

# Quarterly Report: Q2 2025

# **Hofseth International AS**

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#### ABOUT HOFSETH INTERNATIONAL AS

Hofseth International AS (Hofseth) is a leading Norwegian seafood company with a fully-integrated value chain. As the only salmonid farmer located in the attractive Storfjorden, Hofseth has a 20-year history of profitable and responsible growth. During 2024, the company farmed 16,000 tonnes and processed 46,000 tonnes of salmonids, most of which is sold through the Group's distribution companies and partners across the globe.

#### O2 FINANCIAL PERFORMANCE SUMMARY

- Revenue of NOK 1.456bn (NOK 1.656bn) a 12% reduction compared to Q2 2024, mainly due lower sales in Processing.
- EBITDA of NOK 168.6m (NOK 149.4m), representing a 13% increase YoY mainly from stronger performance in Processing more than offsetting weaker performance in Farming.
- Leverage (ND / TTM EBITDA) at 6.4x and equity ratio at 25.4%, reflecting the newly issued high yield bond.

#### STRATEGIC INITIATIVES SUMMARY

- Hofseth successfully completed the acquisition of the remaining 50% of shares in Hauge Aqua Innovation Holding AS, now renamed Hofseth Development AS, which holds six development licenses for the Egg closed pen technology.
- The investment to double the harvest plant capacity was completed during May, and additional external harvest contracts secured for H2
- Seafood Farmers processing plant returned to profit during Q2 as turnaround efforts bear fruit
- Nekst and Egg development projects continue in line with plan and budget



#### **GROUP FINANCIAL REVIEW**

The Group delivered revenues of NOK 1.456m (NOK 1.656m), a reduction of 12% compared to the same quarter last year mainly driven by lower volumes sold in Processing. While Farming revenue was relatively stable YoY, Processing however saw lower sales compared to the prior year where elevated inventory destocking took place. Raw material prices also dampened production during April before declining throughout the second quarter. Farming generated total revenue of NOK 310.3m (NOK 325.3m), where increasing harvest volumes offset a softening in sales prices. Processing generated revenues of NOK 1.345m (NOK 1.478m) which is in line with the previous quarter but behind the same period last year.

Group EBITDA was NOK 168.6m (NOK 149.4m), a 13% increase YoY. Salmon prices overall dropped significantly during the second quarter, which benefited Processing during the last part of the quarter and offset the weaker performance in Farming during the same period. Processing delivered an EBITDA of NOK 146.3m (NOK 95m) which is a significant improvement from the negative EBITDA in Q1 and 54% higher YoY. Raw material prices were on average down close to 4% compared to the same period last year, with a significant drop from the last part of May where prices declined 50% compared to the start of 2025. Production volumes ramped up towards the end of the quarter, but total sales volume ended up 15% lower YoY due to the elevated comparable period. The Farming segment delivered an EBITDA of NOK 22.3m (NOK 54.3m), a 59% decline compared to the same quarter last year mainly driven by lower sales price achievement. Overall, the second quarter's EBITDA is in line with the Company's expectations.

The Company delivered a net loss of NOK -27.7m (NOK 24.3m), a decline mainly driven by higher non-cash financial items and slightly increased depreciation compared to the same period last year.

The total balance sheet of the Company was at NOK 7.801m (NOK 7.701m) which is broadly in line with last year. To optimize ongoing interest costs, the NOK 1.000m high yield bond proceeds, which were released from Escrow during the quarter, were partly used to pay down the Group's revolving credit facilities until the funds are required for the planned growth projects.

The composition of the balance sheet has changed since the same period last year, impacted mostly by various strategic investments, issuance of the high yield bond and the full consolidation of the Egg development project, which has contributed to the increase in assets during the quarter. Total fixed assets were at NOK 4.084m (NOK 3.687m) whilst interest-bearing long-term debt was at NOK 2.641m (NOK 1.823m) at the end of the quarter. This was partly offset by the development in working capital at NOK 1.369m (NOK 1.266m) and reduction of short-term debt at NOK 1.151m (NOK 1.228m).

The total equity position of Hofseth at NOK 1.983m (NOK 2.070m) represents a -4% decline YoY mainly impacted by a negative net profit during the last 12 months along with a reclassification of the B-shares from equity to debt. The equity level corresponds to an equity ratio for the Group of 25.4%.

Cash flow from operations was negative at -NOK 268.9m during the second quarter compared to NOK 46.8m in the year-ago period. The main driver of this was a significant reduction in trade creditors. Cash flow from investing activities was -NOK 31.5m (-NOK 50,1m) whilst cash flow from financing activities was largely driven by the downpayment of the revolving credit facilities with high-yield bond proceeds, with total -NOK 504.4m (-NOK 161.9m) recorded. Net cash flow was therefore significantly lower YoY at -NOK 804.8m (-NOK 165.2m), leading to a cash position at quarter-end of NOK 251.4m (NOK 80.1m).

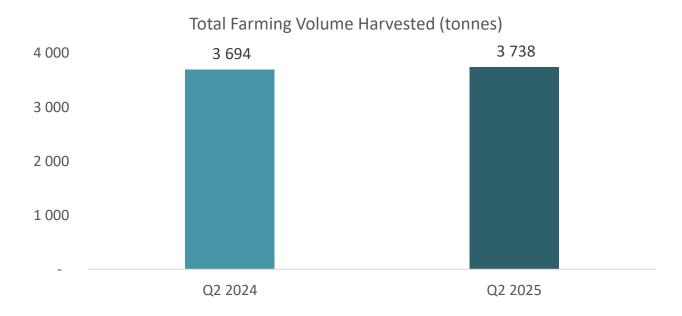


#### FARMING DIVISION FINANCIAL REVIEW

The Farming segment harvested 3,738mt (3,694mt) during the quarter, which is +1% higher YoY. While trout volumes declined by more than 50% YoY it was largely replaced with salmon, representing 60% of the total harvested volume in the quarter. Harvest weights were at the same level as last quarter and 14% lower YoY due to the ongoing process of optimizing the biomass to a lower MTB level following the non-renewal of the 4 EWOS R&D licenses in Q3 2024. Following the general reduction in salmon prices in the market, Farming sales prices reduced by 5% YoY. The value chain optimisation process in Farming is still ongoing with increasing production in the smolt and post-smolt facilities and the Company prepares to allocate biomass to the two new R&D licenses which will be effective during Q3. This will further increase the MTB by more than 25% and provide more flexibility in production.

Q2 saw an improvement in fish health and quarterly mortality was below 1.5% while 12 month accumulating mortality was around 5.2% (measured by fish count). Measured in kg, mortality has reduced by more than 50% compared to Q2 2024. The newly installed submersible pens at farming site Bugane are also showing positive results with improved feeding and growth rates with no de-licing required. Biomass exiting Q2 was at 96% utilization.

The Farming segment generated revenues of NOK 310.3m (NOK 325.3m) during Q2, which is a -5% YoY reduction, driven by lower sales prices. Q2 EBITDA of NOK 22.3m (NOK 54.3m) decreased -59% YoY reflecting the constraints in MTB having a negative impact on the production cost and sales prices despite the continued positive development in mortality and biological performance. The EBIT/kg for Q2 was at NOK -0.8 (NOK 6.4), reflective of the weaker EBITDA compared to same period last year.

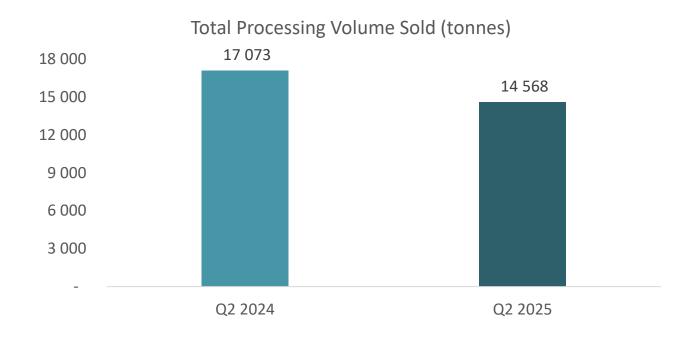


#### PROCESSING DIVISION FINANCIAL REVIEW

The Processing segment sold a total volume of 14.568mt (17.073mt) during the Q2, -15% lower YoY reflective of lower sell-through of inventories versus the elevated comparison period last year. Raw material prices were on average 17% lower compared to the previous quarter and close to 4% lower than the same quarter last year. Production volumes have been moderate with a ramp up towards the end of the quarter when raw material prices dropped significantly. At the end of the quarter, finished inventory was 40% lower compared to levels in Q2 last year and the business is now ramping up to ensure inventory levels are sufficient to continue to meet and serve customer commitments.

Average sales prices increased by close to 5% YoY, and the Processing segment generated a revenue of NOK 1.345m (NOK 1.478m), a decrease of -9% YoY driven by lower volume. The US market continues to represent the majority of sales for Hofseth's main products, representing more than 50% of total Processing main product sales although overall US sales volume was down -14% compared to last quarter and -10% compared to the same quarter last year.

The Processing segment generated an EBITDA of NOK 146.3m (NOK 95m) during Q2 which is a significant improvement compared to the first quarter this year and +54% higher than the same quarter last year. Additional to the contribution of lower raw material prices, the ongoing optimisation processes in the division are starting to show results, with two of the Processing factories rebounding from losses from the year-ago period and posting positive EBITDA during Q2. Additionally, the build out and optimisation of the harvest plant operation was completed during the quarter, which will also enable increased production capacity and reduced unit costs going forward.





#### **OUTLOOK**

Since the quarter end, salmon prices have continued to decline following strong supply in the market. This pressure on salmon prices is expected to persist until late 2025. The Processing division can benefit from this market dynamic and provide an attractive hedge against the Farming division's weaker expected results.

Although labour constraints continue to be a key challenge for increasing Processing division's volumes, Hofseth is actively working on recruitment and moving to double shifts. The expansion of harvest capacity was completed during Q2 and with new contracts from external farmers, harvest volumes are already increasing during Q3. The building extension of Seafood Farmers is set to complete during the third quarter and will further expand the capacity for smoked products and provide more flexibility in production. Both the harvest plant and Seafood Farmers returned to positive EBITDA during Q2, reflecting positive results from ongoing optimisation processes in the business and is set to contribute more to the segment's result going forward.

For the Farming segment, the lower salmon price environment will have the inverse effect on profitability during the rest of 2025. Positive developments in mortality and biological and operational performance resulting from the investments made are expected to partly offset this. Higher smolt weights put into sea combined with increased MTB from new licenses will also contribute positively to shorter and more efficient production cycles in sea, with better price achievement. Combined with the positive effects of production in the submersible pens and overall increasing harvest volumes longer term from the 2 new R&D licenses and 8 development licenses, overall production costs are expected to decrease significantly from current levels.

The Egg project known formally as Hauge Aqua Investment Holding (now Hofseth Development) is now fully owned with the completion of the purchase of 50% of the remaining shares outstanding. Both the Egg and Nekst strategic projects are in active engineering phases today, and the primary contractor for the construction of the "Havliljen" concept in Nekst was signed during Q2. Both projects are progressing as per plan and remain on course for delivery during 2026 within budget.

Overall, Q2 profit was in line with expectations and the start of Q3 is confirming the Company's view on the positive development for second half of the year. The Company is closely monitoring and actively working to mitigate risks associated with US tariffs and volatile raw material prices going forward. The Company is confident in continued strong earnings and reiterates its full year EBITDA guidance of NOK650 – 700m. Expectations for full year volumes are approximately 14,500mt HOG of Farming harvesting volumes and Processing segment volumes of approximately 52,000mt.



#### **CAPITAL STRUCTURE**

As of the end of Q2 2025, equity amounted to NOK 1.983m, corresponding to an equity ratio of 25.4%. Net interest-bearing debt was NOK 3.541m, an increase from NOK 2.971m in Q2 in 2024. The main drivers of the increase in the net interest-bearing debt are the issuance of the senior unsecured bond and conversion of accounts payables from a key supplier into short term interest-bearing debt of NOK 500m during the second quarter. The leverage ratio (ND / TTM EBITDA) was 6.4x (5.3x), reflective of a higher lending base combined with somewhat lower TTM EBITDA impacted by the salmon market price volatility and market turmoil over the last year. The Group's main borrowings consist of long-term senior secured syndicate loans of NOK 1.900m, a senior secured loan of EUR 30m, and a revolving credit facility of up to USD 100m for the US distribution entity. In Q2 2025 the Group's total cash reserve was at NOK 251.5m (NOK 80.1m).

In April the Company successfully concluded an amended agreement for the syndicate loans in parallel with the conversion of NOK 500m accounts payable with a key supplier into a short-term interest-bearing loan. As a part of this process, an intercreditor agreement has also been made between the syndicate banks and the supplier. The syndicate loan amendment agreement included terms to accommodate the issuance of the senior unsecured bond and harmonising some of the terms and conditions across the Company's financing agreements. Furthermore, the Company continues to focus on optimisation of the balance sheet, both in terms of cost and structuring of its financing and working capital.



# **INCOME STATEMENT**

NOK thousands	Notes	Q2 2025	Q2 2024	FY 2024
Revenue		1,455,895	1,655,719	6,488,028
Cost of goods sold		1,009,026	1,200,516	4,650,946
Gross Profit		446,868	455,202	1,837,082
Salaries and wages		49,832	124,096	513,552
Other operating costs		228,452	181,743	687,120
EBITDA		168,583	149,363	636,411
Depreciation and Amortisation		55,731	51,673	212,555
Operating profit		112,852	97,689	423,856
Net interest expense		82,407	78,482	301,262
Net FX gains or losses		- 5,718	- 11,502	-
Net other financial income or expenses		20,414	2,969	90,602
Unrealised gains or losses on listed securities		39,791	-	54,639
Total financial expenses		136,895	69,949	446,504
Profit before tax		- 24,042	27,740	- 22,648
Tax expense		3,737	3,472	12,670
Net profit for the period		- 27,780	24,268	- 35,318

NOK thousands	Notes	YTD 2025	YTD 2024	FY 2024
Revenue		2,893,996	3,109,654	6,488,028
Cost of goods sold		2,140,599	2,244,500	4,650,946
Gross Profit		753,396	865,154	1,837,082
Salaries and wages		192,744	222,719	513,552
Other operating costs		336,667	334,665	687,120
EBITDA		223,985	307,770	636,411
Depreciation and Amortisation		110,675	101,268	212,555
Operating profit		113,310	206,502	423,856
Net interest expense		162,153	145,142	301,262
Net FX gains or losses		- 9,721	- 707	
Net other financial income or expenses		24,156	28,948	90,602
Unrealised gains or losses on listed securities		- 5,345	-	54,639
Total financial expenses		171,243	173,382	446,504
Profit before tax		- 57,933	33,119	- 22,648
Tax expense		- 13,241	1,649	12,670
Net profit for the period		- 44,692	31,470	- 35,318

# **BALANCE SHEET**

NOK thousands	Notes	Q2 2025	Q2 2024	FY 2024
ASSETS			•	
Intangible non-current assets		1 243 100	941 754	975 437
Tangible non-current assets		2 088 295	1 947 386	1879772
Goodwill		80 999	82 604	102 194
Other non-current assets		671 690	714 967	750 808
Total non-current assets		4 084 084	3 686 710	3 708 211
Inventory		1 347 771	1816792	1 585 797
Receivables		2 011 615	1 961 395	2 086 366
Securities and shares		106 308	155 602	100 963
Cash and cash equivalents		251 450	80 062	90 432
Total current assets		3 717 144	4 013 851	3 863 558
TOTAL ASSETS		7 801 228	7 700 562	7 571 769
EQUITY AND LIABILITIES				
Equity	3	1 982 753	2 070 081	1955690
Non-controlling interests		0	0	6 877
Total equity		1 982 753	2 070 081	1 962 567
Deferred Taxes		35 562	66 731	55 744
Interest-bearing liabilities to financial institutions		1 496 420	1774661	1 705 635
Other long term liabilities	4	1 145 053	48 646	157 329
Total non-current liabilities		2 677 035	1 890 038	1918708
Trade payables		1 830 495	2 182 119	2 474 105
Revolving credit facilities		651 263	1 228 094	1010845
Current provisions and other liabilities		659 682	330 230	205 543
Total current liabilities		3 141 441	3 740 443	3 690 494
TOTAL EQUITY AND LIABILITIES		7 801 228	7 700 562	7 571 769

# CASH FLOW STATEMENT

NOK thousands	Notes		Q2 2025	Q2 2024	١	YTD 2025	,	YTD 2024
Profit or loss before income taxes		-	24 042	27 740	-	57 933		33 119
Depreciation			55 731	51 673		110 675		101 268
Taxes paid in the period		-	6712	-	-	27 299		-
Loss or gain from sale of non-current assets			-	-	-	373		-
Change in fair value of marketable securities			39 791	-	-	5 345		-
Change in inventory			28 911	25 302		238 026	-	30 010
Change in trade receivables		-	49 880	- 44 261	-	3 420	-	9 561
Change in trade payables		-	237 547	66 034	-	143 610		144 791
Change in other provisions		-	75 139	- 79718	-	212 004	-	136 668
Net cash flow from operating activities		-	268 887	46 770	-	101 282		102 939
Purchase of fixed assets		-	31 450	- 50 133	-	151 691	-	115 894
Proceeds from sale of fixed assets			-	-		11 202		-
Purchase of shares in other companies			-	-		-	-	35 000
Proceeds from sale of shares in other companies			-	-		-		-
Net proceeds from other investments			-	-		-		-
Net cash flow from investment activities		-	31 450	- 50 133	-	140 490	-	150 894
Net proceeds from long term loans		-	40 384	- 55 581		909 976		3 996
Net proceeds from short term loans			<b>-</b>			<b>-</b>		-
Net change in bank overdraft		-	464 064	- 37 766	-	498 918	-	57 587
Payment of dividend			-	-		-		-
Proceeds from sale of shares in own company			-	-		-		-
Net proceeds from equity transactions			-	- 68 539		-	-	68 539
Net cash flow from financing activities		-	••••	- 161 886		411 059		122 130
Net change in cash and cash equivalents		-	804 786			169 287	-	170 084
Cash and cash equivalents, beginning of period			1 056 236	245 310		82 163		250 147
Cash and cash equivalents, end of period			251 450	80 062		251 450		80 062

#### **NOTES**

#### 1. Accounting principles

The quarterly financial statements have been prepared in accordance with the Accounting Act and generally accepted accounting principles, including the standard for interim financial reporting (NRS 11). All significant accounting principles applied in the annual financial statements are described in the Group's published annual report.

A complete description of the accounting principles applied can be found in the 2024 Annual Report.

The figures in the interim financial statements are unaudited.

#### 2. Group revenue by region

Sales by region

NOK thousands	Q2 2025
North America	647 805
Europe ex Norway	470 796
Norway	172 527
Asia, Oceania	164 767
Total	1 455 895

#### 3. Changes in equity

NOK thousands	Q2 2025
Equity 31.3.2025	1,927,535
Profit/loss Q2 2025	- 27,780
Purchase of treasury shares	- 11,128
Acquisition Hofseth Development AS	99,020
Currency differences	- 4,894
Equity 30.06.2025	1,982,753

### 4. Specification of Other Long Term Liabilities

NOK thousands	Q2 2025
Bond	954,090
Preference capital (Hofseth Development AS)	160,000
Other long-term loans	47,401
Total	1,161,491

