

Pan Fish ASA

Interim Report 2nd Quarter 2003

Highlights

- **Pan Fish achieved EBITDA of NOK 55.5 million in the second quarter 2003, compared with a loss of NOK 64.0 million in the same period in 2002. There was an operating loss before special items of NOK 14.2 million, compared with a loss of NOK 134.0 million in 2002.**
- **The company made a pre-tax loss of NOK 1,568.4 million, after overall write-downs and provisions totalling NOK 1,480.8 million, of which NOK 1,121.1 million is operationally related and NOK 359.7 million is classified under financial items.**
- **The group's booked equity at 30 June 2003 was NOK -417.4 million, compared with NOK 1,155.3 million at 31 March 2003. Booked equity at 30 June 2002 was NOK 1,137.6 million.**
- **The Board is currently in negotiations to refinance Pan Fish and has reason to assume that debt will be converted up to a satisfactory equity level. However conversion price and size is not yet decided. The bank syndicate will conclude on this issue by the September 17.**
- **The company has sufficient funds to settle current liabilities beyond the period until such decision has been made by the bank syndicate.**

Operations and results

Turnover in the second quarter 2003 was NOK 998.5 million, compared with NOK 1,314.4 million in the same period last year. The decrease is mainly due to Global Fish AS not being consolidated in this year's figures and the fact that turnover in the salmon trading activity, which it has been decided to phase out, has been lower than in 2002.

Pan Fish achieved EBITDA of NOK 55.5 million for the second quarter 2003, compared with a loss of NOK 64.0 million in the same period in 2002, an improvement of NOK 119.5 million. There was an operating loss before special items of NOK 14.2 million, compared with a loss of NOK 134.0 million in 2002.

Write-downs were made in the second quarter 2003 on operations, on licences, goodwill, stocks and other exceptional items totalling NOK 1,121.1 million in all, as specified in the table on the next page.

Special items	NOKm
Write-offs licenses Norway and Faeroe Islands	587,8
Write-offs Goodwill farming and VAP	62,0
Write-offs Inventory	166,4
Pan Pelagic related	98,9
Pan Marine related	12,8
Other special items	193,2
Total	1121,1

In the second quarter, Pan Fish had an operating loss of NOK 1,135.3 million after special items (as specified above), compared with a loss of NOK 134.0 million in the same period last year.

Net financial expenses were NOK 433.1 million in the second quarter, compared with NOK 114.3 million in the second quarter 2002.

- Write-downs of financial assets and associated companies in the second quarter amounted to NOK 359.7 million.
- Pan Pelagic accounted for NOK 347.3 million of this. The difference relates to a number of minor items within fish farming in Norway and Pan Marine.

The losses at Pan Pelagic derive from the sale of the company and write-downs on the assets which it has been decided will remain in Pan Fish ASA and which will be classified as “non-core financial assets”.

Interest expenses totalled NOK 61.1 million in the second quarter 2003, compared with NOK 98.9 million in the same period in 2002. The reduction in interest expenses is primarily owing to lower net interest-bearing debt, but also lower interest rates in the period compared with the year before.

The result before tax was a loss of NOK 1,568.4 million in the second quarter 2003, compared with a loss of NOK 248.2 million at the same time last year. Adjusted for write-downs and provisions, pre-tax earnings increased by NOK 160.6 million compared with the second quarter 2002. The net result after tax for the quarter was a loss of NOK 1,581.9 million, compared with a loss of NOK 177.9 million in the same period in 2002.

Balance Sheet

The group’s balance sheet total was NOK 4,524.9 million at 30 June 2003, compared with NOK 7,686.9 million at 30 June 2002. The group’s net interest-bearing debt totalled NOK 3,879.0 million at 30 June 2003, compared with NOK 5,393.0 million at the end of the first half-year 2002. During the first half-year the group’s net interest-bearing debt was reduced by NOK 1,485.0 million. In the second quarter, net interest-bearing debt increased by NOK 155 million in relation to the end of the first quarter 2003, which is due to new loans raised by Pan Fish ASA for NOK 167 million and new leasing debt in connection with a new fish slaughtering plant in Norway. Deducted from this is deconsolidation of debt on the Faeroe Islands for NOK 152.0 million. The latter is a result of the structural changes previously announced.

At 30 June 2003, the group's book equity was NOK -417.4 million, compared with NOK 1,137.6 million (14.8 %) at the same time last year. The negative equity is primarily due to write-downs and provisions totalling NOK 1,480.8 million, carried in the profit and loss account in the second quarter (sum included in operations and financial items). The table below shows the reconciliation of equity for the quarter.

Equity per 31.03.2003	1155,3
Operating profit before special items	-14,2
Income from associates before write downs	-12,2
Net financial items before write downs	-61,1
Special items	-1480,8
Other	-4,4
Equity per 30.06.2003	-417,4

It should be noted that the level of investment in Canada will call for stepping up the rate of production over the next few years. This can only happen if effective vaccines can be established against existing diseases, which the company views as a realistic prospect. Unless this happens, it may be necessary to accept considerable losses in this region. The Board will work actively to prevent this from happening.

There is a need for a further limited capital injection in the Faeroe Islands operation in order to run operations in an optimal way. Pan Fish is working to secure funds based on attractive future earnings estimates. Should this fail, a situation which has not yet been clarified at the time of the earnings announcement, it can lead to further write-downs in the amount of NOK 100 million. There are ongoing negotiations with our Norwegian and Faeroe Island banks with the purpose of reaching an optimal solution for all parties.

Refinancing

On the basis of the on-going dialogue pursued with the company's bankers and corporate cash management, the board has reason to assume that the company will have access to the capital required to continue operations and for the planned restructuring of the company. Negotiations are now in progress with the company's main bank syndicate to find a concrete solution to the company's underfinancing. The bank syndicate will conclude on the refinancing by September 17. The board is optimistic with regard to arriving at a solution which on the one hand gives Pan Fish ASA sufficient latitude to carry out the planned reorganisation and restructuring of the group and also provides a satisfactory basis for regaining some or all of the assets which today appear to have been lost.

It is likely that the refinancing will be effected by converting a considerable amount from debt to equity or through an equity issue, thus ensuring the company a satisfactory level of equity after refinancing. No conversion price has been fixed. The board will endeavour to ensure that those shareholders which are not banks may subscribe on the same terms in a "repair share issue". The company expects to be able to inform the market of the details relating to the refinancing plan by the end of September.

Segment information

Farming and sale of farmed fish

Key Figures Farming (NOKm)	2Q 2003	2Q 2002	1H 2003	1H 2002
Operating income	748,5	849,8	1 405,6	1 641,6
Operating profit before special items	-20,4	-90,6	-35,2	-156,1
Operating profit	-906,6	-90,6	-921,4	-156,1
Sales in tonnes	26 031	24 473	48 644	48 532

The operating loss before special items for the fish-farming business was NOK 20.4 million in the second quarter, compared with NOK 90.6 million in the same period last year. Special items, which are largely write-downs and provisions, totalled NOK 886.2 million.

In the second quarter, 26,031 tonnes of round weight salmon were slaughtered compared with 24,473 tonnes last year. During the period a number of measures were taken to continuously reduce the company's costs.

In order to tackle the cost challenges created by last year's production problems, a provision of NOK 187 million was made in the 2002 accounts based on price forecasts which have now proved to be over-optimistic. Following established practice, this will be reversed as the fish for which provision was made goes to slaughter. For the second quarter, provision of NOK 54.1 million related to stocks was reversed.

It is a fact that, given the low price on salmon in the second quarter, full production cost to the Pan Fish group is currently greater than the price we achieve in the market. In the light of current market conditions, and as announced with the presentation of the first quarter results, an assessment of valuation methods has been carried out in order to ensure that the group does not over-value its stocks. As a result, overall write-downs on stocks were made for NOK 166 million during the quarter and the group is now assumed to have a realistic valuation of its stocks in all regions, based on the prices we can achieve in the market today.

At 30 June 2003, the Pan Fish group held 130 licences (converted into Norwegian licence volumes), which gives a production potential of close to 100000 tonnes of round weight fish (*based on 850 tonnes of feed and an economic feed factor of 1.1*). The board has carried out a fresh review of the assumptions, including expectations of future market prices and production costs, on which the valuation of the company's licences and goodwill is based. After write-downs on licences totalling NOK 587.8 million in all, the company's licences are valued as follows, by geographical area:

Country	Licenses	Total booked value (NOKm)	Booked value pr. license (NOKm)
Norway	44	402,4	9,1
Canada	32	128,3	4,0
USA	16	14,4	0,9
Faeroe Islands	11	98,8	9,0
Scotland	27	15,5	0,6
Total	130	659,4	5,1

Processing

Key Figures VAP (NOKm)	2Q 2003	2Q 2002	1H 2003	1H 2002
Operating income	221,4	198,0	434,9	390,6
Operating profit before special items	1,8	-16,9	-3,6	-7,6
Operating profit	-42,0	-16,9	-47,4	-7,6

The processing business made an operating profit, before special items, of NOK 1.8 million, compared with a loss of NOK 16.9 million last year. Processing performed well in the second quarter, with regard to both volume and results. There is still price pressure on certain product groups, but this is compensated for by more efficient operations and lower cost of raw materials. Our operations in Norway and France performed well in the first half-year to 30 June, and in the second quarter the Danish business managed to turn the negative trend it had experienced in the first quarter.

Pelagic activities

Key Figures Pelagic (NOKm)	2Q 2003	2Q 2002	1H 2003	1H 2002
Operating income	139,1	332,0	236,0	819,3
Operating profit before special items	-5,9	-24,2	-8,4	-20,3
Operating profit	-104,8	-24,2	-107,3	-20,3

Pan Pelagic ASA made an operating loss, before special items, of NOK 5.9 million, compared with a loss of NOK 24.2 million last year. The fall in turnover was largely due to the fact that Global Fish AS is no longer consolidated in the figures, but is included as a share of profit/loss in an associated company. Pan Pelagic has been sold, with takeover of ownership due to take effect on 15 September 2003. Interests in the following companies remain in Pan Fish ASA:

- Austevoll Havfiske ASA
- Østerbris AS
- Silfaks Fiskebåtrederi AS
- Barsund AS
- Kamøyfisk AS
- Magnarson AS
- Nyholmen AS
- Kvitskjær AS
- Hufthammer AS
- Ordinat Invest AS
- Ordinat Management AS
- Vikomar AS

The holding in Global Fish has been sold at book value with the right of the purchaser to sell the holding back to Pan Fish for the same value should certain defined events occur. The agreement relating to these events is a matter of confidentiality between the parties. The holding in Sea Grain has been sold at book value with additional payment should certain given events occur. These events are a matter of confidentiality between the parties.

Pan Marine

Pan Fish ASA was notified earlier this year that the board of Pan Marine ASA had decided to petition for the company to be wound up. A write-down of NOK 13 million was made in the second quarter relating to the loan in Pan Marine ASA.

Organisation, development and restructuring

Pan Fish ASA has just started a comprehensive restructuring process based on future operations being built around the four geographical main areas within the company's core operations, which are defined as smolt, fish farming, slaughtering, primary processing and sale of own-produced fish. The four areas are Pan Fish North America, Pan Fish Scotland, Pan Fish Faeroe Islands and Pan Fish Norway. This division will enable free-standing follow-up and optimisation of the various geographical operational areas.

Pan Fish VAP (Value Added Products / Smokers) will carry on operating as a separate business and on an arm's length basis in relation to Pan Fish's fish-farming business. This is because the board believes that such a strategy will enhance the possibilities for that part of the group to generate improved results and values for the group.

Endeavours continue to find purchasers for those parts of the group which are not related to future core operations. It should, however, be noted that the number of potential buyers is limited, given the current state of the market. Transfer of ownership will not take place until the board has found owners with sufficient financial strength and strategic vision to further develop the operations in question. They will only be sold if satisfactory values can be achieved.

Within the company's core areas, the optimisation of operations and development of the organisation will continue, with the objective of becoming a lowest-cost producer and at the same time concentrating on a value-adding, partner-based sales strategy. These improvement measures will be implemented as speedily as possible. There is all reason to emphasise that the group possesses a highly competent body of staff within its core areas. The new management will therefore ensure that all staff are given the objectives, the room to manoeuvre and the support they need to create positive growth in operational activities in future. Substantial efforts will be initiated to invest in the further development of this competence.

The board of Pan Fish ASA has furthermore decided to move the geographical location of group management to Stavanger. The new group management will have overarching responsibility for following up core and non-core operations, and will expend considerable resources on driving through the necessary cost restructuring and the capital rationalisation of the group through the coming years.

Market and prospects

The market for the group's main products has developed positively over a number of years. There is still positive growth in demand for salmon and trout, and the long-term growth potential will remain, as the overall volume of fish caught in the wild in the world's oceans is

unlikely to be increased substantially above current levels. Future growth in demand for fish must therefore be met by the fish-farming industry. In the short term, production is still too high despite the strong demand we are experiencing, and this is preventing the required price increases in the short-term picture. Pan Fish believes, however, that this must lead to a necessary adjustment in production over the next 12 – 18 months and the relatively rapid establishment of a profitable price level.

The Pan Fish group has taken the initiative and made substantial production cuts in Scotland, the Faeroes, North America and Norway, and has noted other players making corresponding adjustments. The financial situation within the industry means that we should not see any growth in production in the immediate future given that most players operate on the basis of too low a level of self-financing. Developments in this area are to a large extent dependent on players being realistic in their market assessments and being willing to take responsibility.

The company will not make any forecasts relating to expected developments in salmon and trout prices in 2003 because of the uncertainty permeating the market. All focus will be on achieving the lowest production costs possible while maintaining the targeted quality. Pan Fish's main goal in the years ahead is to be one of the companies producing at lowest cost in all regions.

Oslo, August 27, 2003
The Board of Directors
Pan Fish ASA

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

	2nd Qtr		1.1.-30.6.		1.1.-31.12.	
Resultatregnskap/Profit and Loss Account	2003		2003		2002	
Driftsinntekter/Operating income	998,5	1 314,4	1 858,3	2 717,6	2 193,2	4 595,3
Driftskostnader/ Operating expenses	943,0	1 378,4	1 781,4	2 758,7	2 213,4	4 597,8
Driftsresultat før avskrivninger/Operating profit (loss) before depreciation (EBITDA)	55,5	-64,0	77,0	-41,1	-20,2	-2,5
Avskrivning/ Depreciation	69,7	70,0	122,1	149,7	123,9	271,8
Driftsresultat før spesielle poster/Operating profit (loss) before special items	-14,2	-134,0	-45,1	-190,8	-144,1	-274,3
Spesielle poster/Special items						
Nedskrivninger og avsetninger/Write downs and provisions	1 121,1	0,0	1 121,1	0,0	0,0	1 083,0
Tap ved salg datterselskap/Loss on sale subsidiaries	0,0	0,0	0,0	0,0	0,0	119,6
Sum spesielle poster/Total special items	1 121,1	0,0	1 121,1	0,0	0,0	1 202,6
Driftsresultat etter spesielle poster/ Operating profit (loss) after special items	-1 135,3	-134,0	-1 166,2	-190,8	-144,1	-1 476,9
Finansposter/Financial income and expenses						
Resultat tilknyttede selskap før nedskrivninger/ Income from associates before write down	-12,2	-15,5	-16,2	-3,6	-25,2	-29,9
Nedskrivninger tilknyttede selskaper/Write down of associates	-82,2	0,0	-82,2	0,0	0,0	-477,9
Resultat tilknyttede selskap/Income from associates	-94,5	-15,5	-98,5	-3,6	-25,2	-507,8
Netto finansposter før nedskrivninger/Net financial items before write downs	-61,1	-98,9	-126,0	-221,1	-203,8	-455,4
Nedskrivninger og avsetninger finansielle poster/Write down and provisions financial items	-277,5	0,0	-277,5	0,0	0,0	-239,8
Netto finansposter/Net financial items	-338,6	-98,9	-403,5	-221,1	-203,8	-695,2
Sum finansposter/Total financial items	-433,1	-114,3	-502,0	-224,7	-229,0	-1 203,1
Ordinært resultat før skatter/Profit (loss) before taxes	-1 568,4	-248,2	-1 668,2	-415,4	-373,1	-2 680,0
Skattekostnad/ Taxes	13,6	-70,3	16,5	-105,5	-87,8	-384,0
Arsresultat/Profit (loss) for the year	-1 581,9	-177,9	-1 684,7	-310,0	-285,3	-2 296,0
Minoritetsinteresser/ Minority interest	-0,4	-9,9	-7,7	-19,3	-7,8	-64,1

* Basert på salg av datterselskap etc med virkning fra 1.1./Based on sale of subsidiaries effective from 1.1.

	30.6.		30.6.		31.12.	
Balanse/Balance Sheet	2003		2002		2002	
Anleggsmidler/Fixed assets						
Konsesjoner/Licences		662,3	1 408,6			1 241,4
Utsatt skattefordel/Deferred tax asset		206,2	0,0			204,6
Goodwill		0,0	590,1			168,1
Maskiner, bygninger/ Machinery, buildings etc.		1 601,6	1 976,7			1 617,7
Aksjer, andre eiendeler/ Shares, other assets		219,7	1 137,1			368,8
Sum anleggsmidler/Total fixed assets		2 689,9	5 112,5			3 600,5
Omløpsmidler/Current assets						
Varebeholdning/ Inventory			1 047,1	1 669,4		1 325,7
Fordringer/Receivables			565,6	852,6		593,8
Likvider/ Cash and cash equivalents			222,3	52,4		65,2
Sum omløpsmidler/Total current assets			1 835,0	2 574,4		1 984,7
Sum eiendeler/Total assets			4 524,9	7 686,9		5 585,1
Egenkapital/Equity						
Aksjekapital/ Share capital (2 640 180 100 shares a 0,50)			1 320,1	85,2		85,2
Egne aksjer/ Own shares 7 848 shares			0,0	0,0		0,0
Annen egenkapital/ Other equity			-1 771,4	963,4		-944,3
Minoritetsinteresser/ Minority interest			33,9	89,0		49,1
Sum egenkapital/Total equity			-417,4	1 137,6		-810,0
Gjeld/Liabilities						
Konvertible lån/ Convertible loan			78,2	0,3		0,0
Annen langsiktig gjeld/ Other long-term liabilities			3 555,4	4 372,2		4 151,9
Kortsiktig gjeld/ Short-term liabilities			1 308,7	2 176,9		2 243,2
Sum gjeld/Total liabilities			4 942,3	6 549,4		6 395,1
Sum EK og gjeld/Total Equity and Liabilities			4 524,9	7 686,9		5 585,1

	2nd Qtr		30.6.		31.12.	
Kontantstrømsanalyse/Cash flow statement	2003		2003		2002	
Kontantstrøm fra operasjonelle aktiviteter/ Cash flow from operating activities	-82,7	-328,6	-328,6	-441,6		-441,6
Kontantstrøm fra investeringsaktiviteter/ Cash flow from investing activities	-116,3	-162,9	-162,9	-148,3		-148,3
Kontantstrøm fra finansieringsaktiviteter/ Cash flow from financing activities	327,3	655,0	655,0	597,2		597,2
Valutakurseffekter/ Effects of changes in exchange rates	-6,9	-6,4	-6,4	-25,7		-25,7
Netto endring i kontanter og kontantekvivalenter/Net change in cash and cash equivalents	121,4	157,1	157,1	-18,4		-18,4
Kontanter og kontantekvivalenter ved periodens start/ Cash and cash equivalents start of period	100,9	65,2	100,9	83,6		83,6
Kontanter og kontantekvivalenter ved periodens slutt/ Cash and cash equivalents end of period	222,3	222,3	222,3	65,2		65,2

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.

Nøkkel tall/Key Figures	1.1.-30.6.	1.1.-30.6.	1.1.-31.12.
	2003	2002	2002
Resultat pr. aksje/ <i>Earnings per share</i>	-0,67	-1,72	-13,17
Utvannet resultat pr. aksje/ <i>Diluted earnings per share</i>	-0,66	-1,70	-13,00
Driftsmargin før spesielle poster/ <i>Net operating margin before exceptional items</i>	-2,4%	-7,0%	-6,0%
Avkast. sysselsatt kapital før spes. poster/ <i>Return on capital employed before except. items</i>	-58,5%	-0,8%	-0,9%
Egenkapitalandel/ <i>Equity ratio</i>	-9,2%	14,8%	-14,5%
Netto rentebærende gjeld/ <i>Net interest bearing debt</i>	3 879	5 393	5 364
Gjennomsnittlig antall aksjer/ <i>Average number of shares (1000)</i>	2 502 400	168 537	169 471
Gjennomsnittlig antall aksjer utvannet/ <i>Average number of shares diluted (1000)</i>	2 532 734	170 811	171 741

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.