

Pan Fish ASA

Interim Report 4th Quarter and 2003 financial accounts

Highlights

- **The Pan Fish Group results for 2003 are characterised by the company having undergone a demanding and extensive restructuring process, and the fact that the price of salmon was historically low in the important EU market during large parts of the year.**
- **Pan Fish was considerably strengthened through the year in terms of both operations and management. At the start of 2004 the company has regained good operational control, helped by a substantially simplified organisational and corporate structure.**
- **Actions implemented or put into effect will bring costs down by about NOK 325 million in 2005 measured against the actual 2003 cost level. In addition there will be realised continuous improvements from better and more efficient biological production.**
- **The board of directors considers the operational situation in Canada to be under control. From 2004 onwards a sequential and targeted process will be initiated to build the production to a sustainable long-term level in the region.**
- **Overall, the operational initiatives that have been carried out represent a considerable potential when salmon prices again start to rise and the company is finally refinanced.**
- **Pan Fish achieved a turnover in the fourth quarter 2003 of NOK 906,9 million compared to NOK 879,0 million in the corresponding period in 2002. Turnover for the full year was NOK 3556,5 million compared to NOK 4595,3 million in 2002. The operating loss prior to non-recurring items was NOK -47,5 million in the fourth quarter compared to NOK -271,9 million in the same period last year. Accumulated for the year the operating loss amounted to NOK -190,5 million compared to NOK -683,3 million in 2002.**
- **At year-end 2003, the equity in Pan Fish ASA totalled NOK 238 million, while the figure for the Group was NOK -163.4 million. As the equity in Pan Fish ASA's is less than 50% of the share capital, the board has a duty of action under the Public Limited Companies Act. Based on the ongoing dialogue the board is pursuing with its bankers and the principal shareholders, it is deemed realistic to expect the final refinancing of the Pan Fish Group to take place within a reasonable time frame. The valuation of assets and licences in the disclosed accounts is based on this final refinancing of the company.**

Although 2003 was a disappointing year for the fish-farming industry, Pan Fish can see several bright spots for the company and for the market in general at the start of 2004. It is Pan Fish's view that if the fish-farming industry is able to control the smolt output through 2004 to the level of what it was in 2003, it is likely that the production-driven fall in prices that has dominated the market in the past few years will have bottomed out. Pan Fish believes that in the second half of 2004 we are likely to see a more balanced ratio between supply and demand, and that this may lead to higher prices. In addition, the Pan Fish Group expects to benefit continuously from the positive effects of the restructuring actions that will be carried out to enable us to achieve our objective of being lowest-cost producer. Combined with a final refinancing of the Group, Pan Fish maintains its ambition to return to profitable operations in 2005.

Operations and results for the Pan Fish Group

Turnover in the fourth quarter 2003 was NOK 906.9 million, compared with fourth-quarter turnover of NOK 879,0 million in 2002. Accumulated for the full year 2003, turnover was NOK 3 556.5 million, compared with NOK 4 595.3 million in 2002. The fall in turnover is primarily attributable to divestment of a number of operations, and to the fact that the salmon prices has been considerably lower in the company's most important markets in 2003 compared with 2002.

Pan Fish achieved an operating profit before depreciation (EBITDA) of NOK 25.7 million in the fourth quarter 2003, as against an operating loss of NOK 214.2 million in the fourth quarter 2002. This is an improvement of NOK 239.9 million. The operating loss before special items was NOK 47.5 million in the fourth quarter compared with an operating loss of NOK 271.9 million in the equivalent period in 2002. For the full year, EBITDA was NOK 66.6 million compared with NOK -411.5 million in 2002. There was an operating loss before special items for 2003 totalling NOK 190.5 million, compared with a loss of NOK 683.3 million in 2002.

Official Norwegian export statistics show that the price per kilo Norwegian salmon at the end of December 2003 was NOK 2.34 under the same period in 2002. For the fourth quarter alone, the difference was NOK 1.68. Viewed in relation to Pan Fish's fourth-quarter European sales, the price differential represents a weakening of the operating result by NOK 31 million, while the effect is NOK 169 million for 2003 in total.

For the fourth quarter 2003, Pan Fish posted an operating loss (EBIT) of NOK 196.8 million, compared with an operating loss of NOK 991.4 million for the same period in 2002. However, the fourth-quarter 2002 figures contained booked losses associated with the sale of subsidiaries, as well as write-downs and provisions totalling NOK 719.5 million. Corresponding figures for the fourth quarter 2003 were NOK 149.3 million, of which NOK 130 million were booked as a write-down of operating assets on Group level.

Accumulated for the full year 2003, there was an operating loss (EBIT) of NOK 1 460.9 million, compared with an operating loss of NOK 1 476.9 million in 2002. Special items included in the operating result in the respective periods 2003 and 2002 totalled, respectively, NOK 1 270.4 million and NOK 793.6 million. Adjusted for special items, the Group's operating result improved by NOK 492.8 million in 2003 compared with 2002.

The weak results in 2003 are in general the result of low salmon prices in most markets for the Group's European operations, while at the same time a smaller volume of salmon has been harvested in North America. Considerable actions have been taken on the operational side, which will drive down costs in the months to come. The Pan Fish Group has so far implemented, or is in the final stage of implementing, actions with the purpose of bringing down costs with a full-year effect of about NOK 325 million in 2005, measured against the actual level of costs in 2003. In addition to this figure considerable cost reductions will be captured as a consequence of improved biological production. Initiatives have also been taken to further implement cost reducing programmes, and to further improve the biological production over and above the actions implemented so far. In total this will, together with the final stage of refinancing, produce positive results for Pan Fish in 2005, even at today's low salmon prices. The Board of Directors believes that the biggest improvement over time will come from the Pan Fish Group now being extremely targeted at lowest-cost production, highly market-driven, with a strict focus on quality and fish health.

Net financial expenses were NOK 96 million in the fourth quarter 2003, compared with NOK 582.4 million in the same period the year before. For the full year 2003, net financial expenses totalled NOK 567.7 million, compared with NOK 917.7 million in 2002. The decrease in net financial expenses is primarily owing to lower net interest-bearing debt, and to lower interest rates in 2003 compared with 2002.

Financial items in the fourth quarter 2003 totalled NOK -107.5 million, compared with NOK -653.6 million in the fourth quarter 2002. In the fourth quarter 2003 there were write-downs of NOK 8 million in associated companies. In the fourth quarter 2002 the corresponding write-downs amounted to NOK 193,7 million. Accumulated for the full year 2003, financial items totalled NOK -682.3 million, compared with NOK -1 203.1 million the year before. The figure for 2003 includes write-downs in associated companies, and losses on financial items, totalling NOK 397 million. In 2002, this figure was NOK 193.7 million.

The result before tax was a loss of NOK 304.3 million in the fourth quarter 2003, compared with a loss of NOK 1 645.1 million in the fourth quarter 2002. For the full year 2003, the group made a pre-tax loss of NOK 2 143.2 million compared with a pre-tax loss of NOK 2 680 million in 2002. Adjusted for special items, the fourth-quarter pre-tax result was improved by NOK 614.2 million in relation to the fourth quarter 2002 and by NOK 1 216.9 million in relation to 2002 as a whole. The improvement is owing to lower financial costs compared with 2002, and the fact that through the year there has been an improvement in operating results. The table below summarises the adjustments in pre-tax results:

<i>(NOKm)</i>	Q4-03	Q4-02	2003	2002
Profit before taxes	-304,3	-1 645,1	-2 143,2	-2 680,0
Loss sale on sale of subsidiaries	0,0	-118,6	0,0	-118,6
Write-offs and provisions	-149,3	-600,9	-1 270,4	-675,0
Write down financial items	-29,3	0,0	-306,8	0,0
Write down of associates	-8,0	-193,7	-90,2	-193,7
Adjusted pretax profit	-117,7	-731,9	-475,8	-1 692,7
Change from previous period	614,2		1 216,9	

The fourth-quarter result after tax was a net loss of NOK 402.3 million, compared with a net loss of NOK 1 527.2 million in the fourth quarter 2002. For the full year 2003, the result after

tax was a net loss of NOK 2 258.3 million, compared with a net loss of NOK 2 296.0 million for 2002.

Balance Sheet for the Pan Fish Group

The Group's total assets were NOK 3 431.1 million at 31 December 2003, compared with NOK 5 585.1 million at year-end 2002. The Group's net interest-bearing debt totalled NOK 2 838.5 million at 31 December 2003 compared with NOK 5 404.9 million at 31 December 2002 and NOK 3 831.7 million at the end of the third quarter 2003. During 2003, net interest-bearing debt was reduced by NOK 2 566.4 million.

At the end of the fourth quarter 2003, the group's book equity was NOK -163.4 million, compared with NOK -809.9 million at the end of the fourth quarter at year-end 2002. Despite large write-downs and provisions in 2003, equity was less negative at year-end 2003 than at year-end 2002. This is owing to share issues/debt conversions in 2003. The table below shows the reconciliation of equity for 2003:

Booked Equity per 31.12.2002	-810,0
Net profit after minority interests	-2265,3
Conversion of debt / Share issues	2921,7
Agiodifferences	-9,7
Booked Equity per 31.12.2003	-163,4

The equity situation will be addressed at the company's Annual General Meeting, at which the board will present an action plan for arriving at a final refinancing of the Group.

The Pan Fish Group has gone through an extensive process of reorganisation over the past year, with the company going from being a complex seafood conglomerate to being a focused and integrated fish-farming business. In January 2003, a good working relation with the company's bankers, assisted the company to embark on a thorough-going strategic and organisational restructuring process. In the autumn 2003, the banks and the company's owners followed up with a further, extensive debt conversion programme designed to enable the company to continue its streamlining efforts, and to finally clarify its strategic direction. It was at this point communicated clearly that further growth and development might possibly demand further financial restructuring.

The Pan Fish Group is in negative equity after a demanding autumn and winter. It will be absolutely necessary to reduce interest-bearing debt considerably over the coming period. At the same time the company will need more capital in order to increase the biomass and to justify the considerable infrastructural investments made in the past few years. With a strengthened balance sheet, the company will attack an improved market for salmon by increasing production, thus putting to full use the extensive and ultra-modern infrastructure we possess and in which considerable capital has been invested in recent years. A long-term production target of over 100 000 tonnes of round weight salmon can be achieved in the next few years, based on financing generated through our own earnings and the necessary targeted capital increases, or by employing other appropriate financial instruments. Naturally, there is also the added prerequisite that growth must be rooted at all times in the willingness of the market to pay for the raw materials; furthermore, all growth we accomplish must be environmentally sustainable and capable of being sustained by the market.

The board has valued the fixed assets and licences on a going concern basis, and in line with the objective expressed by the company's largest shareholders and bankers of rebuilding Pan Fish as a profitable company. If the company does not receive an infusion of new equity it will be necessary to do a substantial write-down of the company's balance sheet, since there is no basis for continued operation given the current debt and balance sheet. In terms of liquidity, the board considers that, at current salmon price levels, the company has sufficient latitude in the short-term perspective. However, it must be emphasised that the company will need more capital during the course of 2004. The board has begun the process of addressing this challenge.

Special factors associated with the Faeroes

An extensive process has been implemented linked to surveying the future fish-farming activity for the Pan Fish Group in the Faeroe Islands. The board is pleased to note that the Faeroese authorities have adopted a new fish-farming and aquaculture law and new disease regulations, which are very similar to the measures that helped deal effectively with similar problems in Norway. This means that there are grounds for optimism as regards the handling of any future disease situation in this exciting fish-farming area. The authorities have also signalled their willingness to look at the special Faeroese rules that prevent foreign companies from taking new, controlling positions in the fish-farming industry. This restriction has effectively hindered the influx of capital and has delayed an essential restructuring of the industry in the Faeroes. If the rules on ownership were to be amended, in Pan Fish's view a number of exciting growth opportunities would open up in this area in the future.

As part of the process of change, Pan Fish has agreed, in dialogue with the company's local bankers and suppliers, that the debt in Pan Fish's Faeroese fish-farming business must be reduced. As a consequence, a little over NOK 100 million in external interest-bearing debt and supplier credits will be written off and converted. A few details remain before the final amount can be determined. After the refinancing, which also means that in the course of 2004 Pan Fish ASA will go in with at least NOK 15 million in new equity, Pan Fish ASA will own more than 70% of the fish-farming operation in the Faeroes. The board regards this as being overall the best solution for Pan Fish, given the situation in the Faeroes. However, it will require the Faeroese authorities to grant the Pan Fish Group exemption from the current restrictive ownership rules in order for the refinancing to be effective. Unless this happens, as announced earlier the probable outcome will be liquidation. The future planned growth is nevertheless conditional on the Group's main bankers finally agreeing to the final debt conversion and permitting the company access to the liquidity required for long-term, balanced growth also in this region.

As an extra insurance, however, the Pan Fish Group will not set out smolt in the Faeroes in 2004. It has been decided to do this partly to show responsibility in the face of the demanding market situation, and partly to enable us to gain experience as to how the new disease legislation will be practised before wishing to expose the company to the risk inherent in setting out new fish in the sea. The period up until the next release of smolt will be used actively for upgrading key personnel, trimming technical equipment, and developing exciting and future-oriented production and market concepts.

Vestsalmon, the slaughtering, processing and marketing group that is owned to 67 per cent by Pan Fish, achieved highly satisfactory results for 2003. The group consists of the companies Vestsalmon (slaughtering plant/sales in the Faeroes), Vestlax Hirtshals (one of Europe's

largest smokers and processing companies), and the styrofoam box manufacturer Sveipur PF. In total this sub-group, of which Vestsalmon is the parent company, had a turnover in 2003 of NOK 615.6 million and a net profit on EBITDA basis amounting to NOK 34 million.

Special factors associated with Canada

At the end of 2003, Pan Fish had also completed a thorough survey and reorganisation of the fish-farming operation in Canada. The unit has been through a radical process of reorganisation and production has been cut from setting out around 5 million smolt in 2002 to setting out only 1.5 million in 2003.

Since the unit was project-organised for a four-month period in 2003, the entire management group has been changed and replaced with an international team of highly experienced fish-farming managers.

Pan Fish now considers it has biological control in one of the world's most exciting and demanding fish-farming areas. Today, Kudoa is not a problem, and in the past year there have been no new outbreaks of IHN virus on fish in the company's facilities. The entire operation has been substantially trimmed, and new animal husbandry strategies have been adopted. The company has also succeeded in obtaining a licence for a full-scale trial of a vaccine against IHN, which, if it is finally approved, will provide further security to enable us to realise the exciting potential in the region.

In view of these factors, the board has adopted a phased plan to build up production to what is considered a sustainable level of slightly more than 20 000 tonnes. The build-up will be done at a pace that is defensible in relation to the sustainability nature can offer, and also with a strong focus on biology and minimising risk. The growth plans are conditional on the company's bankers agreeing to the final debt conversion, permitting the company access to the liquidity required to ensure long-term, balanced growth.

In 2003, Pan Fish opened one of the world's most modern smolt facilities at Ocean Falls. This investment was worth over NOK 100 million. In addition, the company rebuilt the slaughtering plant and processing unit in Port Hardy. This facility is now decidedly the most modern of its kind in Canada, which gives Pan Fish an important competitive advantage. The facility will permit the entire production to be processed here if the decision is taken to do so.

Refinancing

The Pan Fish Group was in a very serious financial situation throughout the whole of 2003, and continuing to operate following the presentation of the half-yearly accounts to 30 June 2003 was dependent on obtaining satisfactory refinancing. The board of Pan Fish consequently signed an agreement to refinance the company on 30 September 2003 (please see separate prospectus dated 16 October 2003).

In autumn 2003, the board took the view that the refinancing had permitted the company to establish a very tight but acceptable capital structure, and that sufficient liquidity had been obtained in relation to the group's expected development. However, the board emphasised that Pan Fish was dependent on a substantial price increase in all markets except the USA in 2004, if the implemented refinancing was to be sufficient.

As the board now views the situation, the most recent refinancing programme will not give the company sufficient financial and operational latitude, given the overall uncertainty

affecting the market. Building up the company in the long term will require more liquidity, and the existing debt is still too high to tackle a salmon market which in the short term is still very demanding. Liquidity is too tight to enable defensible operations in an industry that constantly has to tackle new challenges that put pressure on day-to-day operations. As outlined above, the board has therefore concluded that the debt must be reduced very substantially, and that the company will have to obtain liquidity through share issues or increases in equity capital, possibly in combination with adjustments to the instalment payment structure and interest rates, so that the company's free liquidity can be used to create new growth when the market again allows it.

Segment information

Pan Fish reports segment information for the fish-farming operations in total, and for the four main geographic areas involved in the fish-farming business. Processing (VAP) is also reported, as well as other operations where that is deemed relevant.

Farming and sale of farmed fish

The fish-farming business currently consists of the four geographical areas Pan Fish Norway, Pan Fish Faeroes, Pan Fish Scotland and Pan Fish North America.

Extensive and sweeping changes in management were made in all parts of the fish-farming business in 2003, and in the board's view the company has a highly competent and motivated management team who are working purposefully in line with a shared vision to supply the world market with quality salmon at the lowest cost in the industry.

Turnover in the fish-farming business in the fourth quarter 2003 was NOK 675.7 million, compared with NOK 614,0 million in the fourth quarter 2002. Operating income for 2003 was NOK 2 755,6 million compared to NOK 2992,2 million in the same period in 2002. 21 392 tonnes of round weight salmon were slaughtered during the quarter, compared with 18 307 tonnes in the same period in 2002. For the full-year 2003, 93 589 tonnes of round weight salmon in total were slaughtered, as against 88 992 tonnes in 2002. The fish-farming business in total posted an operating loss (EBIT) before special items of NOK 89.2 million in the fourth quarter 2003, compared with a loss of NOK 141.8 million in the same period in 2002. On an annualised basis, there was an operating loss (EBIT) before special items of NOK 197.8 million in 2003, compared with a loss of NOK 291.9 million in 2002.

The table below provides a summary of key figures in the fourth quarter 2003 and for the full-year 2003 for the fish-farming business in the individual regions, and in total.

Key Figures Farming (figures in NOKm)	Norway		Faeroes		Scotland		North-America		Total*	
	4Q-03	2 003	4Q-03	2 003	4Q-03	2 003	4Q-03	2 003	4Q-03	2003
Turnover	303,2	1 149,4	153,2	407,0	91,3	440,4	139,8	840,9	675,7	2755,6
Operating profit before depr. (EBITDA)	29,8	56,7	-38,0	-23,5	-8,9	-38,4	-1,0	10,9	-18,9	5,6
Operating profit before special items	-10,9	-46,9	-43,7	-44,3	-16,9	-56,5	-17,7	-50,0	-89,2	-197,8
Operating profit (EBIT)	-10,9	-679,4	-43,7	-207,3	-16,9	-77,0	-30,7	-133,2	-102,2	-1097,0
Harvesting in tonnes round weight	9 780	35 402	4 521	14 701	4 212	22 202	2 879	21 284	21 392	93 589
Production in tonnes round weight	8 418	33 248	213	9 148	4 507	16 910	4 268	14 218	17 405	73 523
Fixed Assets		998,5		217,0		142,3		687,7		2042,1
Inventory		326,1		51,3		207,9		208,4		793,7
Total balance sheet		1 552,3		334,4		395,2		1 008,7		3215,3

**) After eliminations*

It is a fact that the full production cost to the Pan Fish Group was greater than the price the company achieved in the market through the fourth quarter. In those cases where the expected production cost on outgoing biomass is higher than the expected sales price, there has been a write-down. The board believes that stocks have been realistically valued in all regions, based on the price expectations reflected in the current market and taken into account when this fish goes to slaughter.

At the end of the fourth quarter, the Pan Fish Group held 130 licences (converted into Norwegian licence volumes). Based on 850 tonnes of feed and an economic feed factor of 1.1, this is equivalent to a production potential of about 100 000 tonnes round weight fish. The table below provides a summary of the licences held by Pan Fish at the end of the fourth quarter, by geographic region.

Country	Licenses	Total booked value (NOKm)	Booked value pr. license (NOKm)
Norway	44	402,4	9,1
Canada	32	119,3	3,7
USA	16	12,9	0,8
Faeroe Islands	11	98,8	9,0
Scotland	27	14,3	0,5
Total	130	651,9	5,0

In connection with the presentation of the half-yearly accounts in 2003, the board carried out a review of the assumptions on which the valuation of the company's licences and goodwill is based. This resulted in relatively extensive write-downs of both licences and goodwill. The board stands by the valuation done in connection with the half-yearly accounts and considers that the book values at year-end 2003 are defensible in relation to expected earnings in the future.

Processing (VAP)

The processing business consists of VAP France and VAP Denmark (Vestlax Hirtshals) and VAP Norway. The table below summarises the key figures for the overall VAP business.

Key Figures VAP (figures in NOKm)	VAP	
	4Q-03	2003
Turnover	369,3	1 021,9
Operating profit before depr. (EBITDA)	50,5	76,8
Operating profit before special items	41,0	44,6
Operating profit (EBIT)	34,7	-5,5
Fixed Assets		158,2
Inventory		42,4
Total balance sheet		379,9

The Norsk Sjømat Group was included in the 2003 figures for VAP Norway, but will not be included as of the first quarter 2004. The remaining operations within VAP Norway achieved a turnover of NOK 100 million in 2003.

The VAP business area had a turnover of NOK 369,3 million in the fourth quarter compared to NOK 305,6 million in the corresponding period last year, while the turn over for the year was NOK 1 021,9 million, compared to NOK 895,7 million in 2002. In the fourth quarter the

business area achieved an EBIT before special items of NOK 41,0 million compared to NOK -3,1 million in the same period last year. The operating result before special items was NOK 44,6 million in 2003, compared to NOK -21,0 million in 2002.

EBITDA for the processing business was NOK 50.5 million in the fourth quarter 2003, compared with NOK 3.8 million in the fourth quarter 2002. On an annualised basis, EBITDA was NOK 76.8 million compared with NOK 7.6 million in 2002. The processing area thus continued to perform positively in the fourth quarter. There is still price pressure on certain product groups, but that is compensated for by more efficient operations, with particular focus on better utilisation of raw materials. Norway and France performed well throughout the whole of 2003, and Denmark managed, as expected, to reverse the negative trend that the unit had experienced particularly at the start of the year. In France the business invested in automatisisation, which has improved productivity at the smoker. In order to optimise operations and by so doing create a basis for added value, Pan Fish ASA has chosen to operate the VAP companies as independent units.

Organisation, development and restructuring

Major resources have been put into carrying out an extensive strategic refocusing of the Pan Fish Group. This involves first and foremost streamlining the fish-farming side, based on independent regional operational units. All units and activities have been critically reviewed and the operational concepts have been substantially readjusted. Major cost-cutting measures are in the process of being carried out. Even more important, however, is to focus on running the operational activity more efficiently. The Group's objective of becoming a lowest-cost producer will be achieved through targeted focusing on good biology and good fish health, coupled with achieving selected customers' quality requirements. Improvement measures are being carried out continuously throughout the entire value chain - smolt, fish for human consumption, further processing, sales and logistics - with the ambition of becoming one of the world's most efficient fish-farmers by the end of 2005. The improvement measures are solidly rooted in the efforts of regional operational management, and in parallel with this, resources are being put into training and management development within the regional organisations.

Reducing costs in fish-farming is, however, a process that is both demanding and can only be achieved through targeted effort over time. For market-related, operational and financial reasons, Pan Fish has chosen to make what are, in part, substantial cuts in production. This means that the work to become a lowest-cost producer will take time.

Reducing the balance sheet extensively by disposing of all operations and assets that are not part of the core business is intended to sharpen the focus within the Group, and to reduce debt. The task of selling the company's assets in several businesses has already been completed or is still in progress. Pan Pelagic and Norsk Sjømat were not part of the Pan Fish Group at the start of 2004. The Skarholmen slaughtering plant in Bergen and the old head offices in Ålesund have also been sold with accounting effect from March 2004 inclusive. The interests in Austevoll Havfiske and the fishing vessels are minority interests, and it has to be expected that selling these may still take some time. The work done in 2003 with regard to selling non-core businesses has helped bring about a considerable simplification of the

Group's structure, and in the time ahead will help free up important resources to strengthen core business operations.

Market and outlook

The Pan Fish Group's course has now been determined, and becoming a lowest-cost producer of quality salmon is the primary, overarching objective for the entire organisation. Over the next few years, Pan Fish aims to establish itself as a financially sound fish-farmer with a clear market profile. Based on the lowest production cost of raw materials, Pan Fish will consolidate its position as one of the world's leading marketers and processors of salmon. There is no doubt that global consumers are seeking flexibility and that those companies that are capable of mastering efficient salmon production and combining it with cost-effective and, not least, customer-oriented processing, will achieve the best and most stable profitability over time. This also lies at the core of the strategic and operational priorities according to which Pan Fish is now working.

Pan Fish has chosen a highly cost-effective form of organisation that is focused on operational responsibility being close to the living fish. Proximity to the customer is achieved while at the same time sales and marketing are closely tied to the production unit. Decentralised responsibility and small, efficient, independent operating units are the answer to biological efficiency and cost-effectiveness. Synergies will be drawn from result-oriented internal network structures, in which purchasing, key account management and organisational development are supported by a combination of the requisite cutting-edge expertise and solid experience rooted in "real life". This will help make Pan Fish a more efficient and customer-focused company in the months and years to come. We call it a market-oriented animal husbandry culture – with humans and biology both in focus.

The most prominent feature of the world's salmon markets in the past two and a half years has been the substantial growth in production and offerings. There has been good growth in demand in the same period, and there is every reason to assume that that will continue. However, the strong growth in production has brought the market into a state of imbalance, resulting in very low prices over the past two years. Following a brief period of rising prices in August and September, prices fell again slightly towards the end of 2003.

There is reason to expect continuing growth in demand for salmon in the next few years, and the long-term growth potential for the industry will remain. In the short term, however, it is essential that production within the industry adapts to the prevailing market. Pan Fish has assumed considerable responsibility within this area and will adjust production in all regions in 2004. A decrease in the numbers of smolt set out in Europe in 2003 should lead to lower production in 2004 and 2005. There is reason to expect continuing growth in demand in the important European market, and there is nothing to indicate that growth in demand in the USA, which has been over 15 per cent, will fall off. This should result in the production growth in Chile being able to be absorbed by the American market.

The Pan Fish Group is one of the world's leading producers of salmon. The Board of Directors is of the opinion that free trade is an essential ingredient for the future development of the fish farming industry - nationally and globally. Free trade will stimulate a further development of the industry through increased focus on R&D and marketing, and will subsequently contribute to cost reductions and increased profitability in all parts of our business sector. Increased

production of salmon will also contribute to a broader spectre of products to the European consumer, as well as to increased production of food.

The company will not make any firm forecasts relating to expected developments in the price of salmon in 2004, but the board has registered that extensive production adjustments are being made in all producing regions and that the standing biomass was lower at the start of 2004 than at the same time in 2003. Pan Fish will focus all its resources in future on realising the lowest possible production costs possible, while maintaining the targeted quality, in all regions in which the company operates.

Oslo, 26 February 2004
The Board of Directors
Pan Fish ASA

Konsernet Pan Fish ASA (tall i mill)/Pan Fish ASA Group (figures in NOK mill)

	4rd Qtr 2003	4rd Qtr 2002	1.1.-31.12. 2003	1.1.-31.12. 2002
Resultatregnskap/Profit and Loss Account				
Driftsinntekter/Operating income	906.9	879.0	3,556.5	4,595.3
Driftskostnader/Operating expenses	881.2	1,093.2	3,489.9	5,006.8
Driftsresultat før avskrivninger/Operating profit (loss) before depreciation (EBITDA)	25.7	-214.2	66.6	-411.5
Avskrivning/Depreciation	73.2	57.7	257.2	271.8
Driftsresultat før spesielle poster/Operating profit (loss) before special items	-47.5	-271.9	-190.5	-683.3
Spesielle poster/Special items				
Nedskrivninger og avsetninger/Write downs and provisions	149.3	600.9	1,270.4	675.0
Tap ved salg datterselskap/Loss on sale subsidiaries	0.0	118.6	0.0	118.6
Sum spesielle poster/Total special items	149.3	719.5	1,270.4	793.6
Driftsresultat etter spesielle poster/Operating profit (loss) after special items	-196.8	-991.4	-1,460.9	-1,476.9
Finansposter/Financial income and expenses				
Resultat tilknyttede selskap før nedskrivninger/Income from associates before write down	-3.5	122.5	-24.4	-91.6
Nedskrivninger tilknyttede selskaper/Write down of associates	-8.0	-193.7	-90.2	-193.7
Resultat tilknyttede selskap/Income from associates	-11.5	-71.2	-114.6	-285.3
Netto finansposter før nedskrivninger/Net financial items before write downs	-66.7	-582.4	-260.9	-917.7
Nedskrivninger, avsetninger og tap finansielle poster/Write down, provisions and loss financial items	-29.3	0.0	-306.8	0.0
Netto finansposter/Net financial items	-96.0	-582.4	-567.7	-917.7
Sum finansposter/Total financial items	-107.5	-653.6	-682.3	-1,203.1
Ordinært resultat før skatter/Profit (loss) before taxes	-304.3	-1,645.1	-2,143.2	-2,680.0
Skattekostnad/Taxes	98.0	-117.9	115.1	-384.0
Årsresultat/Profit (loss) for the year	-402.3	-1,527.2	-2,258.3	-2,296.0
Minoritetsinteresser/Minority interest	1.8	-20.2	-6.7	-43.9
* Basert på salg av datterselskap etc med virkning fra 1.1./Based on sale of subsidiaries effective from 1.1.				
			31.12. 2003	31.12. 2002
Balanse/Balance Sheet				
Anleggsmidler/Fixed assets				
Konsesjoner/Licenses			651.9	1,241.4
Utsatt skattefordel/Deferred tax asset			0.0	204.6
Goodwill			0.0	168.1
Maskiner, bygninger/Machinery, buildings etc.			1,294.7	1,617.7
Aksjer, andre eiendeler/Shares, other assets			82.2	368.8
Sum anleggsmidler/Total fixed assets			2,028.8	3,600.5
Omløpsmidler/Current assets				
Varebeholdning/Inventory			836.2	1,325.7
Fordringer/Receivables			419.8	593.8
Likvider/Cash and cash equivalents			146.3	65.2
Sum omløpsmidler/Total current assets			1,402.3	1,984.7
Sum eiendeler/Total assets			3,431.1	5,585.1
Egenkapital/Equity				
Aksjekapital/Share capital (2 640 180 100 shares a 0,50)			810.9	85.2
Annen egenkapital/Other equity			-1,009.8	-944.3
Minoritetsinteresser/Minority interest			35.4	49.1
Sum egenkapital/Total equity			-163.4	-810.0
Gjeld/Liabilities				
Ansvarlig lån/Subordinated loan			18.4	0.0
Konvertible lån/Convertible loan			78.2	0.2
Annen langsiktig gjeld/Other long-term liabilities			2,536.3	4,151.7
Kortsiktig gjeld/Short-term liabilities			961.7	2,243.2
Sum gjeld/Total liabilities			3,594.5	6,395.1
Sum EK og gjeld/Total Equity and Liabilities			3,431.1	5,585.1
Kontantstrømsanalyse/Cash flow statement				
	4rd Qtr 2003		31.12. 2003	31.12. 2002
Kontantstrøm fra operasjonelle aktiviteter/Cash flow from operating activities	164.9		-366.0	-441.6
Kontantstrøm fra investeringsaktiviteter/Cash flow from investing activities	-146.0		-224.5	-148.3
Kontantstrøm fra finansieringsaktiviteter/Cash flow from financing activities	-90.5		615.4	597.2
Valutakurseffekter/Effects of changes in exchange rates	34.4		46.5	-25.7
Netto endring i kontanter og kontantekvivalenter/Net change in cash and cash equivalents	-37.2		71.4	-18.4
Kontanter og kontantekvivalenter ved periodens start/Cash and cash equivalents start of period	173.8		65.2	83.6
Kontanter og kontantekvivalenter ved periodens slutt/Cash and cash equivalents end of period	136.6		136.6	65.2
Nøkkeltall/Key Figures				
Resultat pr. aksje/Earnings per share			-0.11	-0.11
Driftsmargin før spesielle poster/Net operating margin before special items			-5.4 %	-5.0 %
Avkast. sysselsatt kapital før spes. poster/Return on capital employed before exopt. items			-6.7 %	-4.4 %
Egenkapitalandel/Equity ratio			-4.8 %	10.4 %
Netto rentebærende gjeld/Net interest bearing debt			2,847	5,052

Delårsrapporten er utarbeidet etter de samme regnskapsprinsipper som benyttet og beskrevet i årsrapporten for 2002
The quarterly report is prepared in accordance with the accounting principles used and described in the annual report 2002.