



Third Quarter 2004



PAN FISH

www.panfish.com

Pan Fish ASA continued to make operational and financial progress in the third quarter 2004, as compared to the third quarter of the year before, despite the fact that sales volumes were significantly lower. The progress made during the third quarter is the result of wide-ranging cost-cutting measures, as well as the organisational restructuring undertaken during 2003 and 2004. Pan Fish now has an operational structure that will allow it to reclaim its position as a leading global aquaculture group, and the company has entered a production phase in which defined long-term objectives linked to production costs and volumes in each region will be closely monitored. The demanding situation currently facing the market makes Pan Fish's strategy of becoming the lowest-cost supplier of Atlantic salmon even more important.

Highlights from the third quarter 2004

- **Pan Fish ASA achieved gross operating revenues of NOK 544.3 million in the third quarter 2004, compared with NOK 722.6 million in the same quarter the year before. The fall in operating revenues is due to a significant drop in harvesting volumes during the quarter.**
- **The company made an operating profit before depreciation and amortisation (EBITDA) of NOK 14.5 million in the third quarter 2004, compared with a loss of NOK 46.4 million in the same quarter the year before. This is an improvement of NOK 60.9 million.**

Financial results for the Pan Fish group in the third quarter 2004¹

The group achieved gross operating revenues of NOK 544.3 million in the third quarter 2004, compared with NOK 722.6 million during the same quarter the year before. This is mainly due to a reduction in harvesting volumes of 8,060 tonnes round weight, 34 per cent, compared with the year before.

Operating profit before depreciation and amortisation (EBITDA) was NOK 14.5 million in the third quarter 2004, compared with a loss of NOK 46.4 million in the same quarter the year before. Pan Fish Norway has made a particularly strong contribution to the positive operating profit.

The company made an operating loss (EBIT) in the third quarter of NOK 26.5 million, compared with a loss of NOK 95.9 million in the same quarter the year before. The reduction in operating loss has been achieved despite a fall in sales volumes compared with the year before.

Throughout Pan Fish there has been intense focus on cutting production costs, and efforts are continually being made to both improve the biological output and reduce the group's fixed costs. This will also have an positive impact on liquidity.

¹ Businesses which have been sold, or which the company has decided to dispose of, including Pan Pelagic and Norsk Sjømat, have been excluded from the figures and are presented as a net figure under profit/loss for discontinued businesses.

Net financial items amounted to NOK –43.1 million in the third quarter 2004, compared with NOK –72.7 million in the same quarter the year before. Net interest expenses amounted to NOK 45.9 million in the third quarter, compared with NOK 63.2 million in the same period in 2003.

Pan Fish made a loss before tax of NOK 69.9 million in the third quarter, compared with a loss of NOK 168.6 million in the corresponding quarter in 2003. The group made a loss after tax in the third quarter 2004 of NOK 69.7 million, compared with a loss of NOK 171.4 million in the same period the year before.

Earnings per share amounted to NOK –0.14 for the third quarter 2004, compared with NOK –0.06 in the corresponding quarter the year before². Fully diluted, earnings per share amounted to NOK –0.13 for the third quarter 2004, compared with NOK –0.06 in the third quarter 2003.

Balance sheet for the Pan Fish group

The group's total balance sheet stood at NOK 3,295.2 million at the end of the third quarter 2004, compared with NOK 4,052.6 million at the same date in 2003. The group's net interest-bearing debt has been cut by 33 per cent from NOK 2,838.5 million at the start of 2004 to NOK 1,898.6 million at the end of the third quarter.

Interest-bearing debt/Net interest-bearing debt (NOK mill)	As at 30.09.2004
Long-term interest-bearing debt to financial institutions	1841.5
Bond loans (not interest-bearing until 2008)	78.2
Capitalised leasing obligations	248.8
Other short-term interest-bearing debt	68.4
Total interest-bearing debt	2237.0
Cash & cash equivalents	338.4
Net interest-bearing debt	1898.6

At the end of the third quarter 2004 Pan Fish ASA had equity amounting to NOK 851.0 million. At the same date the book value of equity in the Pan Fish group stood at NOK 510.5 million.

Equity reconciliation (NOK mill)	3Q (01.07 – 30.09.04)	YTD (01.01 – 30.09.04)
Equity at start of period	-60.2	-163.4
Net loss after minority interests	-69.7	-90.0
Debt conversion/share issue	642.3	755.3
Foreign exchange and other adjustments	-1.9	8.6
Equity at close of period	510.5	510.5

At the end of the third quarter 2004 the Pan Fish group had an equity ratio (including subordinated loans amounting to NOK 45.9 million) of 17 per cent.

Cash flow for the Pan Fish group

Pan Fish had a positive cash flow in the quarter amounting to NOK 219.5 billion, of which NOK 169.8 million can be ascribed to the share issue that was conducted in September. Net

² Since the third quarter 2003 475,898,417 new shares have been issued (adjusted for the consolidation of shares at a ratio of 100:1) in connection with the refinancing of the company in October 2003 and August 2004.

cash flow from operating activities during the quarter amounted to NOK 99.9 million. NOK 126.4 million was derived from a reduction in working capital. Cash and cash equivalents amounted to NOK 338.4 million at the end of the third quarter 2004.

Segment information

Pan Fish reports segment information for the production, harvesting and sale of farmed fish as a whole and for its four geographic regions separately. Information on value added products (VAP) is also reported separately, as is information on other businesses where this is deemed relevant. In the annual report for 2003 all non-core businesses, including VAP, were reported as a net result under "Profit/loss for non-ongoing operations". The figures presented in this quarterly report include VAP, which is consistent with previous quarterly reports.

Production and sale of farmed fish

The fish farming business currently organised into four regions: Pan Fish Norway, Pan Fish Faeroe Islands, Pan Fish Scotland and Pan Fish North America.

Key figures fish farming (NOK m)	Norway		Faeroes		Scotland		North America		Total fish farming*	
	3Q04	3Q03	3Q04	3Q03	3Q04	3Q03	3Q04	3Q03	3Q04	3Q03
Gross operating revenues	244.6	268.9	28.7	95.6	87.6	117.7	123.9	211.3	476.1	674.4
EBITDA	16.3	7.6	3.0	-2.6	1.6	-30.1	-2.1	-5.8	17.6	-31.0
EBIT	1.8	-8.8	-1.7	-8.4	-2.3	-33.3	-13.7	-21.9	-17.1	-72.4
Harvesting, tonnes round weight	7457	10033	0	3522	3959	6354	4077	3643	15493	23553
Production, tonnes round weight	11560	11495	0	3019	4074	3917	2909	2403	18543	20835
Fixed assets	769.3	1043.4	169.1	225.9	147.8	136.7	614.0	758.9	1696.8	2161.4
Stocks**	321.4	315.5	5.5	116.0	201.0	184.7	208.7	215.4	736.6	831.6
Total balance sheet	1264.4	1599.2	225.1	390.8	389.1	403.1	900.3	1127.0	2704.3	3444.7

*) After eliminations

**) Stocks are valued at the lowest of production cost and expected sales price

The fish farming business generated gross operating revenues of NOK 476.1 million in the third quarter 2004, compared with NOK 674.4 million in the corresponding quarter last year. 15,493 tonnes round weight of salmon was harvested during the quarter, compared with 23,553 tonnes round weight in the same period in 2003. This is a reduction of 8,060 tonnes round weight, or 34 per cent. The production in the third quarter 2004 was higher than in the corresponding quarter in 2003, with the exception of the Faeroe Islands. Therefore, the growth was higher in the third quarter of this year, compared with the third quarter 2003.

The fish farming business made an operating loss (EBIT) of NOK 17.1 million in the third quarter 2004, compared with a loss of NOK 72.4 million in the corresponding period the year before. All four regions contributed to the improvement in results. The table below shows production costs so far in 2004 in the company's four main regions:

YTD production cost (gutted weight, local currency)	Norway (NOK)	Scotland (GBP)	North America (CAD)	Faeroes** (DKK)
Biological cost	15.92	1.74	3.70	n/m
Harvesting/transport	4.15	0.20	1.02	n/m
SG&A expenses	0.95	0.11	0.21	n/m
Total EBIT cost*	21.02	2.05	4.93	n/m
Of which depreciation	1.54	0.09	0.86	n/m
2007/2008 cost target	15.50-16.00	1.37-1.45	3.33-3.53	14.50-15.50

*) Total production cost, including depreciation, of fish delivered to the customer gutted and packed in boxes.

**) There is currently no production in the Faeroes.

Value added products (VAP)

The VAP business consists of Pan Fish France and Vestlax Hirtshals.

Key figures VAP (NOK m)	Total	
	3Q04	3Q03
Gross operating revenues	112.3	217.7
EBITDA	-0.9	14.8
EBIT	-7.1	7.2
Fixed assets	147.1	223.1
Stocks**	53.9	72.7
Total balance sheet	321.5	473.4

The VAP business generated gross operating revenues of NOK 112.3 million in the third quarter 2004, compared with 217.7 million in the same quarter the year before. The fall in revenues is primarily due to the fact that Norsk Sjømat is not included in the figures for 2004. The VAP business made an operating loss (EBIT) of NOK 7.1 million, compared with an operating profit of NOK 7.2 million in the same period in 2003.

An agreement has been signed giving Pan Fish sole ownership (100%) of the processing business Vestlax Hirtshals (see the stock market announcement of 19 October 2004). The company is initiating specific measures directed at reducing operational cost in the VAP business. These measures are expected to yield results as 2005 progresses.

Strategy, organisation and development

The group's strategic course has been set, and the entire organisation is now focusing on achieving the vision of supplying the global market with quality salmon at the lowest cost in the industry. Ambitious targets for cost, production and market penetration levels have been set for all regions. The company's ambition to become the lowest-cost producer of salmon shall be realised in the years ahead by focusing on efficient operations, biology and excellent fish health. Cost leadership is based on the fact that Pan Fish produces raw materials which meet the demands of the world's leading food processors on quality, food safety and traceability.

Major efforts have been made to improve every link in the production chain in relation to previous operating strategies. Every detail in the biological production phase has been scrutinized, with particular attention being paid to smolt and the day-to-day operation of the individual production facilities. A key element in these efforts is to instigate and develop good systems which can rapidly identify any deviation from the norm and implement corrective measures as early as possible in the production cycle.

In the coming years production will be built back up to a level that is appropriate to the value of the company's fixed assets. The long-term objective is to produce 80,000-100,000 tonnes gutted weight. The board would like to underline that this growth in production will be undertaken at a tempo which is sustainable with regard to good fish health and biological safety.

Underpinning Pan Fish's chosen strategy is an organisation made up of compact, efficient units in each region, with operational responsibility located close to production. Harvesting, sales and logistics are also linked to the producing unit in order to provide customers with a high level of service and the best quality combined with low costs.

Market and outlook³

Exports of fresh Atlantic salmon from Norway to the EU were almost seven per cent higher in the third quarter this year compared with the corresponding period in 2003. The average export price (FOB) for this fish was NOK 22.23 per kilo, compared with a price of NOK 19.02 per kilo in 2003. Growth in demand is strongest in the “new” EU countries, while demand from the two most important salmon importing countries, Denmark and France, has fallen so far this year. Norwegian exports to Russia have also grown well. The company’s biomass (stocks of live fish) in Norway was marginally higher at the end of the third quarter than at the same time last year.

In the year to the end of August exports of fresh Atlantic salmon from the UK were lower than in the same period in 2003. Demand in France, which other than the domestic market is the most important market for Scottish salmon, increased by 12 per cent during the same period compared with the year before. It is expected that the company’s biomass in Scotland will be around 10 per cent lower by the end of the year than at the same time in 2003. By the end of August this year Chile had exported 817 tonnes more frozen fillets to Europe (EU-25) than during the same period in 2003, a rise of 17 per cent.

Prices in the American market have been under pressure all year, and the price of Chilean salmon fillet in October was lower than in the corresponding period in both 2002 and 2003. This is despite the fact that the total influx of salmon to the American market at the end of August was 10,000 tonnes lower than at the same time last year, a drop of around 5 per cent. So far this year the average export price of fresh Atlantic salmon from Canada has also been lower than the corresponding figure for 2003. So far this year Chile has exported more fresh and frozen salmon fillets to the USA than in the same period in 2003, while the import of fresh Atlantic salmon from Canada so far this year has been considerably lower than in the corresponding period of last year.

The situation with regard to the EU remains undecided. However, the Norwegian authorities and the EU are in continual dialogue. The board of directors does not have the power to predict the outcome of these discussions, and their possible impact on the company’s future financial results will depend on the structure and size of any punitive measures that may be implemented.

³ Source Kontali Analyse and Pan Fish.

Implementation of the IFRS (International Financial Reporting Standard)

Pan Fish's report for the first quarter 2005 will be the first financial statement prepared in accordance with the IFRS. Adjusted comparable figures for the first quarter 2004 as well as for 2004 as a whole will also be presented at that time.

Implementation of the IFRS is expected to affect the opening balance of Pan Fish's equity as at 1 January 2004 mainly in respect of the value of the company's biomass. According to the IFRS, the biomass must be valued at its real value in the balance sheet. No final resolution of this issue has yet been arrived at, but Pan Fish expects the book value of live fish to rise by NOK 40-60 million in the opening balance as at 1 January 2004. The adjustment will result in a corresponding increase in equity.

Oslo, 18 November 2004

Pan Fish ASA Board of Directors

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

	1.7.-30.09.	1.7.-30.09.	1.1.-30.09.	1.1.-30.09.	1.1.-31.12.
	2004	2003	2004	2003	2003
Resultatregnskap/Profit and Loss Account					
Driftsinntekter/Operating income	544,3	722,6	1 786,4	2 205,1	3 013,7
Driftskostnader/Operating expenses	-529,9	-769,0	-1 621,6	-2 501,9	-3 291,5
Driftsresultat før avskrivninger/Operating profit before depreciation (EBITDA)	14,5	-46,4	164,8	-296,8	-277,8
Avskrivning/Depreciation	-41,0	-49,5	-136,3	-163,1	-223,2
Nedskrivninger og avsetninger/Write downs and provisions	0,0	0,0	0,0	-689,8	-859,0
Driftsresultat/Operating profit (EBIT)	-26,5	-95,9	28,5	-1 149,7	-1 360,0
Resultat tilknyttede selskap/Income from associates	-0,6	-4,7	-0,5	-5,3	-8,8
Netto finansposter/Net financial items	-42,5	-68,1	-118,1	-307,3	-376,2
Nedskrivninger og avsetninger finansielle poster/Write downs and provisions financial items	0,0	0,0	0,0	-45,2	-79,3
Sum finansposter/Total financial items	-43,1	-72,7	-118,6	-357,9	-464,3
Resultat før skatt/Profit before taxes	-69,6	-168,6	-90,1	-1 507,6	-1 824,3
Skattekostnad/Taxes	0,0	-0,6	0,0	-17,2	-112,3
Resultat for videreført virksomhet/Net income for ongoing operations	-69,6	-169,3	-90,1	-1 524,7	-1 936,6
Resultat for ikke videreført virksomhet*/Income non-ongoing operations*	0,0	-2,1	0,2	-331,4	-321,9
Konsernets resultat/Net profit	-69,7	-171,4	-90,0	-1 856,1	-2 258,5

Minoritetsinteresser/Minority interest -3,1 -0,8 -14,1 -8,1 -6,7

*) Virksomhet som var avhendet/besluttet avhendet før regnskapsavleggelse, presenteres netto under linjen for Resultat for ikke videreført virksomhet/
Companies that were sold/or were intended to be sold are presented as net amounts under Income non-ongoing operations.

	30.09.	30.09.	31.12.
	2004	2003	2003
Balanse/Balance Sheet			
Anleggsmidler/Fixed assets			
Konsesjoner/Licences	593,6	655,6	651,9
Utsatt skattefordel/Deferred tax asset	0,0	109,9	0,0
Goodwill	0,0	0,0	0,0
Maskiner, bygninger/Machinery, buildings etc.	1 195,8	1 484,2	1 294,7
Aksjer, andre eiendeler/Shares, other assets	105,2	147,9	86,5
Sum anleggsmidler/Total fixed assets	1 894,6	2 397,6	2 033,1
Omløpsmidler/Current assets			
Varebeholdning/Inventory	781,4	905,0	836,2
Fordringer/Receivables	280,8	576,2	429,5
Likvider/Cash and equivalents	338,4	173,8	136,6
Sum omløpsmidler/Total current assets	1 400,6	1 655,0	1 402,3
Sum eiendeler/Total assets	3 295,2	4 052,6	3 435,4
Egenkapital/Equity			
Aksjekapital/Share capital	1 004,6	1 320,1	810,9
Egne aksjer/Own share	0,0	0,0	0,0
Annen egenkapital/Other equity	-541,1	-1 954,2	-1 009,8
Minoritetsinteresser/Minority interest	47,0	32,6	35,4
Sum egenkapital/Total equity	510,5	-601,6	-163,4
Gjeld/Liabilities			
Ansvarlig lån/Subordinated loan	45,9	0,0	18,4
Konvertible lån/Convertible loan	78,2	78,2	78,2
Annen langsiktig gjeld/Other long-term liabilities	2 097,0	3 494,9	2 536,3
Kortsiktig gjeld/Short-term liabilities	563,7	1 081,1	965,9
Sum gjeld/Total liabilities	2 786,0	4 654,2	3 598,8
Sum EK og gjeld/Total Equity and Liabilities	3 295,2	4 052,6	3 435,4

	1.7.-30.09.	1.7.-30.09.	1.1.-30.09.	1.1.-30.09.	1.1.-31.12.
	2004	2003	2004	2003	2003
Kontantstrømsanalyse/Cash flow statement					
Kontantstrøm fra operasjonelle aktiviteter/Cash flow from operating activities	99,9	-202,3	110,3	-530,9	-366,0
Kontantstrøm fra investeringsaktiviteter/Cash flow from investing activities	-16,1	84,4	28,0	-78,5	-224,5
Kontantstrøm fra finansieringsaktiviteter/Cash flow from financing activities	141,7	50,9	60,1	705,9	615,4
Valutakurseffekter/Effects of changes in exchange rates	-6,0	18,5	3,3	12,1	46,5
Netto endring i likvider/Net change in cash and cash equivalents	219,5	-48,5	201,8	108,6	71,4
Inngående likviditetsbeholdning/Cash and equivalents start of period	118,9	222,3	136,6	65,2	65,2
Utgående likviditetsbeholdning/Cash and equivalents end of period	338,4	173,8	338,4	173,8	136,6

	1.7.-30.09.	1.7.-30.09.	1.1.-30.09.	1.1.-30.09.	1.1.-31.12.
	2004	2003	2004	2003	2003
Nøkkeltall/Key Figures					
Antall aksjer pr. 30.09 / 31.12 /Number of shares per 30.09 / 31.12 (mill)	502	2 640	502	2 640	20 272
Resultat pr. aksje/Earnings per share	-0,14	-0,06	-0,18	-0,70	-0,11
Utvannet resultat pr. aksje/Diluted earnings per share	-0,13	-0,06	-0,17	-0,70	-0,11
Driftsmargin før avskrivninger/EBITDA margin	2,7 %	neg.	9,2 %	neg.	neg.
Driftsmargin/EBIT margin	neg.	neg.	1,6 %	neg.	neg.
Egenkapitalandel/Equity ratio	neg.	neg.	15,5 %	neg.	neg.
Netto rentebærende gjeld/Net interest bearing debt			1 898,6	3 831,7	2 838,5

The figures are comparable with the annual report, in which the VAP business was reported as a net result under “Profit/loss for discontinued businesses”.

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

	1.7.-30.09.	1.7.-30.09.	1.1.-30.09.	1.1.-30.09.	1.1.-31.12.
	2004	2003	2004	2003	2003
Resultatregnskap/Profit and Loss Account					
Driftsinntekter/Operating income	482,8	658,2	1 542,2	1 977,3	2 734,6
Driftskostnader/Operating expenses	-466,5	-714,4	-1 381,0	-2 282,4	-3 048,5
Driftsresultat før avskrivninger/Operating profit before depreciation (EBITDA)	16,3	-56,2	161,2	-305,1	-313,8
Avskrivning/Depreciation	-35,1	-44,3	-104,6	-148,0	-200,7
Nedskrivninger og avsetninger/Write downs and provisions	0,0	0,0	0,0	-689,8	-859,0
Driftsresultat/Operating profit (EBIT)	-18,8	-100,5	56,6	-1 142,9	-1 373,5
Netto finansposter før nedskrivninger/Net financial items before write downs	-41,7	-70,9	-99,6	-306,8	-363,2
Nedskrivninger og avsetninger finansielle poster/Write down and provisions financial items	0,0	0,0	0,0	-45,2	-78,9
Sum finansposter/Total financial items	-41,7	-70,9	-99,6	-352,0	-442,1
Resultat før skatter/Profit before taxes	-60,5	-171,4	-43,0	-1 494,9	-1 815,6
Skattekostnad/Taxes	0,0	-0,6	0,0	-17,1	-115,1
Resultat for videreført virksomhet/Net income for ongoing operations	-60,5	-172,1	-43,0	-1 512,0	-1 930,6
Resultat for ikke videreført virksomhet*/Income non-ongoing operations*	-9,1	0,8	-47,0	-344,1	-327,9
Konsernets resultat/Net profit	-69,7	-171,3	-90,0	-1 856,1	-2 258,5
Minoritetsinteresser/Minority interest	-3,1	-0,8	-14,1	-8,1	-6,7

* Virksomhet som er avhendet/besluttet avhendet før regnskapsavleggelse, presenteres netto under linjen for Resultat for ikke videreført virksomhet/
Companies that have been sold/or are intended to be sold are presented as net amounts under Income non-ongoing operations.

Nøkkeltall/Key Figures	1.7.-30.09.	1.7.-30.09.	1.1.-30.09.	1.1.-30.09.	1.1.-31.12.
	2004	2003	2004	2003	2003
Antall aksjer pr. 30.09 / 31.12 /Number of shares per 30.09 / 31.12 (mill)	502	2 640	502	2 640	20 272
Resultat pr. aksje/Earnings per share	-0,14	-0,06	-0,18	-0,70	-0,11
Utvannet resultat pr. aksje/Diluted earnings per share	-0,13	-0,06	-0,17	-0,70	-0,11
Driftsmargin før avskrivninger/EBITDA margin	3,4 %	neg.	10,5 %	neg.	neg.
Driftsmargin/EBIT margin	neg.	neg.	3,7 %	neg.	neg.
Egenkapitalandel/Equity ratio	neg.	neg.	15,5 %	neg.	neg.
Netto rentebærende gjeld/Net interest bearing debt			1 898,6	3 831,7	2 838,5

Accounting principles in the quarterly report

This quarterly report has been prepared in accordance with good Norwegian accounting practice, cf. NRS 11 Interim Reporting. Pan Fish will change the way it reports its financial results with effect from the first quarter 2005 to comply with the IFRS. Further information regarding the implementation of the IFRS can be found at the end of this report.

Implementation of the IFRS

The International Financial Reporting Standards (IFRS) will become the applicable accounting principles for listed companies in Norway and Europe with effect from 1 January 2005. Pan Fish's report for the first quarter 2005 will be the first financial statement prepared in accordance with the IFRS. Adjusted comparable figures for the first quarter 2004 as well as for 2004 as a whole will also be presented at that time. In its report for the fourth quarter 2004 Pan Fish will publish adjusted comparable quarterly figures for 2004. The first annual report prepared in accordance with the IFRS will be the annual report for 2005.

Opening balance as at 1 January 2004

Implementation of the IFRS is expected to affect the opening balance of Pan Fish's equity as at 1 January 2004 mainly in respect of the value of the company's biomass. Pan Fish expects the book value of live fish to rise by NOK 40-60 million in the opening balance as at 1 January 2004. The adjustment will result in a corresponding increase in equity. The principles for determining the value of the biomass are discussed in a separate section below.

IFRS 1 First Time Adoption affords a number of options for the implementation of the IFRS. These options relate mainly to instances in which it is not necessary to apply the IFRS retrospectively. Pan Fish will make use of several of these options. This will i.a. imply that the integration of enterprises prior to the transition date of 1 January 2004 will not be adjusted with respect to the relevant IFRS standard. The net book value of property, plant and equipment is most likely to remain unchanged.

Future reporting

The table below shows the most important expected future changes for Pan Fish as a result of the adoption of the IFRS reporting standards with effect from 2005:

Area	Change in financial reporting
Valuation of biomass	(See separate section below)
Convertible loans	<p>Convertible bonds are treated in accordance with IAS 32 and IAS 39 relating to financial instruments. These standards will not be implemented with respect to comparable figures for 2004, and will therefore have no effect on the opening balance as at 1 January 2004. Implementation of the standards will have an effect on the opening balance for the first financial year following the implementation of the IFRS, ie from 1 January 2005.</p> <p>Convertible debt instruments shall, at their inception, be deconstructed into an equity instrument and a debt instrument. Equity will therefore be increased. Pan Fish has not yet quantified this effect.</p>
Refinancing expenses	<p>According to IAS 39, expenses associated with the refinancing of loans shall be amortised at the effective rate of interest. As a consequence Pan Fish must split all previously accrued refinancing expenses into share issue expenses and loan refinancing expenses. The previous practice was to set off all expenses relating to refinancing processes including a share issue against equity. For Pan Fish this rule will be relevant for those accrued expenses that can be ascribed to the refinancing</p>

	<p>undertaken on 10 January 2003.</p> <p>This change will result in a higher level of equity as at 1 January 2005.</p>
Deferred tax on licences	<p>According to the IFRS, a deferred tax liability must be calculated at the nominal tax rate on the value of licences held. Deferred tax on licences has previously been calculated at zero, since the effective tax rate is expected to be zero.</p> <p>Pan Fish has net deferred tax assets amounting to NOK 3,683 million. These are not included in the balance sheet since the probability requirement in relation to the tax asset has not been met. Deferred tax on licences will reduce the net value of the deferred tax assets, but will have no impact on the financial statements other than a correction in the note relating to taxes in the annual report for 2005.</p>
Presentation	<p>The IFRS permits a change in the presentation of the profit and loss account, the balance sheet and the statement of cash flow. Pan Fish will to a large extent maintain today's presentation form.</p>

Valuation of the company's biomass

The company's stocks of live fish will be valued in accordance with IAS 41 and shall, as a rule, be valued at real value. This represents a significant change in relation to current accounting practice, in which the biomass is valued in accordance with the lowest value principle (lowest value of acquisition cost and real value). However, the standard does permit an exception to the real value rule if this cannot be reliably measured. In such cases the lowest value principle shall be applied.

Together with several of the largest companies in the industry, Pan Fish has been working for the adoption of a common interpretation of the standard. The provisional conclusion is that all fish larger than 4 kg shall be valued at real value, while smolt and fish weighing less than 4 kg shall be valued in accordance with the lowest value principle.

The margin for error with respect to the value of fish stocks will increase significantly if the industry subsequently decides that an even larger proportion of the biomass than Pan Fish has indicated here must be valued at real value. Market prices for fish weighing less than 4 kg do exist. However, these prices are consistently lower than the kilo price for larger fish. Fish of this size can best be described as a by-product whose growth has not been as good as planned. An assessment of the real value of fish under 4 kg in weight must therefore be based either on a calculated current value of net cash flows up until the fish is sold or on the application of cost as an estimate of real value. In keeping with the rest of the industry, Pan Fish believes that a calculated current value of fish weighing less than 4 kg does not meet the requirement for reliable measurement as stipulated in the standard. IAS 41 gives room for both solutions.

Depending on the final conclusion, Pan Fish's equity in the opening balance as at 1 January 2004 will increase by NOK 40-60 million.