

First Water hf.
Interim Financial Statements
1.1-30.6.2025

First Water hf.
Urðarhvarfi 8
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kt. 650417-1510

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Review Report on Interim Financial Information

To the Board of Directors and Shareholders of First Water hf.

We have reviewed the Interim financial statements of First Water hf. for the period 1.1-30.6.2025 which comprise the Endorsement by the board of directors and managing director, the statement of financial position, and the Interim Statement of cash flows for the six-month period then ended, and other explanatory notes.

Management's and the Board of directors Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Interim financial statements in accordance with generally accepted accounting principles in Iceland.

Auditor's Responsibility

Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements, ISRE 2410. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the First Water hf. 30 June 2025, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Kópavogi, 26.8.2025

Deloitte ehf.

Þorsteinn Pétur Guðjónsson
State Authorised Public Accountant

Guðmundur Ingólfsson
State Authorised Public Accountant

Endorsement by the Board of Directors and the CEO

The interim financial statements of First Water hf. for the period 1.1-30.6.2025 are prepared in accordance with the Icelandic Financial Statements Act no. 3/2006

In 2025 the company changed the reporting currency from ISK to EUR and have all comparative numbers been updated accordingly.

The company is in the process of building a fish farm site on Laxabraut in Þorlákshöfn, the existing plans expect that production will be around 60,000 tons and that development will take 5 years. The estimated cost is around EUR 990 million.

Operations during the period

Loss during the period recognised in the income statement amounted to.....	(7.829.394)
Book value of assets at end of the period according to the balance sheet amounted to.....	209.877.849
Book value of equity at end of the period according to the balance sheet amounted to	135.092.372
Equity ratio at end of the period according to the balance sheet amounted to.....	64%
Average number of full time employees during the period was	81

Statement of the Board of Directors and the CEO

The company's interim financial statements are prepared in accordance with the Icelandic Financial Statements Act no. 3/2006, to the best of the knowledge of the board of directors and CEO. It is the opinion of the Board of Directors and the CEO of First Water hf. that these Interim financial statements present all the information necessary to show the position of the Company the period 1.1-30.6.2025, its assets, liabilities and financial position on 30.6.2024 and the change in cash and cash equivalents in the period 1.1-30.6.2025

Furthermore, it is the opinion of the board of directors and the CEO that the interim financial statements and the report of the board of directors and the CEO provide a clear overview of the development and success of the company's operations and its position, and describe the main risk factors and uncertainties that the company is experiencing.

The Board of Directors and the CEO of First Water hf. hereby confirm the financial statements for the period 1.1-30.6.2025 with their signatures.

Kópavogur, 26.8.2025

Board of Directors

CEO

Income Statement for the period 1.1-30.6.2025

	Notes	1.1-30.6.2025	1.1-30.6.2024
Operating revenue		2.372.953	5.207.940
Other revenue		71.218	82.197
Total Revenue		<u>2.444.171</u>	<u>5.290.137</u>
Cost of sales		(5.010.129)	(7.305.378)
Salaries and other employee expenses	3	(2.151.882)	(1.197.118)
Other operating expenses		(1.861.722)	(1.939.541)
Operating cost		<u>(9.023.734)</u>	<u>(10.442.037)</u>
Loss before Depreciation (EBITDA)		(6.579.563)	(5.151.900)
Depreciation	4	(1.444.009)	(1.416.712)
Operating loss (EBIT)		<u>(8.023.572)</u>	<u>(6.568.612)</u>
Fair value adjustment of biomass		(1.225.797)	(203.339)
Loss from operations (EBIT)		<u>(9.249.369)</u>	<u>(6.771.951)</u>
Financial Income		93.336	973.236
Financial expenses		(266.596)	(375.878)
Exchange rate difference		(307.757)	64.144
		<u>(481.018)</u>	<u>661.502</u>
Earnings from subsidiaries and affiliates		0	(55.432)
Loss before tax		(9.730.387)	(6.165.881)
Income tax		1.900.993	1.398.673
Loss for the period		<u><u>(7.829.394)</u></u>	<u><u>(4.767.208)</u></u>

Balance sheet at 30.6.2025

Assets	Notes	30.6.2025	31.12.2024
Non-current asset			
Property, plant and equipment	4	54.360.383	45.211.369
Operating assets under construction	5	126.900.845	76.684.196
Shares in other companies		14.768	14.596
Restricted cash	6	3.481.013	3.439.889
Deferred tax assets		7.389.979	5.488.986
		<u>192.146.987</u>	<u>130.839.036</u>
Current assets			
Biomass and feed inventory	7	7.936.910	6.713.627
Trade receivables		119.226	761.068
Other current receivables		8.823.991	9.943.587
Cash		850.736	2.943.546
		<u>17.730.862</u>	<u>20.361.829</u>
Assets		<u><u>209.877.849</u></u>	<u><u>151.200.865</u></u>
Equity			
Equity			
Share capital	8	2.583.665	2.205.616
Share premium		160.174.644	120.857.584
Other reserves		1.736.363	1.555.526
Retained earnings		(29.402.300)	(21.617.493)
Equity		<u>135.092.372</u>	<u>103.001.233</u>
Non-current liabilities			
Trade payables		23.785.699	10.224.575
Non-current liabilities to financial institutions		33.300.000	23.330.554
Current maturities of non-current liabilities	9	9.500.000	9.833.333
Other current liabilities		8.199.779	4.811.170
		<u>74.785.477</u>	<u>48.199.632</u>
Liabilities		<u>74.785.477</u>	<u>48.199.632</u>
Total equity and liabilities		<u><u>209.877.849</u></u>	<u><u>151.200.865</u></u>

Statement of Cash Flows for the period 1.1-30.6.2025

	Notes	1.1-30.6.2025	1.1-30.6.2024
Operating activities			
Operating loss		(9.249.369)	(6.568.612)
Depreciation		1.444.009	1.416.712
Expense recognized in respect of share based payments		225.424	69.475
Gain from sale of fixed assets		(55.586)	0
Change in fair value of biomass adjustment		1.225.797	(203.339)
Operating cash flow before movem. in working capital		(6.409.725)	(5.285.764)
Biomass and feed inventory, decrease, (increase)		(2.449.080)	1.581.957
Operating assets, decrease, (increase)		1.135.814	418.582
Operating liabilities, increase		10.088.953	1.995.893
Cash generated to operating activities		2.365.962	(1.289.331)
Interest earned and exchange rate difference		75.305	907.238
Interest paid and exchange rate difference		(318.893)	(367.500)
Net cash used in operating activities		2.122.374	(749.593)
Financing activities			
Purchases/sales of property, plant and equipment	4	(10.537.437)	(1.920.583)
Purchaes of assets under construction		(43.618.944)	(20.546.063)
Seldur eignarhluti í hlutdeildarfélagi		641.428	0
Change in restricted cash		0	(2.742.616)
Acquisition of investments in associates		0	(6.697)
		(53.514.953)	(25.215.960)
Fjármögnunarhreyfingar			
Paid in Capital		39.695.107	0
Repayments of borrowings		(333.333)	(59.084)
Increase in short term liabilities to financial institutions		9.969.446	0
		49.331.220	(59.084)
Net decrease in cash and cash equivalents		(2.061.359)	(26.024.636)
Currency difference on cash and cash equivalents		(31.451)	374.924
Cash and cash equivalents at beginning of the year		2.943.546	41.560.283
Cash and cash equivalents at period-end		850.736	15.910.570

Notes

1. General information

First Water hf. (the Company) is a public company in accordance with the Icelandic limited companies act nr. 2/1995.

First Water hf. is domiciled in Iceland and its legal residence is Urðarhvarfi 8, 203 Kópavogur.

2. Basis of preparation

The Interim financial statements have been prepared in accordance with Icelandic Financial Statements Act no. 3/2006. The financial statements have been prepared on the historical cost basis, with the exception that biomass is recognized at fair value. The financial statements are presented in Euros (EUR) which is the Company's functional currency. Comparative numbers have been updated accordingly.

The Interim financial statements do not contain all the information required in the full financial statements and should be read in the context of the company's financial statements for 2024.

Estimates and decisions

In applying the Company's accounting policies, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

3. Salaries and other employee expenses

	<u>1.1-30.6.2025</u>	<u>1.1-30.6.2024</u>
Salaries	4.994.785	3.034.350
Pension fund	552.727	398.450
Other salary-related expenses	374.859	274.330
Other employee expenses	156.323	338.300
Capitalized salaries cost	<u>(3.926.812)</u>	<u>(2.848.313)</u>
	<u>2.151.882</u>	<u>1.197.118</u>
Salaries and other employee expenses	6.078.694	4.045.431
Average number of full time employees	81	58

Notes

4. Property, plant and equipment and depreciation

	Fish farm Þorlákshöfn	Hatchery Öxnalækur	Machinery and equipment	Total
Cost				
Balance 1.1.2024	36.345.854	2.498.246	5.586.481	44.430.582
Additions	3.412.752	856.644	358.219	4.627.615
Exchange rate difference	1.795.314	125.941	269.692	2.190.947
Balance 1.1.2025	41.553.919	3.480.831	6.214.393	51.249.143
Sold property and equipment	(423.993)			(423.993)
Additions	10.397.503	514.164	80.864	10.992.531
Balance 30.6.2025	51.527.429	3.994.995	6.295.257	61.817.681
Depreciation				
Balance 1.1.2024	1.854.996	150.025	1.258.153	3.263.174
Depreciation for the year	1.801.557	157.616	570.651	2.529.824
Exchange rate difference	152.810	12.807	79.159	244.776
Balance 1.1.2025	3.809.363	320.448	1.907.963	6.037.774
Sold property and equipment	(24.485)	0	0	(24.485)
Depreciation for the year	1.020.089	105.865	318.055	1.444.009
Balance 30.6.2025	4.804.967	426.313	2.226.018	7.457.298
Book value				
Balance at 1.1.2025	37.744.556	3.160.383	4.306.430	45.211.369
Balance at 30.6.2025	46.722.462	3.568.682	4.069.239	54.360.383
Depreciation rates	2,5-20%	2,5-10%	10-25%	

5. Operating assets under construction

	Þorlákshöfn Fish farm	Samtals
Cost		
Balance at 1.1.2024	23.040.517	23.040.517
Additions	50.681.521	50.681.521
Exchange rate difference	2.962.157	2.962.157
Balance at 1.1.2025	76.684.196	76.684.196
Additions	50.216.649	50.216.649
Balance at 30.6.2025	126.900.845	126.900.845
Book value		
Balance at 1.1.2025	76.684.196	76.684.196
Balance at 30.6.2025	126.900.845	126.900.845

6. Restricted cash

Restricted cash is due to a liability towards one of the company's suppliers. Deposits will be released in the period 1.4.2027-1.4.2031

7. Biomass and feed inventory

	30.6.2025	31.12.2024
Biomass	7.325.254	6.320.721
Feed and other inventory	611.656	392.907
	7.936.910	6.713.627

Notes

8. Equity

Share capital is specified as follows:

	Shares	Ratio	Amount
Issued capital	377.359.288	100%	2.583.665

The number of issued shares is ISK 377.359.287 The nominal value of each share is ISK 1 and each share carries one vote.

Equity specifies as follows	Share Capital	Share premium	Other reserves	Retained Earnings	Total equity
Equity at 1.1.2024	2.205.616	120.857.584	305.945	(11.779.456)	111.589.689
Expired stock options			(37.518)	37.518	0
Expensed stock options			134.787		134.787
Translation difference			1.152.312		1.152.312
Loss for the year				(9.875.555)	(9.875.555)
Equity at 1.1.2025	2.205.616	120.857.584	1.555.526	(21.617.493)	103.001.233
Paid in capital	378.048	39.317.060			39.695.108
Expensed stock options			225.424		225.424
Expired stock options			(44.587)	44.587	0
Loss for the period				(7.829.394)	(7.829.394)
Equity at 30.6.2025	2.583.665	160.174.644	1.736.363	(29.402.300)	135.092.372

Other reserves specified as follow

	30.6.2025	31.12.2024
Stock options reserve	584.051	403.214
Translation difference reserve	1.152.312	1.152.312
	1.736.363	1.555.526

9. Borrowings

	Liabilities to financial institutions	
	30.6.2025	31.12.2024
Liabilities in EUR	9.500.000	9.833.333
Current maturities of non - current liabilities	9.500.000	9.833.333
	(9.500.000)	(9.833.333)
	0	0

Repayments of borrowing are apesified as follows:

	Skuldir við lánastofnanir 30.6.2025
Repayments 01.07.25-30.06.26	9.500.000
	9.500.000

The Company's loan agreements have covenants that require fulfilment of certain conditions. At period-end 30.6.2025, the company did not meet all of the covenants. As a result, EUR 9,5 million of long-term liabilities are now classified as short-term liabilities. The company has been granted an exemption from the terms of the loan agreement by the lender after the end of the reporting period.

Notes

10. Assets pledged as security

All of the company's fixed assets, biological assets and trade receivables have been pledged to secure borrowings of the company.

11. Önnur mál

The Norwegian companies Nordic Clean Pumps AS (NCP) and KER Consultancy AS (KER) have initiated arbitration before the Stockholm Chamber of Commerce Arbitration Institute against First Water and claim damages for allegedly wrongful termination of their contracts related to sale of equipment. NCP and KER's total claim is €42 m EUR. First Water is of the opinion that the claim has no legal basis, and will be rejected outright on a number of grounds, in particular that the termination was lawful due to technical deficiencies in NCP's solutions.

No liability has been recognised in the accounts for the claim.