

Fjárfestingarfélagið Straumur hf.

Annual Accounts 2002

ISK

Fjárfestingarfélagið Straumur hf.
Borgartún 30
105 Reykjavík

Reg. no. 701086-1399

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Endorsement by the Board of Directors and the Managing Director

According to the Profit and Loss Accounts and Comprehensive Income realized profit on the Company's operations in 2002 amounted to ISK 810 million. Unrealized income of the Company amounted to ISK 2 million. Total profit, which is entered as an increase of Stockholders' Equity, amounted to ISK 812 million. The Company's total assets amounted to ISK 7,986 million at year-end and according to the Balance Sheet the Company's Stockholders' Equity at year-end amounted to ISK 7,761 million. The Company's equity ratio was 97.2%.

According to an Act passed by the Icelandic Parliament, Althingi, at year-end 2001 the Company has ceased using inflationary accounting methods. The effect of general price-level changes is no longer included in the Company's Profit and Loss Account. Assets previously restated based on the increase of the official Consumer Price Index in Iceland, are now entered at their cost price in the Company's books. If the same accounting principles had been used as for the previous year realized profit would have been ISK 26 million lower and comprehensive profit ISK 124 million lower. The change does not affect the Company's Stockholders' Equity.

Total capital stock at year-end amounted to ISK 2,805 million, whereof treasury stock amounted to ISK 265 million. Shareholders at year-end numbered 6,810, compared to 7,571 at the beginning of the year, a decrease of 761 during the year. At year-end 2002 6 shareholders held more than 3.0% of the shares in the Company. They are:

	Ownership
ÍSB Eignarhaldsfélag ehf., Reykjavík	22.2%
Íslandsbanki hf., Reykjavík	11.7%
Sjóvá-Almennar tryggingar hf., Reykjavík	7.9%
Skeljungur hf., Reykjavík	6.3%
Saxhóll ehf., Reykjavík	5.7%
Búnaðarbanki Íslands hf., Reykjavík	4.7%

The Company's Board of Directors proposes that a dividend of 16% be paid to shareholders in 2003 in relation to operations in 2002. Other allocation of profit and changes in stockholders' equity are further explained in the notes to the Financial Statements.

The Board of Directors and the Managing Director of Fjárfestingarfélagið Straumur hf. hereby confirm the Company's Financial Statements for the year 2002 with their signatures.

Reykjavík, January 24th, 2003.

Board of Directors:

Ólafur B. Thors

Kristín Guðmundsdóttir

Kristinn Björnsson

Managing Director:

Þórður Már Jóhannesson

Auditors' Report

To the Board of Directors and Shareholders of Fjárfestingarfélagið Straumur hf.

We have audited the accompanying Balance Sheet of Fjárfestingarfélagið Straumur hf. as of December 31, 2002, and the related Profit and Loss Account and Comprehensive Income and Statement of Cash Flows for the year then ended. These Annual Accounts are the responsibility of the Company's Management. Our responsibility is to express an opinion on these Annual Accounts based on our audit.

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

In our opinion, the Annual Accounts give a true and fair view of the financial position of Fjárfestingarfélagið Straumur hf. as of December 31, 2002, 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

Reykjavík, January 24th, 2003.

Ólafur Nilsson

Helgi F. Arnarson

KPMG Endurskoðun hf.

Profit and Loss Account and Comprehensive Income 2002

	Notes	2002	2001
Operating Revenue:			
Interest income		142,929	149,381
Realized profit (loss) on investment securities	5	952,167 (	409,460)
Financial expenses		(24,602 ) (	903,474)
Calculated inflation adjustment	7	<u>0</u> (	<u>8,031</u>)
Net operating revenue (expenses)		<u>1,070,494</u> (	<u>1,171,584</u>)
Operating Expenses:			
Salaries and salary-related expenses	9	45,106	35,096
Other operating expenses		<u>61,205</u>	<u>91,573</u>
Operating expenses		<u>106,311</u>	<u>126,669</u>
Pre-tax profit (loss)		964,183 (	1,298,253)
Income tax	6,16	(<u>154,448</u>)	<u>260,191</u>
Net Profit (loss)	14	<u>809,735</u> (	<u>1,038,062</u>)
Unrealized Income and Expenses:			
Unrealized profit (loss) on investment securities		2,731 (	278,433)
Income tax	6,16	(<u>491</u>)	<u>135,101</u>
		<u>2,240</u> (	<u>143,332</u>)
Comprehensive Income (Loss) Posted to Stockholders' Equity	14	<u>811,975</u> (	<u>1,181,394</u>)
Earnings per Share:			
Realized earnings (loss) per share	4	0.30 (	0.46)
Unrealized earnings (loss) per share		<u>0.00</u> (	<u>0.06</u>)
Earnings (loss) per share		<u>0.30</u> (	<u>0.52</u>)

December 31, 2002

Stockholders' equity and Liabilities

	Notes	2002	2001
Stockholders' Equity:			
Capital stock.....	13	2,539,585	2,660,642
Premium account.....		3,643,035	3,914,486
Accrued cost of stock options.....		656	0
Unrealized holding gain		182,569	180,329
Retained earnings.....		1,394,982	585,247
Stockholders' equity	14	7,760,827	7,340,704
Obligations:			
Deferred income tax liability	6,16	90,951	0
Liabilities:			
Borrowings		0	4,121,817
Owed on securities	5,12	96,907	220,734
Sundry liabilities		37,642	62,680
Liabilities		134,549	4,405,231
Total liabilities		225,500	4,405,231
Total Stockholders' equity and Liabilities		7,986,327	11,745,935

Statement of Cash Flows for the Year 2002

	Notes	2002	2001
Cash Flows from Operating Activities:			
Net profit (loss).....	14	809,735 (	1,038,062)
Difference between net profit and cash from operations:			
Realized capital (profit) loss on shares .....	(	657,394)	711,104
Exchange rate difference on borrowings .....	(	103,649)	596,633
Calculated inflation adjustment.....	7	0	8,031
Stock options		656	0
Income tax.....	6,16	154,448 (	233,929)
Changes in operating assets and liabilities .....	(	145,666)	125,608
Net cash provided by operating activities		<u>58,130</u>	<u>169,385</u>
Investing Activities:			
Securities, decrease (increase).....		3.180.098 (	2.375.478)
Other receivables, change		74,487	0
Net cash provided by (used in) investing activities		<u>3.254.585</u>	<u>(2.375.478)</u>
Financing Activities:			
Capital stock, increase		0	1,802,386
Treasury stock, change	14	(392,508)	758,641
Dividend paid		0 (	110,937)
Borrowings, change		(4,018,169)	507,918
Net cash (used in) provided by financing activities		<u>(4,410,677)</u>	<u>2,958,008</u>
(Decrease) Increase in Cash and Cash Equivalents		(1,097,962)	751,915
Cash and Cash Equivalents at the Beginning of the Year.....		<u>1,239,727</u>	<u>487,812</u>
Cash and Cash Equivalents at the End of the Year.....		<u><u>141,765</u></u>	<u><u>1,239,727</u></u>

Notes to the Annual Accounts

Summary of Accounting Principles

Basis of Preparation

1. The Annual Accounts of Fjárfestingarfélagið Straumur hf. have been prepared in accordance with the Annual Accounts Act and the Regulation on the Presentation and Contents of Annual Accounts and is in all material respect prepared according to the same accounting principles as for the previous year except for price level adjustment, see note 7. The Annual Accounts have been prepared in Icelandic currency (ISK) and amounts are presented in ISK thousands. The Annual Accounts are based on cost accounting apart from trading securities and derivatives, which are accounted for at market value.

The presentation of the Profit and loss Account has been changed from the previous year. This change does not however affect performance or Stockholders' Equity.

Foreign Currency

2. Assets and liabilities in foreign currency are converted to ISK at the year-end exchange rate. Operating revenue and expenses in foreign currency are converted at the exchange rate of the date of transaction. Exchange rate difference and interest on the principal of assets and liabilities is included in the Annual Accounts.

Stock Option Contracts

3. The Company has concluded stock option contracts with employees. Stock option contracts enable the Company's employees to acquire shares in the Company and other companies. On the one hand there are contracts where the purchase price equals the market value at the contract date. On the other hand there are contracts stipulating a forward price taking into account interest rate at the contract date. The cost incurred by the Company is deemed to be the difference between the stock option rate and the market value of the shares at the settlement date taking into consideration accrued employee rights. The cost is expensed among salaries and salary-related expenses in the Profit and Loss Account. The balancing entry is made to a specific item among Stockholders' Equity, accrued cost of stock options.

Earnings per Share

4. 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 share capital. Profit during the year amounts to ISK 812 million and the weighted average number of outstanding shares amounted to ISK 2,698 million. Diluted earnings per share are not calculated, as the Company has not taken convertible loans and the effects of stock option contracts are fully included in the Annual Accounts.

Securities

5. Shares in listed companies and share funds are capitalized at the year-end market value. Shares in unlisted companies are entered at the lower of their cost price or estimated market value and this rule is applied to the portfolio of such shares held by the Company but not to individual shares. Changes in the exchange rate of shares during the year are posted to a special item among Stockholders' Equity, accumulated other comprehensive income. On the other hand realized gain or loss on the sale of shares during the year are posted to the Profit and Loss Account as well as the increase of the value of the shares to cost price if they have previously been written down as a whole.

Listed bonds are capitalized at their year-end market value. Other bonds are capitalized with accrued interest and indexation based on the initial required rate of return or the required rate of return of comparable bonds taking the provision for doubtful bonds into account.

Notes, contd.:

5. Contd.:

Forward contracts are entered into the Annual Accounts based on the estimated year-end market value. Contracts with a positive balance are capitalized among other securities whereas contracts with a negative balance are entered among liabilities incurred on securities trading.

Deferred Income Tax Liability

6. The Company's deferred income tax liability has been calculated and recorded in the Balance Sheet. The calculation is based on unrealized exchange rate difference on shares and the temporary difference in Balance Sheet items as presented in the tax return on the one hand, and in the Annual Accounts on the other. The reason for this difference is that the tax assessment is based on premises other than those used in the Annual Accounts, mainly temporary difference due to redemption of price changes of shares held by the Company. As the book value of the shares at year-end exceeds their taxable value deferred income-tax liability is calculated.

Changes in Accounting Principles

7. According to an Act passed by the Icelandic Parliament, Althingi, at year-end 2001, the Company decided to cease using inflationary-adjusted accounting. The effects of changes in general price level are no longer entered in the Company's Profit and Loss Account. Assets previously restated based on the increase of the official Consumer Price Index in Iceland, are now entered at their cost price in the Company's books. As a result of these changes operating results are not shown at the average price for the year and the aforementioned assets are not valued at the year-end price level. If the same accounting principles had been used as for the previous year the realized profit would have been ISK 26 million lower and comprehensive profit would have been ISK 125 million lower. The change does not affect the Company's Stockholders' Equity.

In accordance with international accounting standards regarding changes from inflationary-adjusted accounting to unadjusted accounting comparative amounts in the Annual Accounts have not been changed.

Quarterly Statements

8. Summary of the Company's operating results by quarters:

	Q1	Q1	Q1	Q1	Total
Interest income	80,506	16,463	43,818	2,142	142,929
Realized profit on investments securities...	482,507	447,832	2,696	19,132	952,167
Financial expenses	(6,728)	51,338	(5,173)	(64,039)	(24,602)
Net operating revenue (expenses)	556,285	515,633	41,341	(42,765)	1,070,494
Operating expenses	(25,853)	(31,588)	(24,078)	(24,792)	(106,311)
Pre-tax profit (loss).....	530,432	484,045	17,263	(67,557)	964,183
Income tax	(89,665)	(73,144)	(2,646)	11,007	(154,448)
Realized profit (loss).....	440,767	410,901	14,617	(56,550)	809,735
Unrealized profit (loss).....	371,400	(473,029)	(182,169)	286,038	2,240
Comprehensive income (loss) posted to Stockholders' Equity	812,167	(62,128)	(167,552)	229,488	811,975

Notes, contd.:

Personnel

9. Salaries and salary-related expenses are specified as follows:

	2002	2001
Salaries.....	35,856	29,311
Cost of stock option contracts	2,883	0
Salary-related expenses.....	6,367	5,785
Total salaries and salary-related expenses.....	<u>45,106</u>	<u>35,096</u>
Number of employees at year-end.....	4	4

Salaries paid to the Board of Directors and the Managing Director amounted to ISK 20 million

Securities

Shares

10. The Company's domestic listed trading shares are specified as follows

	Ownership	Nominal amount	Market value
Hf. Eimskipafélag Íslands, Reykjavík	4.9%	252,000	1,587,600
Íslandsbanki hf., Reykjavík	2.6%	260,000	1,232,400
SÍF hf., Hafnarfjörður	13.9%	207,000	1,086,750
Pharmaco hf., Reykjavík	2.0%	12,000	888,000
Baugur hf., Reykjavík	2.1%	50,000	545,000
Sjóvá-Almennar tryggingar hf., Reykjavík	1.6%	9,158	242,687
Össur hf., Reykjavík	1.3%	4,194	226,476
Kaupþing hf., Reykjavík	0.5%	1,170	152,100
Marel hf., Reykjavík	3.1%	7,487	130,275
Opin kerfi hf., Reykjavík	2.6%	6,098	121,964
Bakkavör hf., Reykjanesbær	0.5%	8,203	95,974
Samherji hf., Akureyri	0.5%	9,103	91,030
Tryggingamiðstöðin hf., Reykjavík	0.8%	7,883	83,563
Íslenski hugbúnaðarsjóðurinn hf., Reykjavík	1.7%	24,521	34,329
Vaki-DNG hf., Kópavogur	4.5%	2,927	3,805
			<u>6,521,953</u>

The Group's domestic unlisted trading shares are specified as follows:

	Ownership	Nominal amount	Book value
Stofnfiskur hf., Hafnarfjörður	13.1%	14,981	114,607
Fasteignafélag Íslands hf., Kópavogur	1.9%	41,826	83,652
Flaga hf., Reykjavík	3.1%	6,745	60,701
Skarðsheiði ehf., Reykjavík	50.0%	50,000	50,000
Sjónlag hf., Reykjavík	20.0%	2,000	30,000
Other unlisted shares			<u>7,564</u>
			<u>346,524</u>

Contd.:

Notes, contd.:

10. Contd.:

The Group's foreign listed shares are specified as follows:	Shares	Market value
Microsoft Corp.	9,065	37,853
Cisco Systems Inc.	26,000	27,384
Amgen Inc.	5,920	23,136
Washington Mutual Inc.	7,830	21,854
MBNA Corp.	14,170	21,785
Fannie Mae	3,910	20,331
Pfizer Inc.	8,170	20,188
AmerisourceBergen Corp.	4,585	20,128
Omnicom Group	3,840	20,051
deCode genetics Inc.	131,219	19,622
Gannet Co. Inc.	3,140	18,223
Citigroup Inc.	6,390	18,176
Abbott Laboratories	5,580	18,041
Ing Groep NV	10,400	18,012
First Data Corp.	6,245	17,894
Philip Morris Co. Inc. Com	5,450	17,854
Wellpoint Health Networks Inc	3,090	17,773
Affiliated Computer Services	3,960	16,852
Home Depot Inc.	8,630	16,714
Oracle Corporation Inc.	19,100	16,646
Procter & Gamble Co	2,300	15,977
Wells Fargo & Co	4,200	15,912
Cardinal Health Inc.	3,290	15,740
Anheuser-Busch Inc.	3,970	15,531
Target Corp.	6,350	15,398
Other companies		211,625
		<u>698,700</u>
Total shares		<u>7,567,177</u>

Bonds

11. Bonds are specified as follows:	2002	2001
Listed on the Iceland Stock Exchange.....	141,245	2,564,883
Unlisted bonds	75,131	205,894
Total bonds	<u>216,376</u>	<u>2,770,777</u>

Notes, contd.:

Derivatives

12. The Company has entered into forward agreements that are specified as follows:

	2002	2001
Investments in domestic shares listed on the Iceland Stock Exchange	1,266,658	2,462,000
Investments in domestic bonds listed on the Iceland Stock Exchange.....	2,019,563	0
Investments in foreign listed shares	22,414	0
Investments in Icelandic currency	410,570	509,400
Sales of unlisted shares	83,652	0
Sales in foreign currency.....	363,274	0
Sales of Icelandic currency	3,312,378	3,050,391

The contracts are capitalized or entered as liabilities based on the net balance of individual contracts.

Stockholders' Equity

13. According to the Company's Articles of Association, its total capital stock amounts to ISK 2,805 million. At the end of the year, treasury stock amounted to ISK 265 million and capital stock, according to the Balance Sheet, amounted to ISK 2,540 million. One vote is attached to each share of one ISK in the Company.

14. Changes in Stockholders' Equity:

	Capital stock	Premium account	Revaluation reserve	Accrued cost of stock options	Unrealized exchange rate difference	Retained earnings	Total
Stockholders' Equity							
1.1.2001	2,660,642	3,914,486	636,453		180,329	(51,206)	7,340,704
Dissolution of revaluation			(636,453)			636,453	0
Stockholders' Equity							
1.1.2001, adjusted	2,660,642	3,914,486	0	0	180,329	585,247	7,340,704
Treasury stock purchased.....	(311,170)	(678,427)					(989,597)
Treasury stock sold.....	190,113	406,976					597,089
Cost of stock options expensed.....				656			656
Profit for the year					2,240	809,735	811,975
Stockholders' Equity							
31.12.2002	<u>2,539,585</u>	<u>3,643,035</u>	<u>0</u>	<u>656</u>	<u>182,569</u>	<u>1,394,982</u>	<u>7,760,827</u>

Stock Options

15. The Company has granted its employees stock options exercisable from 2003 until 2005. The Company will use treasury shares and purchase shares on the market to meet employee stock options. Employee stock options at year-end amount to a total nominal value of ISK 6 million, whereof accrued options amount to ISK 4 million. The Company's cost in relation to employee stock options during the year is specified as follows:

Stock options vested during the year.....	2.883
Stock options exercised during the year.....	(2.227)
Accrued exchange rate difference on stock options 31.12.2002.....	<u>656</u>

Notes, contd.:

Deferred Income Tax Liability

16. The Company's deferred income tax liability is specified as follows:

Deferred tax asset 1.1.2002	(63,989)
Calculated income tax on realized profit	154,448
Calculated income tax on unrealized exchange rate profit on securities	<u>492</u>
Deferred income tax liability 31.12.2002.....	<u>90,951</u>

The Company's deferred income tax liability is divided as follows:

Securities	91,187
Other items	(<u>236</u>)
Deferred income tax liability 31.12.2002.....	<u>90,951</u>