

ANNUAL REPORT



HAMPIÐJAN

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Report on Operations in 2002

Performance and financial position

Group operations have been characterized by robust growth in recent years and sales have almost tripled since 1999. Group sales in 2002 amounted to ISK 4,077 million, which is a 24% increase from the previous year. The Group includes the accounts of the same companies as the year before and the bulk of the increase is explained by the Irish subsidiary Swan Net Ltd.'s acquisition of Gundry's Ltd. in the same country. Sales also grew at the subsidiaries in Denmark and Namibia, but decreased in the USA and New Zealand. At the Parent Company, sales were down by 6% from the previous year.

Net income before net financial income and deductions amounted to ISK 356 million, an 8% increase from the preceding year. The favourable result on financial items is explained by the strengthening of the króna during the year, which resulted in net financial income of ISK 3 million compared with a net expense of ISK 235 million in 2001. The latter figure was exceptionally high, however, due to the

weakening of the króna that took place that year.

Minority interest in performance of associates is now entered in the Statement of Earnings for the first time, amounting to ISK 162 million. This item comprises the company's share in the profit of Grandi hf. fishing company, which was an income of ISK 170 million, and its share in the loss made by Vaki DNG hf. amounting to ISK 8 million.

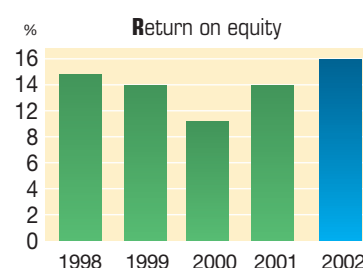
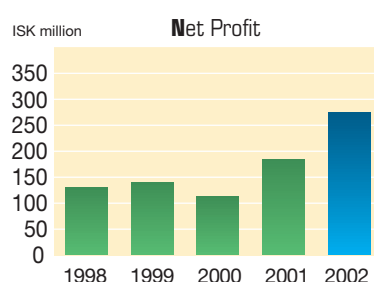
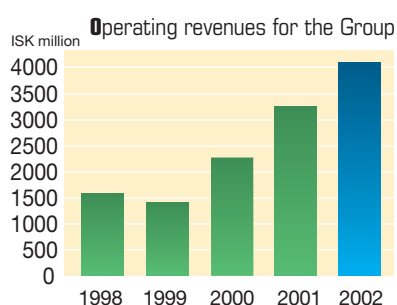
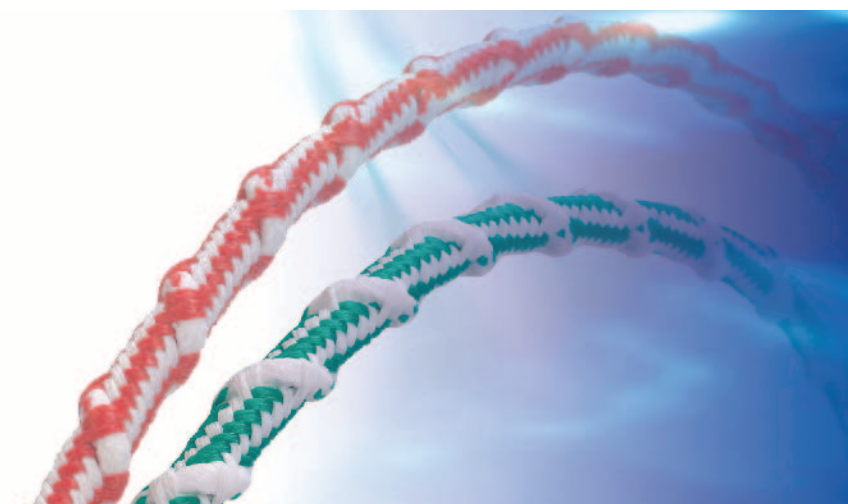
Other expenses amounted to ISK 41 million, mainly involving agreements on termination of employment following the merger of Swan Net and Gundry's at the beginning of the year.

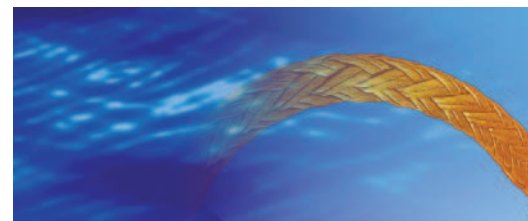
Hampidjan's net profit for the year 2002, after income tax, wealth tax and minority shares, was ISK 263 million.

Total assets of the Group stood at ISK 5,563 million. Liabilities and commitments were ISK 3,344 million and stockholders' equity at year-end amounted to ISK 1,867 million. The equity ratio was 34% for the Group and 49% for the Parent Company.

Product development

Self-spreading trawls featured highly in product development in 2002, as in previous years. Hampidjan has pioneered the development and promotion of its patented self-spreading trawl technology. The advantages of self-spreading technology for midwater trawls are undisputed. They are lighter to tow, more stable in currents and during turning, produce less rope noise and create a more even flow of water



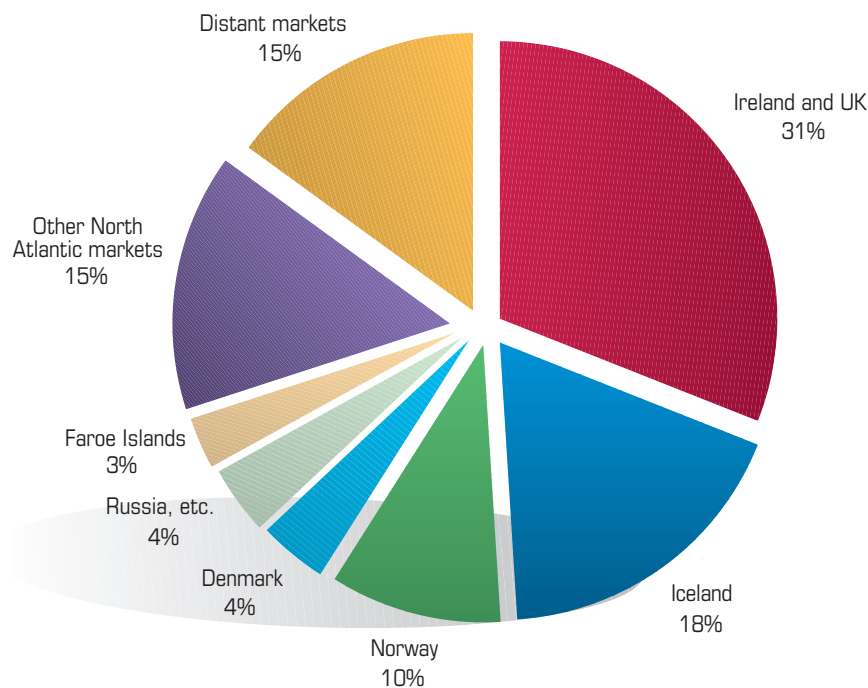


OPERATIONS

inside and outside the trawl, making it easier for fish to enter the codend. However, hitches emerged with the first generation of self-spreading ropes, which consisted of two nylon ropes twisted together. For many years before the advent of self-spreading technology, Hampidjan had demonstrated the advantages of braided ropes over twisted ropes for midwater trawling. Twisted ropes are of course inherently prone to twisting, but the self-spreading properties of double-twisted ropes proved so great that the use of braided ropes in midwater pelagic trawls was discontinued.

In 2002 a new type of self-spreading rope was introduced, under the name Helix. Besides having even stronger self-spreading properties than earlier types of twisted rope, it is also braided with a plastic coating. Helix rope therefore combines the benefits of braided nylon rope, which has been very popular in redfish trawls, with those of the twisted self-spreading ropes deployed on midwater pelagic trawls.

Helix rope has been welcomed by customers and midwater trawls incorporating them have proved very successful in Iceland. Other markets have shown a strong interest in the Helix rope and self-spreading technology and the task for the near future will be to promote and sell them there, for the benefit of Hampidjan's



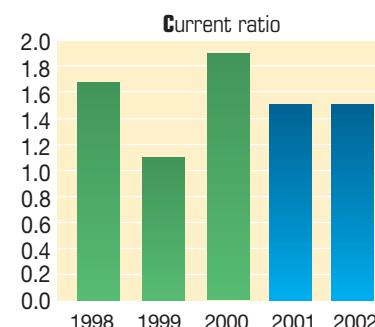
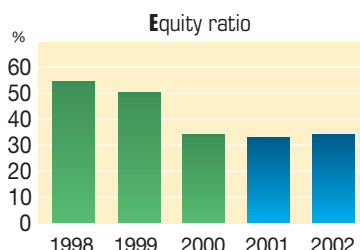
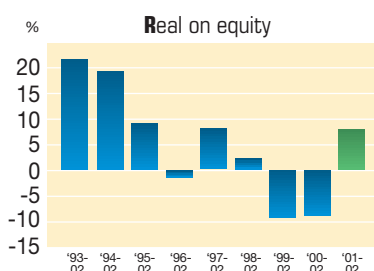
customers and its overseas subsidiaries alike.

Sales and marketing

Ireland and the UK were the Group's largest market in 2002, accounting for 31% of its total sales. Next came Iceland with 18% and Norway with 10%. Other North Atlantic countries, i.e. Russia, the Faroe Islands, Denmark, Greenland, etc. accounted for 26% of total sales. North Atlantic markets were therefore responsible for 85% of total sales by the Group.

Sales to distant markets such as New Zealand, Namibia and the USA accounted for the remaining 15%.

The Group's target market is the North Atlantic. This is the largest and most advanced fishing gear market in the world, and the one that Hampidjan and its two main subsidiaries, Swan Net-Gundry of Ireland and Cosmos of Denmark, know best. Despite its large total size, this market is either stagnant or contracting rather than growing. Certain segments of the fishing industry are on a weak footing in some



European countries and fishing companies there are performing badly. Other fisheries segments in these same countries, in particular pelagic fishing and processing, are better placed, and generally in a good position. Hampidjan and its subsidiaries need to identify all opportunities to boost cost-effectiveness, conduct dynamic product development, build up strong brands and seek patents for new products where possible. They also need to take advantage of economies of scale in purchasing of inputs, for the benefit of customers and the Group itself.

Operations of subsidiaries

Operations of subsidiaries continue to account for an increasingly large part of the Hampidjan Group's total activities. Total turnover at subsidiaries last year amounted to ISK 3.1 billion, while the Parent Company's sales were ISK 1.7 billion. After eliminating intracompany trading, the Group's sales to third parties amounted to ISK 4.1 billion.

Operations of the two largest subsidiaries went well in 2002. Swan Net-Gundry of Ireland achieved a good operating result. Despite costs entailed by the merger with Gundry's, the company managed to produce a fine profit.

Operations at Cosmos of Denmark also went well. Turnover increased substantially between the years and there was a profit



Management of Hampidjan and its subsidiaries

on its operations. The subsidiaries in Namibia, New Zealand and Norway produced satisfactory results in terms of both sales and profit. However, operations of the US subsidiary were disappointing and resulted in a considerable loss. During the year a new managing director was appointed and a sweeping cost-cutting programme was implemented. However, operations are still tough and the profitability outlook for 2003 is uncertain.

Overall, the outlook for operations of subsidiaries in 2003 is reasonably good.

Shares

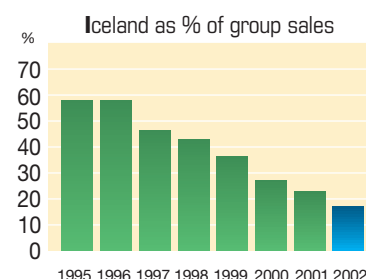
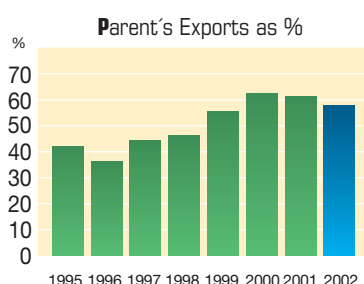
The closing price for shares in Hampidjan in 2002 was 4.65, compared with 4.3 at the beginning of the year. Yield after adjustment for dividend payments was positive by 10% over the year. At the same time, average yield on shares in companies in the ICEX main index was positive by 23%.

Trading in Hampidjan shares on Iceland Stock Exchange amounted to almost ISK 16 million nominal value in 2001. Average trading price was 4.21 and total trading value ISK 67 million.

Prospects

The Parent Company's competitiveness has suffered as a result of the strengthening of the króna, which results in either a lower market share or lower EBITDA. Fisheries in European Union countries are also experiencing problems due to quota cutbacks and many fishing companies there are in a weak position.

Hampidjan's forecast for 2003 assumes that Group turnover will increase by 5% between the years and EBITDA will remain similar.



INCOME STATEMENT 2002

OPERATING REVENUES

	Group		Parent	
	2002	2001	2002	2001
Sales	46,320	38,703	19,376	21,253

OPERATING EXPENSES

Raw material and change in finished goods	22,131	16,228	9,235	9,096
Payroll expense, production	8,962	9,548	4,156	5,286
Other expenses	11,178	9,062	4,243	4,549
	42,271	34,839	17,634	18,931
Net income before depreciation and financial income and expenses	4,049	3,864	1,742	2,322
Depreciation	(1,769)	(1,317)	(637)	(666)
Profit from operation	2,280	2,548	1,105	1,656

FINANCIAL INCOME AND EXPENSES

Financial income and expenses	37	(2,766)	662	(2,029)
Net income from subsidiaries			(55)	141
Net income from associated companies	1,840		1,840	
Net income before other income and expenses ...	4,157	(218)	3,552	(232)

OTHER INCOME AND EXPENSES

Other income (expenses)	(467)	1,188		1,188
Net income before income tax and net worth tax	3,689	969	3,552	956
Net worth tax	(38)	(92)	(38)	(92)
Income tax	(479)	1,221	(529)	1,198
Net income after income tax and net worth tax ...	3,172	2,098	2,985	2,062
Minority shares	(188)	(36)		
Net income for the year	2,985	2,062	2,985	2,062

All amounts in EUR thousands (000).

BALANCE SHEET

ASSETS

FIXED ASSETS

	Group		Parent	
	2002	2001	2002	2001
Intangible assets				
Goodwill	2,475	466		
Property, plant and equipment				
Real estate	16,112	14,927	7,535	7,115
Machinery and equipment	7,877	7,726	4,768	4,719
	23,989	22,653	12,303	11,834
Investments and long-term receivables				
Shares in other companies	7,807	6,413	16,740	14,390
Loans to subsidiaries			1,519	1,566
Bonds and long-term receivables	2,136	2,112	2,004	1,979
	9,943	8,525	20,263	17,934
TOTAL FIXED ASSETS	36,406	31,644	32,566	29,768

CURRENT ASSETS

Inventories	15,616	13,783	5,755	5,924
Accounts receivable	11,662	9,678	2,979	3,713
Accounts receivable from subsidiaries			3,191	4,253
Other current receivables	344	348	102	284
	12,005	10,026	6,272	8,250
Cash on hand and bank deposits	1,649	380	155	4
TOTAL CURRENT ASSETS	29,271	24,189	12,181	14,178

ASSETS TOTAL	65,677	55,833	44,748	43,946
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All amounts in EUR thousands (000).

DECEMBER 31, 2002

STOCKHOLDERS' EQUITY AND LIABILITIES

STOCKHOLDERS' EQUITY

	Group		Parent	
	2002	2001	2002	2001
Capital stock	5,833	5,421	5,833	5,421
Other capital	16,209	13,758	16,209	13,758
TOTAL STOCKHOLDERS' EQUITY	22,042	19,179	22,042	19,179
Minority interests	4,157	2,922		

LIABILITIES AND COMMITMENTS

Commitments				
Deferred income tax liability	2,393	2,267	2,424	1,989
Long-term debt				
Long-term debt	16,561	15,199	8,581	11,142
Short-term debt				
Bank loans	6,208	5,389	5,449	5,389
Accounts payable	10,560	8,223	1,988	2,402
Intercompany payable			2,189	1,970
Current maturities of long-term debt	3,031	2,489	1,768	1,777
Taxes for the year	726	165	306	99
	20,524	16,265	11,700	11,636
TOTAL LIABILITIES	39,478	33,732	22,706	24,767

STOCKHOLDERS' EQUITY AND LIABILITIES	65,677	55,833	44,748	43,946
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All amounts in EUR thousands (000).

