



**HOFSETH  
INTERNATIONAL AS  
Q1 2025 Financial Report**

**HOFSETH**

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# Quarterly Report: Q1 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.

## Q1 FINANCIAL PERFORMANCE SUMMARY

- Revenue of NOK 1.438bn (NOK 1.454bn), broadly in line with Q1 2024.
- EBITDA of NOK 55.4m (NOK 158.4m), representing a 65% reduction YoY mainly from temporarily high salmon prices and corresponding weaker performance in the Processing segment.
- Leverage (ND / TTM EBITDA) at 5.0x and equity ratio at 22.9%, reflecting the impact of the high-yield bond issued in the quarter.

## STRATEGIC INITIATIVES SUMMARY

- Hofseth successfully issued its first publicly tradeable high yield bond, raising NOK1,000m in gross proceeds to fund the Company's growth projects: primarily the Egg closed pen project and the Nekst submersible pen project.
- Two new R&D licenses were awarded for the study of the potential benefits of algae oil in fish feed. The licenses will be in place for a period of almost four years and will increase the total MAB by 1,560 tonnes to 7,153 tonnes, or almost 30%.
- Hofseth installed its first four submersible pens at the Bugane farming location and trout smolt was deployed before quarter-end. A further five submersible pens were installed after quarter-end, making this location Hofseth's first fully submersed location. This marks an industry first where a farmer has used submersible pens for trout.

## GROUP FINANCIAL REVIEW

The Group delivered revenues of NOK 1.438m (NOK 1.454m), broadly in line with the same quarter last year. Both the Farming and Processing segments delivered a stable revenue performance YoY in spite of key changes to market fundamentals. Farming generated total revenue of NOK 235.1m (NOK 221.4m), and benefited from the strong market prices during Q1, whilst Processing generated revenues of NOK 1.340m (NOK 1.337m) and suffered from the high corresponding raw material prices.

Group EBITDA was NOK 55.4m (NOK 158.4m), a 65% reduction YoY. Although the high salmon prices benefited the Farming segment, the larger Processing segment more than offset this good performance. Processing delivered an EBITDA of NOK -12.9m (NOK 99.9m) as raw material prices were 19% higher YoY. Production volumes were reduced during the period to limit the effect of the unfavourable raw material price environment. The Farming segment however delivered EBITDA of NOK 68.3m (NOK 58.5m), a +17% improvement compared to the same quarter last year. This was driven by a combination of good biological performance, as well as good overall price achievement.

The first quarter's EBITDA is in line with the Company's expectations given the overall difficult market conditions during the period. Ongoing optimisation activities across both Farming and Processing are expected to begin contributing to Company results from H2 2025.

The Company delivered a net profit of NOK -16.9m (NOK 7.2m), a decline mainly driven by lower EBITDA in combination with higher depreciation due to several strategic investments made over the last years. This is partly offset by lower net financial costs YoY where a general increase in finance cost resulting from increased debt and higher interest rates are partly offset by the fair value adjustments of the HBC shares.

The total balance sheet of the Company increased to a record high of NOK 8.432m (NOK 7.574m), an +11% YoY increase. This was mainly driven by the NOK 1.000m high-yield bond issue in the quarter. This inflated the total balance sheet whilst the proceeds remained in Escrow during the quarter until the closing conditions were completed. This took place after quarter-end which released the funds.

The increase in the balance sheet was also impacted by various strategic investments made and activated during the last year which brought total fixed assets to NOK 3.762m (NOK 3.537m). The increase in fixed assets and interest-bearing long-term debt of NOK 2.770m (NOK 1.879m) is partly offset by a reduction in working capital to NOK 747m (NOK 1.340m), driven in particular by lower inventory levels of NOK 1.377m (NOK 1.842m). The lower inventory was driven by a reduction in finished goods in both Norway and the US which, in turn, led to a reduction in the overdraft facility utilisation which at the Group level declined to NOK 976m (NOK 1.266m).

The Company is in the process of optimising the balance sheet by utilising the bond proceeds to temporarily reduce the gross debt level and therefore total cost of financing for the Group via the reduction of existing revolving credit facilities.

The total equity position of Hofseth at NOK 1.928m (NOK 2.066m) represents a -7% 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 22.9%, highly impacted by the net impact of the high-yield bond in the quarter. Excluding the gross impact of the high-yield bond, the equivalent equity ratio for the quarter is 25.9%.

Cash flow from operations was strong at NOK 167.6m for the first quarter compared to NOK 56.2m in the year-ago period. The main driver of this was a significant reduction in inventory as the Processing segment sold more than it produced during the period of high raw material prices. Cash flow from investing activities was -NOK 109.0m (-NOK 100.8m), reflecting investments in the slaughter capacity expansion. Cash flow from financing activities was largely driven by the high-yield bond issue, with total NOK 915.5m (NOK 39.8m) recorded. Net cash flow was therefore significantly higher YoY at NOK 974.1m (-NOK 4.8m), leading to a solid cash position at quarter-end of NOK 1.056m (NOK 245.3m).

## FARMING DIVISION FINANCIAL REVIEW

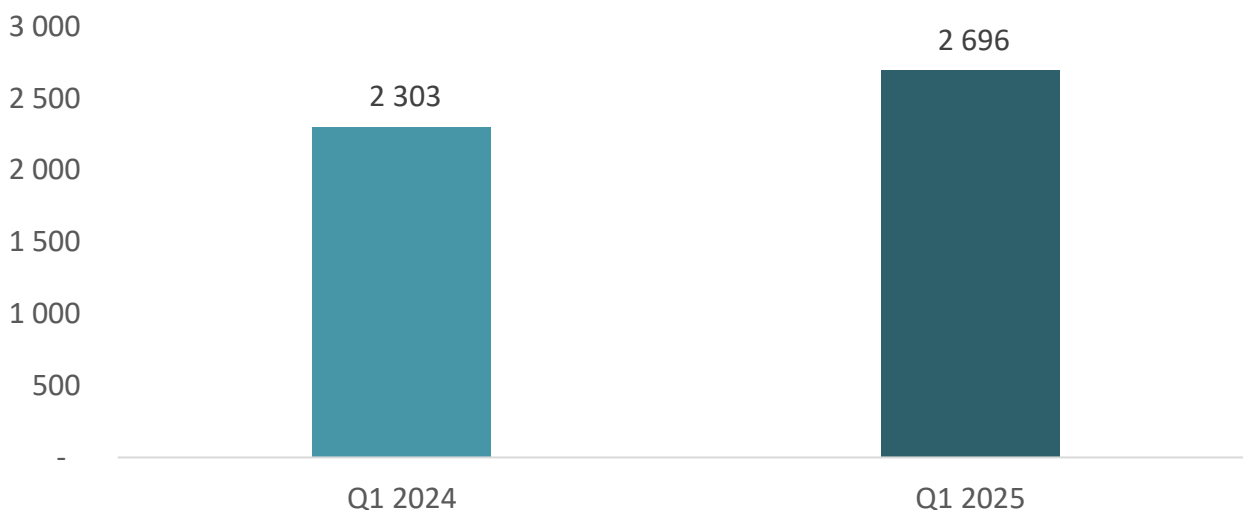
The Farming segment harvested 2,696mt (2,303mt) during the quarter, +17% more YoY. Trout volumes declined by more than 20% compared to same quarter last year whilst salmon volumes were materially higher, representing about 35% of the total harvested volume in the quarter. Lower harvest weights YoY were a knock-on effect from the unexpected non-renewal of the 4 EWOS R&D licenses in September 2024. The optimization process across the Farming value chain is ongoing and is expected to increase volumes, harvest weights and capacity utilization in both smolt and sea production phases from Q3 this year. In spite of lower harvest sizes, price achievement was in line with the same quarter last year.

Fish health continues to develop positively, with quarterly mortality below 3% and accumulating mortality over the last 12 months at approximately 5.2% (measured by fish count). Biomass exiting Q1 was 6,006mt and at essentially full utilization thanks to improved biological performance compared to the year ago period. This has also been supported by higher temperatures and feeding rates, resulting in healthy growth rates.

Standing biomass was a constraint for the Farming segment during the quarter but will be partially rectified with the two new R&D licenses providing approximately 26% more MAB. The increased biomass will contribute to greater production volumes and lower production costs over the coming quarters. In addition, the post smolt facility continued to ramp during Q1 which is expected to reduce production costs and increase average harvest weights also over the coming quarters.

The Farming segment generated revenues of NOK 235.1m (NOK 221.4m) during Q1 which is a +6% YoY improvement, mainly driven by higher volumes and stable sales prices. Q1 EBITDA of NOK 68.3m (NOK 58.5m) increased +17% YoY reflecting the positive development in mortality and biological performance resulting in an EBIT/kg of NOK 16.1 (NOK 12.6) improving by close to 30% compared to same period last year.

Total Farming Volume Harvested (tonnes)



## PROCESSING DIVISION FINANCIAL REVIEW

The Processing segment sold a total volume of 13.319mt (13.011mt) during the first quarter, +2% higher YoY despite turbulent market conditions. The market experienced a significant spike in the raw material price during the end of 2024 which only faded towards the end of the Q1 period. The Processing segment therefore had a raw material price increase of 19% compared to same quarter last year. This was actively mitigated by reducing production volumes. However, the effect was only partial as customer finished inventory levels were significantly lower in Q1 compared to the same period last year, requiring a certain minimum level of production and deliveries to meet customer commitments.

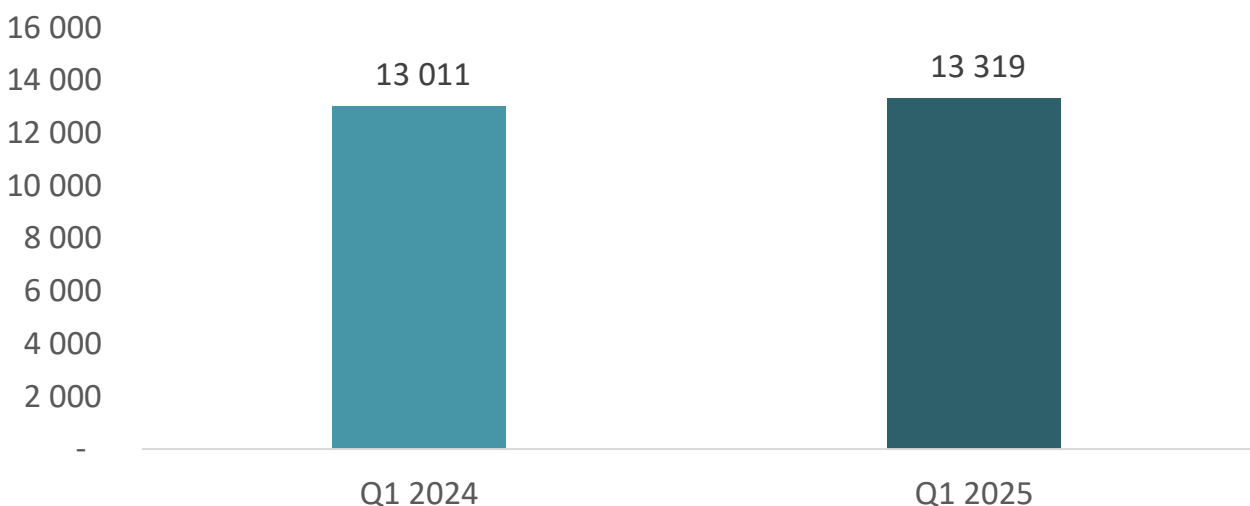
Sales prices remained stable, and the Processing segment generated a revenue of NOK 1.340m (NOK 1.337m), flat YoY. The US market represented majority of the sales at about 30% of the total Processing revenues and proportional shares of the other main markets are fairly stable and in line with the same period last year. The US portion has however increased during the quarter coming from a lower 20% level during the last 3 quarters in 2024. US sales continue to be strong also into Q2, in spite of the uncertainty arising from the introduction of US tariffs in early April, reflecting a highly adaptive market which is used to handling price volatility.

The US market position was further strengthened by the successful launch of the patented IceFresh defrost technology during Q1. A key customer switched from fresh-flown salmon portions to refresh with IceFresh and saw a dramatic three times increase in demand during the period. Multiple new leads with leading retail and foodservice customers also commenced during Q1.

The Asian market continues to grow and had an increase of 10% in sold volume compared to the same quarter last year.

The Processing segment generated a negative EBITDA of NOK -12.9m (NOK 99.9m) during Q1 which is a significant decline compared to same period last year, mainly driven by the shift in raw material prices.

Total Processing Volume Sold (tonnes)



## OUTLOOK

Since the quarter end, salmon prices have continued to decline while the supply of industrial grade raw material has also increased, providing benefits to having a dominant position in the Norwegian-based processing industry. April saw a strong return to profit which has continued throughout the second quarter. The Company expects Q2's strong performance to more than offset the weak start to the year.

With the issuance of the high-yield bond, the Company has successfully secured financing for the Egg and Nekst strategic projects. Engineering phases are well underway for both and soon will move into the contracting phase during Q2. These strategically important initiatives remain on course for delivery during 2026 as per plan and within budget.

For the Processing segment, since quarter-end raw material prices have shifted dramatically lower, dropping by 30-40%. This, in combination with increasing production volumes, will significantly improve the segment's earnings. At current conditions, Processing in Q2 is expected to more than offset the EBITDA losses generated in the first quarter, although labour constraints continue to be a challenge. Additionally, targeted improvements at two of the Processing segment's plants continues and includes a building extension at Seafood Farmers and installing additional slaughter capacity at Hofseth Processing. Both efforts will be concluded during Q2 and Q3 this year and begin contributing positively to the segment's results.

For the Farming segment, the lower salmon price environment will affect profitability negatively during the rest of 2025. This segment has been heavily invested in to prepare for a higher production volume than it produces today, both at the smolt and sea production phases. Post-smolt production continues to ramp up during Q2 and will have an increasing effect on higher average smolt weights entering the sea phase and at decreasing cost per fish. As production continues to grow over the coming 3-5 years, the Farming segment's fixed production costs, depreciation and smolt costs will all drop significantly on a per kg basis as it approaches invested capacity. All else being equal, it is expected that Farming production cost in sea per kg can decline by 20%, or approximately NOK 10-12/kg once the investments are fully utilized.

The Company also launched a Continuous Improvement program, targeting more than ten projects across all segments in an effort to find smarter ways to operate and reduce costs. These initiatives are expected to contribute increasingly to earnings in the second half and beyond.

Overall, although Q1 profitability was historically weak due to the high salmon prices, the Company reiterates its full year EBITDA guidance of NOK650 – 700m. Q2 is developing above plan and driven by strong profitability in Processing. Farming harvest volumes are expected to be approximately 14,500mt HOG and Processing segment volumes are expected to be approximately 52,000mt for the full year of 2025.

## CAPITAL STRUCTURE

As of the end of Q1 2025, equity amounted to NOK 1.928m, corresponding to an equity ratio of 22.9%. Net interest-bearing debt was NOK 2.690m, a reduction from NOK 2.899m in Q1 in 2024. The leverage ratio (ND / TTM EBITDA) was 5.0x (3.9x), reflective of a lower TTM EBITDA level in the quarter compared to same period 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 Q1 2025 the Group's total cash reserve was at NOK 1.056m (NOK 245.3m) where the majority is associated with the high-yield bond issued during the quarter.

The Company has been working closely with its key creditors to secure supportive terms and financial covenants that enables the Group to continue its strategic growth plan whilst accommodating new interest-bearing long-term debt in the form of the senior unsecured high-yield bond. At the beginning of April, the Company also concluded with one of its key suppliers a restructure of outstanding payables of NOK 500m into a short-term interest-bearing loan which is targeted for refinancing to further expand the working capital available for the Company's continued growth plan.

## INCOME STATEMENT

NOK thousands	Notes	Q1 2025	Q1 2024	2024
<b>Revenue</b>		<b>1,438,101</b>	<b>1,453,936</b>	<b>6,333,224</b>
Cost of goods sold		1,131,573	1,043,983	4,406,806
<b>Gross Profit</b>		<b>306,528</b>	<b>409,952</b>	<b>1,926,419</b>
Salaries and wages		142,912	98,623	513,552
Other operating costs		108,214	152,922	776,456
<b>EBITDA</b>		<b>55,402</b>	<b>158,407</b>	<b>636,411</b>
Depreciation and Amortisation		54,944	49,594	212,555
<b>Operating profit</b>		<b>458</b>	<b>108,813</b>	<b>423,856</b>
Net interest expense		79,746	66,660	301,262
Net FX gains or losses		-4,003	10,795	
Net other financial income or expenses		3,742	25,979	90,602
Unrealised gains or losses on listed securities		-45,137	0	54,639
Total financial expenses		34,348	103,433	446,504
<b>Profit before tax</b>		<b>-33,890</b>	<b>5,379</b>	<b>-22,648</b>
Tax expense		-16,978	-1,823	12,670
<b>Net profit for the period</b>		<b>-16,912</b>	<b>7,202</b>	<b>-35,318</b>

## BALANCE SHEET

NOK thousands	Notes	Q1 2025	Q1 2024	2024
<b>ASSETS</b>				
Intangible non-current assets		990,228	901,850	975,437
Tangible non-current assets		2,437,293	2,381,692	1,880,656
Goodwill		90,972	9,049	101,311
Other non-current assets		243,846	244,664	750,808
<b>Total non-current assets</b>		<b>3,762,339</b>	<b>3,537,255</b>	<b>3,708,211</b>
Inventory		1,376,682	1,842,094	1,585,797
Receivables		2,090,468	1,793,942	2,167,547
Securities and shares		146,100	155,602	100,963
Cash and cash equivalents		1,056,236	245,310	82,163
<b>Total current assets</b>		<b>4,669,486</b>	<b>4,036,949</b>	<b>3,936,471</b>
<b>TOTAL ASSETS</b>		<b>8,431,824</b>	<b>7,574,204</b>	<b>7,644,682</b>
<b>EQUITY AND LIABILITIES</b>				
Equity	3	1,927,535	2,065,884	1,955,690
Non-controlling interests		0	0	6,877
<b>Total equity</b>		<b>1,927,535</b>	<b>2,065,884</b>	<b>1,962,567</b>
Deferred Taxes		37,363	67,787	55,744
Interest-bearing liabilities to financial institutions		1,668,675	1,878,888	1,705,635
Other long term liabilities	4	1,101,715	0	157,329
<b>Total non-current liabilities</b>		<b>2,807,753</b>	<b>1,946,675</b>	<b>1,918,708</b>
Trade payables		2,568,043	2,116,085	2,474,105
Revolving credit facilities		975,992	1,265,860	1,010,845
Current provisions and other liabilities		152,502	179,700	278,456
<b>Total current liabilities</b>		<b>3,696,536</b>	<b>3,561,645</b>	<b>3,763,407</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,431,824</b>	<b>7,574,204</b>	<b>7,644,682</b>

## CASH FLOW STATEMENT

NOK thousands	Notes	Q1 2025	Q1 2024
Profit or loss before income taxes	-	33,890	5,379
Depreciation		54,944	49,594
Taxes paid in the period	-	20,586	-
Loss or gain from sale of non-current assets	-	373	-
Change in fair value of marketable securities	-	45,137	-
Change in inventory		209,115	- 55,312
Change in trade receivables		46,460	34,700
Change in trade payables		93,937	78,757
Change in other provisions	-	136,865	- 56,950
<b>Net cash flow from operating activities</b>		<b>167,606</b>	<b>56,169</b>
Purchase of fixed assets	-	120,241	- 65,761
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		-	-
<b>Net cash flow from investment activities</b>	-	<b>109,039</b>	<b>- 100,761</b>
Net proceeds from long term loans		950,360	59,577
Net proceeds from short term loans		-	-
Net change in bank overdraft	-	34,854	- 19,821
Payment of dividend		-	-
Proceeds from sale of shares in own company		-	-
Net proceeds from equity transactions		-	-
<b>Net cash flow from financing activities</b>		<b>915,507</b>	<b>39,756</b>
<b>Net change in cash and cash equivalents</b>		<b>974,073</b>	<b>- 4,836</b>
Cash and cash equivalents, beginning of period		82,163	250,147
<b>Cash and cash equivalents, end of period</b>		<b>1,056,236</b>	<b>245,310</b>

## 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 2023 Annual Report.

The figures in the interim financial statements are unaudited.

### 2. Group revenue by region

<b>NOK thousands</b>	<b>Q1 2025</b>
North America	732 052
Europe ex Norway	372 661
Norway	178 484
Asia, Oceania	154 904
<b>Total</b>	<b>1 438 101</b>

### 3. Changes in equity

<b>NOK thousands</b>	<b>Q1 2025</b>
Equity 31.12.2024	1,962,567
Profit/loss Q1 2025	- 16,912
Currency differences	- 18,120
<b>Equity 31.03.2025</b>	<b>1,927,535</b>

### 4. Specification of Other Long Term Liabilities

<b>NOK thousands</b>	<b>Q1 2025</b>
Bond	980,441
Preference capital (B shares)	71,799
Other long-term loans	49,474
<b>Total</b>	<b>1,101,715</b>