment to reconcile net profit to net cash:					
Provision and (gain) loss on sale of assets .....	(	3,236.483)	(1,193.687)	(3,242.429)	(1,276.000)
Depreciation	20	1,459.210	1,379.755	824.385	940.824
Indexation and currency fluctuation on long-term debt ...	(	260.056)	(464.866)	(232.605)	(432.379)
Effects of subsidiary- and associated companies	27	(194.813)	(1,211.871)	92.648	(794.146)
Other items		544.480	48.119	576.021	111.616
Working capital from operations		<u>1,416.131</u>	<u>1,471.855</u>	<u>1,121.813</u>	<u>1,464.320</u>
Changes in operating assets and liabilities .....	(	403.312)	983.012	(782.008)	715.844
Net cash provided by operating activities		<u>1,012.819</u>	<u>2,454.867</u>	<u>339.805</u>	<u>2,180.164</u>
Cash from investing activities:					
Investment in intangible assets	17	(692.985)	0	(376.664)	0
Proceeds from sale of intangible assets		1,414.182	0	1,408.841	
Investment in fixed assets	19	(1,321.352)	(787.181)	(489.818)	(628.068)
Proceeds from sale of fixed assets		1,283.809	72.003	1,264.170	2,959
Investment in subsidiaries and associated companies (less acquired cash) .....	(	848.022)	(2,164.743)	(1,002.412)	(1,791.006)
Proceeds from sale of shares in associated companies		0	4,867.339	0	4,867.339
Investment in other companies .....	(	1,216.352)	(3,921.736)	(1,183.606)	(3,919.890)
Proceeds from sale of shares in other companies		6,738.282	0	6,738.282	0
Long-term notes, (increase) decrease .....	(	71.161)	89.773	(14.412)	89.773
Receivables, (increase) decrease.....	(	995.469)	128.178	(468.477)	(97.136)
Net cash provided by (used in) investing activities		<u>4,290.932</u>	<u>(1,716.367)</u>	<u>5,875.904</u>	<u>(1,476.029)</u>
Cash from financing activities:					
Own shares, change		0	195.245	0	195.245
Dividends paid	33	(498.000)	(397.475)	(498.000)	(397.475)
Change in share of minority interest		17.778	0	0	0
Proceeds from long-term borrowings		2,179.116	1,512.924	1,490.706	1,031.774
Payments of long-term debt .....	(	2,298.601)	(1,885.763)	(1,979.138)	(1,526.215)
Current liabilities, (decrease) increase .....	(	4,818.861)	147.830	(5,261.333)	89.770
Net cash used in financing activities		<u>(5,418.568)</u>	<u>(427.239)</u>	<u>(6,247.765)</u>	<u>(606.901)</u>
(Decrease) increase in cash and cash equivalents .....	(	114.817)	311.261	(32.056)	97.234
Exchange rate difference in cash of foreign subsidiaries ..	(	12.455)	(17.951)	0	0
Cash and cash equivalents at beginning of year		384.407	82.037	151.098	53.864
Cash and cash equivalents at end of year		<u>257.135</u>	<u>375.347</u>	<u>119.042</u>	<u>151.098</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.

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 2005 official 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. Net profit for the year 2005 amounted to ISK 3,103.8 million and the weighted average number of outstanding shares was 1,461.3 million.

Notes cont.:

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 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 acquisition cost is entered under the item other intangible assets and will be expensed over the period of five years.

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 a 10% 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.

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, 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

12. 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.

International Financial Reporting Standards

13. As the Company's Capital Stock has been delisted from the Iceland Stock Exchange the Company's management has decided to postpone adopting the International Financial Reporting Standards. As it is intended to continue to list the Company's securities on the Iceland Stock Exchange, the Company will nevertheless adopt the International Financing Reporting Standards within the time limit specified by the listing of the securities.

Notes cont.:

Half year summary

14. Summary of operating results by half year:

	First half year 2005	Second half year 2005	Total 2005
Operating revenue	11.627.026	9.663.553	21.290.579
Operating expenses, less depreciation	(9.648.178)	(7.721.767)	(17.369.945)
Operating profit less depreciation (EBITDA)	1.978.848	1.941.786	3.920.634
Depreciation	(674.098)	(785.112)	(1.459.210)
Operating profit (EBIT)	1.304.750	1.156.674	2.461.424
Financial income and expenses	(244.565)	1.472.011	1.227.446
Effects of associated companies	312.296	(117.483)	194.813
Income tax	(317.183)	(521.259)	(838.442)
Minority interest in subsidiaries	10.093	48.459	58.552
Net profit	1.065.391	2.038.402	3.103.793

Changes of the group

15. The Board of Directors of Samherji hf. and Fjárfestingafélagið Fylkir ehf. have agreed on a merger schedule by the name of Samherji hf. based on the date of September 30, 2005. The Company's Financial Statements contain the Financial Statements of the merger companies from October 1, 2005. Upon the merger Samherji hf. will come into possession of own shares by the nominal value of ISK 842.6 million but shareholders in Fjárfestingafélagið Fylkir ehf. will get shares in Samherji for the nominal value of ISK 54.1 million at the rate of 13.32.

The merger of the companies will have the following effects on the assets and liabilities of the Group:

Shares in other companies	124.106
Current assets	1.095
Decrease in stockholder's equity	7.605.427
Obligations	(774.641)
Current liabilities	(10.539.091)
Net assets	(3.583.104)
Goodwill capitalization at acquisition	4.303.559
Acquisition cost of shares	720.455
Paid by own shares	(720.455)
Change in cash and cash equivalents	0

Personnel

16. Salaries and related expenses are specified as follows:

	Group	Parent
Salaries	4.009.557	3.022.146
Salary-related expenses	591.484	493.563
Salaries and related expenses total	4.601.041	3.515.709
Average number of employees for the year	790	568

Salaries and fringe benefits paid to the CEO, Board of Directors and eight managers for their work for companies within the Group amounted to ISK 96.9 million, thereof salary and fringe benefits to the CEO was ISK 17.5 million.

Notes cont.:

Intangible Assets

17. During the year the Company sold catch quota with a gain on the sale of ISK 1,175.4 million. Intangible assets at year-end specify as follows:

Group:	Catch quota	Other intangible assets	Total
Book value 1.1.2005	4.604.118	173.628	4.777.746
Transferred by merger	4.303.559	0	4.303.559
Transferred from subsidiaries	(170.905)	0	(170.905)
Additions during the year	581.289	111.696	692.985
Effects of exchange rate fluctuations during the year	(219.486)	(2.977)	(222.463)
Sales during the year	(233.489)	(7.236)	(240.725)
Expensed during the year	(484.061)	(165.497)	(649.558)
Book value 31.12. 2005	8.381.025	109.614	8.490.639

Parent:	Catch quota	Other intangible assets	Total
Book value 1.1.2005	1.446.046	0	1.446.046
Transferred by merger	4.303.559	0	4.303.559
Additions during the year	376.664	0	376.664
Sales during the year	(233.489)	0	(233.489)
Expensed during the year	(249.133)	0	(249.133)
Book value 31.12. 2005	5.643.647	0	5.643.647

18. Catch quota which the Company has been allocated for the fishing year 2005-2006 is as follows:

	Allocated catch quota	Uncaught 31.12.2005
Cod	11.206	5.138
Haddock	4.857	2.397
Saithe	3.644	2.761
Perch	4.926	4.582
Catfish	124	261
Greenland halibut	1.847	2.399
Plaice	214	131
Prawns	1.582	1.565
Herring	15.859	1.422
Capelin	15.710	13.318
Total	59.969	33.974
Allocated catch quota in cod equivalents	27.173	17.874

Calculations of cod equivalents is based on coefficients issued by the Icelandic 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	532
Herring, Norwegian	16.030
Blue whiting	24.808
Ocean perch, Reykjanes Ridge	4.216
Cod, Barents Sea off Norway	444
Cod, Barents Sea off Russia	271
Total	46.301

Notes cont.:

18. Cont.

Estimated exploitable catch of foreign subsidiaries during the year 2006 is as follow:

Cod	9.268
Haddock	1.123
Saithe	1.528
Perch	4.795
Ocean Perch	915
Greenland halibut	3.455
Saithe in North Sea	2.571
Mackerel	1.502
Herring	1.075
Total	<u>26.232</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 2006 has not been made so the quantity quoted is based on allocation for the year 2005. Allocated catch quota of capelin is based on original allocation and additional allocation made at the beginning of 2006. Allocated catch quota of J. Marr Seafood Ltd. which was acquired at the beginning of 2006 is not included in the above mentioned figures.

Fixed Assets

19. During the year the Company sold its fish meal factory in Grindavík but the factory sustained heavy damage in fire in February 2005. The Company also sold the fishing vessels Margrét EA, Oddeyrin EA, Háberg GK, building at Stöðvarfjörður and various other equipment. Total gain on these sales amounted to ISK 559.8 million. Property and equipment are specified as follows:

	Buildings	Fishing vessels	Machinery & equipment	Total
Group:				
Total value 1.1.2005	1.923.627	9.404.333	4.106.503	15.434.463
Depreciation total 1.1.2005	(972.239)	(4.083.396)	(2.591.967)	(7.647.602)
Book value 1.1.2005	951.388	5.320.937	1.514.536	7.786.861
Transferred from subsidiaries	0	0	42.840	42.840
Effects of exchange rate fluctuations during the year	0	(127.896)	(5.216)	(133.112)
Additions during the year	128.521	1.012.433	180.398	1.321.352
Sales during the year	(132.330)	(271.522)	(318.239)	(722.091)
Depreciation 2005	(60.291)	(457.528)	(291.833)	(809.652)
Net book value 31.12.2005	887.288	5.476.424	1.122.486	7.486.198
Depreciation ratio	4%	6-33%	12-33%	
Parent:				
Total value 1.1.2005	1.529.458	7.435.776	3.134.067	12.099.301
Depreciation total 1.1.2005	(783.393)	(3.267.816)	(2.120.766)	(6.171.975)
Book value 1.1.2005	746.065	4.167.960	1.013.301	5.927.326
Additions during the year	125.243	226.477	138.099	489.818
Sales during the year	(129.889)	(271.522)	(314.562)	(715.973)
Depreciation 2005	(44.467)	(327.567)	(203.218)	(575.252)
Net book value 31.12.2005	696.952	3.795.348	633.620	5.125.920
Depreciation ratio	4%	6-33%	12-33%	

Notes cont.:

20. Depreciation according to the Statement of Earnings of the Group/Parent amounts to ISK 1, 459.2 / 824.4 million as follows:

	Group	Parent
Depreciation of fixed assets, see note 19	809.652	575.252
Depreciation of catch quota and other intangible assets, see note 17	649.558	249.133
Depreciation according to the Statement of Earnings	1.459.210	824.385

Mortgages and Commitments

21. Mortgages by the Group / Parent with a remaining loan balance of ISK 3,117.0 / 1,635.2 million at year end are registered against the fixed assets of the Group / Parent of book value of ISK 7,486.2 / 5,125.9 million at the same time.

	Book value	Remaining loan balance	Collateral securities
Group:			
Fishing vessels	5.476.423	2.800.397	3.095.270
Buildings and machinery	2.009.775	316.608	170.767
Total	7.486.198	3.117.005	3.266.037
Parent:			
Fishing vessels	3.795.348	1.524.095	3.095.270
Buildings and machinery	1.330.572	111.115	170.767
Total	5.125.920	1.635.210	3.266.037

22. The Parent Company has guaranteed commitments of its subsidiaries and associated companies amounting to ISK 824.3 million at the same time. The subsidiary Snæfugl ehf. has put up its shares in Síldarvinnslan hf. as a security for its liabilities.

Real estate Value and Insurance Value

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

	Official valuation	Insurance value	Book value
Parent:			
Buildings at Akureyri	244.268	925.550	261.952
Buildings at Dalvíkurbyggð	369.769	906.210	374.341
Buildings at Grindavík	233.749	519.526	33.714
Buildings at Öxarfjörður	805	0	16.000
Buildings at Austurbyggð	94.417	327.090	10.945
Parent total	943.008	2.678.376	696.952
Subsidiaries:			
Buildings at Grindavík	217.203	301.520	40.467
Buildings at Núpar	77.504	214.975	60.800
Buildings at Öxarfjörður	95.346	184.970	89.069
Subsidiaries total	390.053	701.465	190.336
Group total	1.333.061	3.379.841	887.288

Notes cont.:

24. During the year the Company sold the trawler Margrét EA-710 and the purse seiner Oddeyrin EA 210. The multi purpose vessel Háberg GK 299 was sold to a subsidiary in Poland. During the year the subsidiary of CR Cuxhavener Reederei GmbH bought the multi purpose vessel Polonus. At year end 2005 the Group had 13 fishing vessels with a book value of ISK 5,476.4 million. Book value and insurance value of fishing vessels are as follows:

	Insurance value	Book value
Parent:		
Akureyrin EA 110	278.206	177.490
Baldvin Þorsteinsson EA 10	1.500.000	1.493.824
Björgúlfur EA 312	128.311	162.900
Björgvin EA 311	330.233	299.136
Vilhelm Þorsteinsson EA 11	1.657.882	1.564.716
Víðir EA 910	314.057	97.282
Parent total	<u>4.208.689</u>	<u>3.795.348</u>
Subsidiaries:		
Onward Fishing Company Ltd. and connected companies, two vessels	702.180	332.198
CR Cuxhavener Reederei GmbH and subsidiaries, five vessels	2.615.280	1.348.878
Total subsidiaries	<u>3.317.460</u>	<u>1.681.076</u>
Group total	<u>7.526.149</u>	<u>5.476.424</u>

25. Insurance value of machinery and equipment of the Group / Parent amounted to ISK 2,382.2 / 1,910.7 million at year end.

Investments

Subsidiaries

26. The subsidiary companies of Samherji hf. were ten at year-end 2005, but during the year Samherji hf. acquired 19.8% in Silfurstjarnan hf. in which Oddeyri ehf. already owned 71.0% share. At the end of the year Samherji hf. bought 10.0% share in Atlantex sp. z.o.o in Poland in which the subsidiary company CR Cuxhavener Reederei GmbH already owned 51.0% share. As the investment in Atlantex occurred at the end of the year, a share of results of this direct share is not posted to the Financial Statements. The subsidiary Icefresh GmbH in Germany is now posted among subsidiaries but was before among associated companies. At the end of the year Framherji Sp/f was converted into investment company by the name of Sp/f FramInvest and Samherji's share in the company is 73.3%. The Balance Sheet of Sp/f FramInvest along with its subsidiary, North Salmon, is a part of the Balance Sheet of the Group at the end of the year.

Shares in subsidiaries are specified as follows:

	Share %	Book value	Entered in the Statement of Earnings
Atlantex sp. z.o.o., Poland	10,0%	27.000	0
CR Cuxhavener Reederei GmbH, Germany.....	100,0%	1.716.508	154.139
Fjárfestingafélagið Krossanes hf., Akureyri	100,0%	142.748	10.397
Sp/f FramInvest, Faroe Islands	73,3%	164.497	0
Icefresh GmbH, Germany	85,0%	20.761	8.382
Onward Fishing Company Ltd., UK	100,0%	529.481	12.007
Seagold Ltd., UK	75,0%	106.132	22.707
Silfurstjarnan hf., Öxarfirði	19,8%	20.869	(24.131)
Snæfugl ehf., Fjarðabyggð	59,0%	328.649	26.148
		<u>3.056.645</u>	<u>209.649</u>
Oddeyri ehf., Akureyri	100,0%	(383.358)	(450.077)
Shares in subsidiaries total		<u>2.673.287</u>	<u>(240.428)</u>

Notes cont.:

Associated Companies

27. During the year the Company acquired 10.6% share in Síldarvinnslan hf. for the amount of ISK 795.6 million. The Group's share in Síldarvinnslan hf. at year-end was 47.7%. The Company also bought 32.0% share in Eldar ehf. for ISK 298.8 million. At year end the name of Sp/f EM Shipping in Faeroe Islands was changed to Framherji Sp/f which is an associated company of Sp/f FramInvest with 33.3% ownership.

Shares in associated companies are as follows:

	Share %	Book value	Entered in the Statement of Earnings
Eldar ehf., Reykjavík	32,0%	298.800	0
Hjalteyrin ehf., Árskógssandi	100,0%	502	0
Rif ehf., Hrísey	49,0%	62.540	1.301
Seley ehf., Neskaupstað	30,0%	33.614	2.303
Síldarvinnslan hf., Neskaupstað	34,8%	3.064.296	50.213
SR-mjöl hf., Reykjavík	20,0%	4.630	87
Sæból ehf., Grundarfirði	47,0%	17.828	328
Effects of subsidiaries until controlling date		0	93.548
Parent total		3.482.210	147.780
Subsidiaries:			
Framherji Sp/f. (Sp/f EM Shipping), Faroe Islands	33,3%	49.200	0
Síldarvinnslan hf., Neskaupstað	12,9%	552.063	62.629
Ulloriaq, Greenland	33,3%	(42.105)	(15.596)
Group total		4.041.368	194.813

Investment in Other Companies

28. Investment in other companies is as follows:

	Share %	Book value
Parent Company		20.527
Subsidiaries:		
Bliki ehf.	25,0%	260.364
Fiskeldi Eyjafjarðar hf.	16,8%	58.366
Investment in other companies		67.796
Subsidiaries total		386.526
Group total		407.053

During the year the Company sold its shares in Burðarás hf. and Íslandsbanki hf. Gain on this sale along with sale of other shares amounted to ISK 1,528.9 million. Investment in other companies is posted at purchase price with provision taken into account.

Long-term notes

29. Loans to associated companies are as follows:

Loans according to currencies:	Group	Parent
Notes in CAD	19.500	19.500
Notes in DKK	525.459	525.459
Notes in EUR	21.248	33.200
Notes in CHF	4.051	4.051
Current maturities	(537.893)	(540.881)
Total loans to associated companies	32.365	41.329

Notes cont.:

Inventories

	Group	Parent
30. Inventories are specified as follows:		
Finished goods	2.119.849	1.856.090
Farmed fish and juveniles	783.658	0
Supplies	641.579	483.155
Inventories entered as current assets	3.545.086	2.339.245
Inventories of farmed fish and juveniles entered as fixed assets	108.826	0
Total inventories	3.653.912	2.339.245

31. Insurance value of catch and fishing gear amounted to ISK 748.0 at year end 2005. Products and raw materials on shore are insured for ISK 3,748.0 million at year end and farmed fish and juveniles for ISK 1,052.6 million.

Stockholders' equity

32. The Company's total capital stock at year end 2005 amounts to ISK 1,660.0 million as stipulated in its Articles of Association. Each share of one ISK in the Company carries one vote. Upon the merger to Fjárfestingafélagið Fylkir ehf. Samherji hf. will come into possession of own shares by the nominal value of ISK 842.6 million but shareholders in Fjárfestingafélagið Fylkir ehf. will get shares in Samherji for the nominal value of ISK 54.1 million at the rate of 13.32. The Board of Directors of the Company will in continuation of the merger see to that the share capital of the Company will be reduced in accordance with section VIII of the Act respecting Public Limited Companies no. 2/1995 and a proposal of this will be submitted at a shareholders meeting where a decision concerning the merger will be made.

33. Changes in stockholders' equity:

	Capital stock	Capital in excess of par	Statutory reserve	Retained earnings	Total
Stockholders' equity 1.1.2005	1.660.000	1.043.178	176.503	8.677.752	11.557.433
Effects of merger	(788.509)	136.862	(89.591)	(6.143.735)	(6.884.973)
Dividends paid				(498.000)	(498.000)
Net profit				3.103.793	3.103.793
Exchange rate difference of foreign assets				(183.935)	(183.935)
Stockholders' equity 31.12.2005	871.491	1.180.040	86.912	4.955.875	7.094.318

Obligations

34. 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 2005 ISK stands at 148.5 million.

35. The deferred income tax liability of the Group amounted to ISK 2,315.4 million at year end 2005 according to the Balance Sheet. The change in the liability during the year is as follows:

Balance 1.1. 2005	923.442	919.539
Transferred from subsidiaries	47.083	(27.434)
Transferred by merger	774.641	774.641
Income tax on regular operations	838.442	724.630
Income tax payable in 2006	(228.814)	(128.709)
Currency adjustment and other changes	(39.406)	7.533
Deferred income tax liability at year end 2005	2.315.388	2.270.200

Notes cont.:

35. Cont.

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

	Group	Parent
Intangible assets	1.157.672	1.151.823
Fixed assets	640.316	501.183
Investments	644.805	605.474
Other Balance Sheet items	11.720	11.720
Tax loss carry forward	(139.125)	0
Deferred income tax liability at year end 2005	2.315.388	2.270.200

Long-term debt

36. Long -term debt is as follows:

	Group	Parent
Loans in JPY	657.799	656.511
Loans in USD	1.281.481	1.181.834
Loans in EUR	2.954.344	1.703.588
Loans in CHF	1.072.575	948.304
Loans in GBP	859.640	317.875
Loans in NOK	231.706	231.706
Loans in SEK	388.661	388.661
Loans in RFI	29.231	29.231
Loans in foreign currencies total	7.475.437	5.457.710
Indexed loans	1.098.392	939.721
Total long-term debt including current maturities	8.573.829	6.397.431
Current maturities	(1.161.871)	(776.813)
Total long-term debt according to the Balance Sheet	7.411.958	5.620.618

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

	Group	Parent
Year 2006	1.161.871	776.813
Year 2007	912.397	648.031
Year 2008	1.607.288	1.358.608
Year 2009	497.464	287.197
Year 2010	489.486	287.197
Subsequent years	3.905.323	3.039.585
Total long-term debt including current maturities	8.573.829	6.397.431

Derivatives

38. 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 2005 is negative of ISK 101.2 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 of long-term debt, as shown in note 36.

Other matters

39. At the beginning of the year 2006, UK Fisheries Ltd., which is 50.0% owned by the subsidiary Onward Fishing Company Ltd., acquired all shares in the fisheries firm J. Marr Seafoods Ltd. for about £ 15 million which equals ISK 1,632.8 million according to the exchange rate at year-end 2005. UK Fisheries Ltd. is a joint venture firm and as such it is a part of the Consolidated Financial Statements of Samherji hf. in proportion to the ownership of the company.

Notes cont.:

40. In January 2006 the Company acquired 1.5% share in Íslandsbanki hf. (Glitnir bank hf.). The nominal value of this investment is ISK 198,0 million which was acquired at the rate of 18.6 so the investment amounted to ISK 3,682.8 million. In March Samherji hf. used a permit to get half of the dividends from the company by the form of share capital at the rate of 18.6 and got by that additional shares by the nominal value of ISK 2.0 million for ISK 37.6 million.
41. In March Samherji hf. increased its share in the associated company Rif ehf. by an investment of 18.6% in the company. After this investment Samherji's share in the company is 67.6% and it has thereby become a subsidiary company from that date. Rif ehf. has recently invested in a fishing vessel and catch quota for ISK 250.0 million.
42. The Company is working on a refinancing of its debts to credit institutions which will be taken over by the merger to Fjárfestingafélagið Fylkir ehf. The Company's management expects that in the coming weeks new loans by the amount of about ISK 4,500.0 will be floated. These loans will be used for payments of short term loans to credit institutions.

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

Operation:	2005	2004	2003	2002	2001
Operating revenue	21.291	16.760	12.377	13.001	13.043
Operating expenses less depreciation	(17.371)	(14.494)	(10.125)	(10.003)	(9.583)
Operating profit before depreciation	3.920	2.266	2.252	2.998	3.460
Depreciation	(1.459)	(1.380)	(1.144)	(1.244)	(1.026)
Operating profit before financial expenses ..	2.461	886	1.108	1.754	2.434
Financial income and expenses	1.227	1.140	(394)	410	(1.238)
Effects of associated companies	195	1.212	499	109	(74)
Income tax	(838)	(409)	(199)	(414)	(14)
Minority interest in operating results of subsid. ..	59	85	53	20	0
Net profit for the year	3.104	2.914	1.067	1.879	1.108
Balance Sheet:					
Fixed assets	20.647	20.096	16.028	15.846	11.473
Current assets	8.041	6.752	6.167	6.143	6.639
Total assets	28.688	26.848	22.195	21.989	18.112
Stockholders' equity	7.094	11.557	8.974	8.202	6.219
Minority interest in the stockholders' equity of subsid.	361	286	235	198	
Obligations	2.464	1.054	785	770	637
Long-term debt	7.412	7.918	7.635	7.548	6.836
Current liabilities	11.357	6.033	4.566	5.271	4.420
Stockholders' equity, minority interest and liabilities total	28.688	26.848	22.195	21.989	18.112

44. Main ratios for the Group:

Working capital from operations	1.416	1.472	1.542	2.245	3.092
Current ratio	0,7	1,1	1,4	1,2	1,5
Equity ratio.....	24,7%	43,0%	40,4%	37,3%	34,3%