



Third Quarter 2020 Financial Report

Published:
30.10.2020



CEO Statement

Our product will be a better alternative than ordinary iron supplements for millions of people who struggle with negative side effects of iron supplements



The pandemic has continued to affect us all during Q3, and the last few weeks have shown us that we need to continue to be careful and disciplined in order to prevent uncontrolled spread of the Covid-19 virus. In all our operations, we have continued to put the safety and health of our employees, their families and our business partners at the forefront. At the same time, we are grateful to say that the pandemic has had very limited effect on our business, despite significant restrictions in terms of physical sales and marketing activities.

In fact, Q3 has been an eventful one for Hofseth BioCare. Our research shows close to 20 indications of nutrition and health benefits from our products, which means that there is tremendous potential to contribute to people's health and wellbeing, and we continue to cooperate with a range of the best medical research institutions and universities in mapping out and understanding the pharmaceutical potential in our products.

In October we received approval from Health Canada for Qualified Health Claims for our Salmon Protein Hydrolysate, ProGo® and CollaGo®. We have now support in saying that the bioactive peptides in our products have positive effects on anemia and iron deficiency. Our product will be a better alternative than ordinary iron supplements for millions of people who struggle with negative side effects of iron supplements. For Hofseth BioCare this means that vast market opportunities open up across the US, Canada and in Europe.

Our contribution to the struggle against the Covid-19 pandemic continues. In Q3 we expanded our Phase 2 clinical trials from Canada to Mexico and Brazil. The aim is to assess whether fat-soluble components in our salmon oil can save lives among COVID-19 patients with breathing difficulties.

Continued progress in our clinical and commercial work encourages us to continue to increase the investments in targeted research and development in order to fully capture the potential in our products and raw materials, and we continue to strengthen our staff in the R&D field. In October we received strong support for this strategy from existing and new institutional shareholders as we raised NOK 200 million in fresh equity.

The third quarter has been full of activity and we are now at the end of a long expansion period where our hydrolysis plant at Midsund has tripled its footprint with the addition of an on-site spray dry facility and new R&D laboratories. Production volumes and revenues have been negatively affected as a one off for obvious reasons as a result of ongoing construction work. Looking ahead to 2021 and beyond, this was an essential investment for the future operations of our Group as it provides scale, cost and efficiency benefits throughout the production process.

Our mission is to develop the nutrition and medicine of tomorrow, based on the purest raw materials from the west coast of Norway. In a time when ESG investments garner significant attention, Hofseth BioCare delivers every day on our environmental promise. By processing offcuts from the fish processing industry into high value products, with significant health benefits, our environmental footprint is minimal.

Roger Hofseth, CEO

Key Figures & Highlights

	Q3 2020	Q3 2019	9M 2020	9M 2019	2019
Gross operating revenue	7 578	29 172	46 199	56 635	67 778
EBITDA	-23 191	-7 623	-45 709	-28 903	-52 118
Operating profit/loss	-29 160	-14 381	-62 968	-48 361	-79 574
Net cash flow	-37 229	90 619	-70 784	61 845	45 912
Equity ratio	25.7%	43.7%	25.7%	43.7%	40.2%

HIGHLIGHTS IN THE THIRD QUARTER

- › Successful extension to manufacturing plant at Midsund, adding new spray drier facility, creating new R&D laboratories and tripling overall footprint for the benefit of Garden of Life in 2021.
- › HBC acquired 34 per cent ownership in the Asia-Pacific distributor Atlantic Delights Ltd. in Hong Kong for approx. NOK 6.5m in August.
- › Dr. Erland Hermansen hired as Medical Director for Clinical Development.
- › Secured distribution with a Global Retailer giant in the UK, Spain, Iceland and online for Brilliant Salmon Oil™ for pets.
- › Published an in-vitro study in the journal Functional Foods in Health and Disease which demonstrated the therapeutic potential of OmeGo® salmon oil for the treatment of certain types of asthma and chronic obstructive pulmonary disease.

POST-PERIOD HIGHLIGHTS

- › Successful completion of a private placement of NOK 200m by issuance of approx. 24.69m new shares into existing and new institutional shareholders to diversify the holders list and prepare the company for a listing on the main Oslo stock exchange in Q4 2020.
- › Received approval from Health Canada on ProGo® and CollaGo® for qualified health claims focused on maintaining healthy levels of ferritin and hemoglobin and the blood components required for oxygen transport.
- › ProGo®'s bioactive peptides to support healthy iron levels allowed to be used in the US with a unique label of six structure function claims permitted by the FDA.

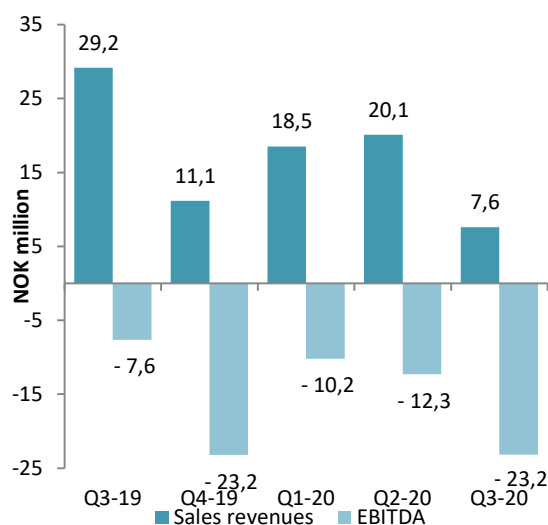
Financial Review

Figures for the corresponding periods in 2019 are given in brackets.

Profit and Loss Third Quarter 2020

HBC had gross operating revenues of NOK 46.2m (56.6m) in the first nine months of 2020 and operating revenues of NOK 7.6m (29.2m) in the third quarter. Production volumes were lower in the quarter, mainly due to expansion work at the Midsund plant and this affected revenues with lower sales of OmeGo in quarter. PetGo was stored for deliveries in Q4 2020 and Q1 2021.

Cost of Goods Sold (CoGS) amounted to NOK 4.2m (25.3m) in the quarter and NOK 22.9m for the first nine months (43.0m). Salaries was higher compared to the corresponding quarter last year due to cost related to share based payment program (NOK 5.3m) and more staff on sales. Operational profit (EBITDA) for the third quarter 2020 was NOK -23.2m (-7.6m) and for the first nine months NOK -45.7m (-28.9m). In the first nine months 2020, Salaries increased by NOK 11.0m, compared to the same period 2019 due to new employees in sales and operations, including NOK 7.4m in a share-based payment program. OPEX increased by NOK 15.4m, compared to the first nine months in 2019, mainly due to increased R&D and clinical work in 2020.

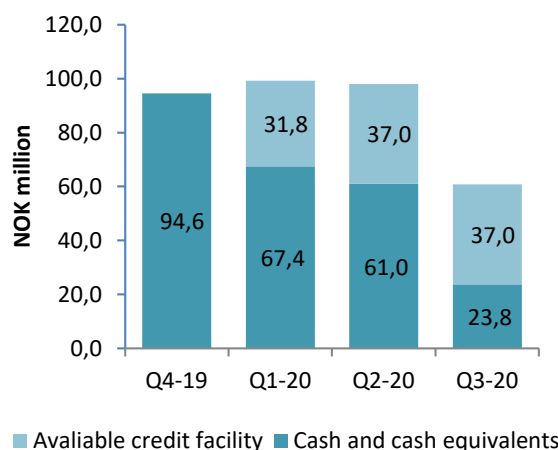


Gross margin was 45 % in the third quarter and 51 % for the first nine months, including other operating revenues in the first quarter. Net financial items in the third quarter were NOK -3.7m (-3.9m) and NOK -8.1m in the first nine months (-7.4m). Loss before tax was NOK 32.9m in the quarter and NOK 71.0m for first nine months, compared to a loss of NOK 18.3m during

third quarter and NOK 55.8m in the first nine months of 2019.

Cash flow

Cash flow from operations during the third quarter was NOK -3.8m and NOK -43.1m in the first nine months, compared to NOK -9.3m and NOK -20.6m in the respective periods last year.



Net cash flow from investment activities was NOK -26.5m in the third quarter and NOK -50.4m in the first nine months of 2020, compared to NOK -5.4m and NOK -13.2m for the corresponding periods last year. Cash flow from the financing activities amounted to NOK -7.0m in the third quarter and NOK 22.7m in the first nine months 2020, compared to NOK 105.3m in the third quarter and NOK 95.7m in the first nine months of 2019. Cash and cash equivalents decreased by NOK 37.2m during the quarter, leaving total holding of cash and cash equivalents at NOK 23.8m by the end of the period, compared to NOK 109.4m by the end of the third quarter 2019. Including credit facilities, HBC had NOK 60.8m in free liquidity by the end of the third quarter.

Financial position

Total assets for HBC were NOK 293.8m at the end of third quarter of 2020 (330.6m). Deferred tax assets are not recognized in the balance sheet but the estimated value is NOK 158.4m. Total equity amounted to NOK 76.1m (144.5) corresponding to an equity ratio of 25.9 % (43.7 %) for the group.

Pipeline

R&D developments throughout the third quarter, the current pipeline for our most important indications are shown below:

Product	Product Fraction	IP	Discovery (≈1y)	Pre-Clinical (≈2y)	Clinical (≈2-3y)	Reg.appr. (≈1y)
Salmon Protein Hydrolysate (SPH) ProGo CollaGo	SPH-FTH1	✓	Iron Deficiency Anemia Treatment			
	SPH-CollaGo	✓	Hair, Nail, Skin Health Treatment & Antioxidant			
	SPH-HO1	✓	Gastrointestinal Health			
	SPH-ProGo	N	Healthy Weight loss			
	SPH-XX	P	Sarcopenia ¹⁾			
	SPH-XX	P	Pre-Diabetic Co-treatment			
	SPH-XX	P	Rheumatoid Arthritis ²⁾			
Salmon Oil (SO) OmeGo	SO	✓	Improved AREDS Formulations for AMD Treatment			
	SO-LP	✓	Asthma Co-treatment			
	SO-LP	P	Acne treatment			
	SO-OxLDL-Gp1	✓	Cardiovascular Health			
	SO-CoV19	P	COVID-19 Co-Treatment			
Salmon Bone Powder (SBP) CalGo	SBP-XX		Osteoarthritis			
	SBP-CalGo		Osteoporosis Treatment			

✓ Filed/Approved N Not applicable P In Progress

R&D Indications & Discovery update

In the third quarter of 2020 HBC R&D focused largely on

- identification of the bioactive peptides in SPH that up-regulate the FTH1 gene. The FTH1 gene encodes the heavy chain of ferritin, the storage protein for iron, and this increase has been shown to result in an increase in haemoglobin and correct iron deficiency anaemia (IDA). The identification of the bioactive peptides will allow encapsulation and the commencement of clinical trial work for the treatment of IDA. The company believes that the identification of these closely-related peptides will enable HBC to file for "new chemical entity" (NCE) status with the FDA during next year.
- identification of the non-Omega fraction in our salmon oil that modulates eosinophil effector function with the potential to treat eosinophilic asthma and other eosinophilic conditions. An accelerated p2/3 trial in Covid-19 targeting patients with steroid-resistant asthma and ex-smokers, a patient group in whom lung infections result in overactivity of eosinophils.
- Ongoing testing of new models of gastrointestinal injury / inflammation are progressing in various invitro cellular systems simulating the pathology of necrotizing

enterocolitis (NEC) / inflammatory bowel disease (IBD) / Leaky gut

- The development of an invitro assay for sarcopenia and prediabetes treatment.

CARDIO™ softgels in COVID-19 treatment

Patient recruitment for our Health Canada approved clinical trial has been challenging in the Q3 due to competing Covid-19 treatment trials and lock-downs. Together with our CRO partner, KGK Science Inc., we have been able to pivot the approved Health Canada protocol to include out-patient recruitment via a Virtual Platform. Ultimately this will broaden the overall utility of the clinical data and we anticipate improved patient recruitment rates in Q4 and beyond. We have also submitted for regulatory approval to recruit patients in Mexico and Brazil, commencing early 2021.

The aim is to prevent progression from moderate and mild to severe COVID-19 in SARS-CoV-2 infected patients. This is an open-labeled, accelerated proof-of-concept trial in which self-identified Former Smoker patients will be given the best antiviral standard of care (BSC) together with CARDIO softgels in the treatment arm. CARDIO is the only marine oil that contains components that have been shown to reduce eosinophil effector function and increase eosinophil apoptosis in invitro

assays. Uncontrolled eosinophil production in lung epithelial cells may play a critical role in the destruction of the respiratory epithelium in the former smoker and steroid-treatment resistant asthma patients.

We believe this mechanism of action of CARDIO will reduce the percentage of COVID-19 patients who require assisted respiration management and shorten their time to recovery.

Steroid-treatment resistant asthma therapeutic

Our paper "An invitro study to explore the modulation of eosinophil effector function in human allergic peripheral blood eosinophils using enzymatically extracted salmonid oil." was published in Functional Foods in Health and Disease in August 2020. (<https://hofsethbiocare.com/uploads/images/Study-modulation-of-eosinophil-effector-function-FFHD.pdf>)

We have started the protocol approval for our required second pre-clinical trial on the use of OmeGo to modulate house-dust mite induced allergy in mice to directly study respiratory eosinophil modulation.

Our efforts at identifying the active component(s) in OmeGo responsible for the eosinophil activity are progressing well. We are using a combination of LC-MS and MALDI-TOF analyses on multiple polar and non-polar extraction fractions to trace the activity and narrow down the compounds involved.

Treatment of iron deficiency anemia

This quarter HBC's R&D approach was validated with the major milestone of receiving our first Qualified Health Claims from Health Canada on ferritin, hemoglobin and blood components that carry oxygen. We also did not receive any objection from the US FDA following our notification of similar label claims for the US market. We now have a unique set of label claims covering the North American to attract potential global collaborators in the OTC market.

We continue our efforts at identifying the active peptides that are responsible for the FTH 1 gene upregulation towards the iron-deficiency anemia Rx treatment label. Using our new in-vitro HIEC-6 model, the structure identification analytical efforts are progressing well and we will be working on this through most of 2020. We have identified both N and C terminus amino acid groups needed and narrowed the molecular weight range to 2300-2600 dalton.

Fractionation and identification of such active peptides will also result in lead structures for new MOA pharmaceutical R&D in collaboration with appropriate pharmaceutical partners.

Gastro-Intestinal (GI) Protective medical food

In spite of delays due to COVID-19 closures of US hospitals for pre-clinical and clinical research, we have been able to initiate our multi-year research collaboration with Prof. Karl Sylvester

at Stanford University School of Medicine in this quarter. New peptide fractions were prepared and multiple invitro assays have commenced. Injury based on the Formate-model developed by Prof. Sylvester's lab has shown improvement when treated with SPH. We are now using hESC (stem cells) and HT-29 (tumor cell lines) with short chain fatty acid sensitization for formate and TNFalpha induced damage as excellent invitro indications for development towards our Necrotizing Enterocolitis and Irritable Bowel Syndrome medical food label claims.

Sarcopenia treatment

Sarcopenia was defined in 2018 by the European Working Group on Sarcopenia in Older People as a progressive decline of skeletal muscle mass, strength and function with low muscle strength as a primary parameter. It is widely accepted that aging is accompanied by the progressive decline of skeletal muscle mass, strength, and functions, but this is accelerated in the approximately 5% of the sarcopenic elderly (>65 years age) people due to genetic, lifestyle and environmental factors. Multiple factors of sarcopenia have been identified, including cellular senescence, oxidative stress, mitochondrial dysfunction, fat accumulation, low-grade inflammation, inadequate nutrition, hormonal changes as well as a reduction in the number and regenerating capacity of satellite cells. As there is no single key and inherent cause of sarcopenia, understanding and testing for different mechanisms of skeletal muscle aging is essential to developing both nutraceutical and drug therapies for sarcopenia treatment.

Our sarcopenia research seeks to build on our SPH nutraceutical antioxidant label that is based on the activation of antioxidant genes with our bioactive peptides.

This quarter we completed our H2O2 stressed assay with SPH which showed a decrease in level of oxidative stress (GSH/GSSG) and reactive oxygen species (ROS) in primary skeletal muscle cells. H2O2 is known to diffuse across cellular membranes and H2O2-stimulated skeletal muscle cells show increased intracellular ROS levels and can induce several mechanisms involved in the pathogenesis of sarcopenic muscle characteristics.

We will continue to investigate the potential impact of our bioactive peptides in the Q4 towards an in vivo animal trial in 2021.

Retarding the progression from pre-diabetes to type II diabetes

Type II diabetes is a lifelong disease that keeps your body from using insulin the way it should be used and is often also called insulin resistance. There are an estimated 85 million people in the US who are diagnosed as being prediabetic, meaning their blood sugar is high but not high enough to be officially classified as diabetes, as yet.

A method available for the management of type 2 diabetes is to impede the breakdown and intestinal absorption of glucose through the inhibition of pancreatic α -amylase and intestinal α -glucosidase enzymes. This quarter we carried out an invitro assay that directly measured inhibition of both enzymes in porcine pancreatic cells. SPH and some lab-made peptides showed inhibition of both enzymes but only at very high concentrations of 1mg - 5mg/ml. This quarter we carried out fractionation of several novel hydrolysis peptides to investigate inhibition of pancreatic α -amylase and intestinal α -glucosidase enzymes. Several fractions showed ug/ml activity and these results will be followed up in 2021. We will also continue to investigate other potential MOA's to improve insulin function with our bio-active peptides to develop therapeutics that directly assist in the retardation of the progression from prediabetic to diabetic diagnosis.

Other indications

Further work continues in 2020 in in-vitro experiment design and implementation towards our other clinical treatment programs for a) prostate cancer co-treatment using fractionated peptides in SPH, b) acne treatment as well as planning for c) a major clinical trial towards retarding osteopenia/osteoporosis with our salmon bone powder.

Our R&D department also provided support for shelf-life labeling for modified production batches, worldwide patent/trademark applications and prosecutions and supported QA/Marketing/Sales activities with targeted simple laboratory assays/ tests, publications and presentations.

Sales & marketing

Garden of Life update

As HBC opens it's new spray drying facility in Q4, it has been making final adjustments in preparations to supply Garden of Life, a Nestle brand. GOL is thrilled to be able to utilize the recently approved FDA structure function claims for future product launches.

GOL's VP of R&D, Jeff Brams says "Hofseth continues to invest in science that validates it's unique and efficacious raw materials beyond just nutrition and we are thrilled to collaborate and bring new innovation in the protein space to our consumers."

Pet Nutrition

HBC is excited to announce that Brilliant salmon oil has been nominated as a finalist in the Editors' Choice Awards on the Pet Product News (PPN) online publication, one of the largest portals for pet retailers and manufacturers. The finalists are selected from over a thousand products. This is testament to the high quality, the brand awareness and market penetration for Brilliant Oil.

The North American sales team has, to date, signed a total of 11 distributors in the USA and Canada reaching more than 1,000 pet stores with its Brilliant Salmon Oil™ product. The product has been well received in the market and is continuing to grow with increased market exposure and publicity.

HBC has also reached an agreement with a UK distributor for its Brilliant Salmon Oil product and this is in addition to the global retailer that is currently selling the product in the UK. The new distributor has a reach of 2,500 pet stores in UK. HBC is also working at significant private label contracts for the salmon oil into international retailers belonging to Hofseth International's network. This strategy of utilizing the 50,000 stores that sell Hofseth salmon shall continue into next year.

The process of expanding the Brilliant Salmon Oil™ presence into new territories continues a global scale, and so far, Brilliant Salmon Oil™ is being delivered to 30 different countries.

With the ongoing COVID pandemic, tradeshow and events have been cancelled on a globally. Normally the sales team would have attended a number of shows during the third quarter. The tradeshow space is beginning to move online. During October the first online tradeshow will take place, and the HBC team will attend.

Human health

We expect to have our human supplements available on-line via Amazon in November in UK and Europe and a US release on Amazon a few weeks later. This will augment our B2B offering and add to sales and margin opportunity. Furthermore, HBC's human line of products are expected to go live on Alibaba-owned Lazada for the Southeast Asian market on singles sales day on November 11, 2020. Lazada is Asia's leading online department store, covering the Philippines, Malaysia, Indonesia, Singapore, Taiwan, and Vietnam.

Pinova Europe is focusing their efforts across all product lines and are starting recurring demand from repeat purchasers. Of particular note, Pinova believes that the use of label claims on a 4g-16g dose of SPH will circumvent any organoleptic issues that has been a challenge historically.

Production update

HBC operates two plants: The hydrolysis plant in Midsund and the spray-drying plant in Berkåk. In the third quarter of 2020, HBC Midsund processed 2,101 tons of salmon raw materials, compared to 2,613 tons in the third quarter 2019, a function of the ongoing construction work at Midsund with associated disruption to production.

In order to improve yield, reduce costs and further enhance our quality parameters for ProGo®, the expansion and installation of a Spray Dryer at Midsund plant has progressed as planned

We anticipate that the new processing line at Midsund will be fully up and running by the end of the year.



The photograph above depicts the significance of the extension and new onset spray drier in order to contextualise the necessary one-off shutdown in the quarter. The modifications made now ensure that we are well placed to service the needs of global distributors and leading brands worldwide.

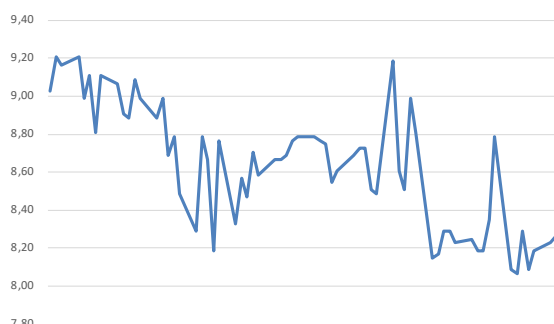
HBC is looking forward to the rest of the year and 2021. The label claims for iron deficiency anaemia (IDA) opens up market opportunities at a higher pricing point and has already drawn significant interest from leading global specialty ingredient and nutraceutical distributors. It should be highlighted that the Qualified Health claims granted in Canada can be passported to most Asian countries and Australia.

Orders for Brilliant salmon oil continue to grow exponentially which will improve gross margins significantly in the quarters ahead. Our B2C offering will take a significant step forwards as we join both the Amazon and the Alibaba online platforms to reach consumers across the US, Europe and Asia. The recent Atlantic Delights transaction also ensures that we can

benefit from the structural growth in the pet nutrition market in China.

Share information

HBC shares were traded between NOK 8.07 and 9.21 per share in the third quarter and the last closing price on 30 September 2020 was NOK 8.83.



Based on 330,209,001 outstanding shares, this values HBC's equity at approximately NOK 2,916m. As of 30 September 2020, HBC had 1,291 shareholders. The 20 largest shareholders controlled 85.04 per cent of the shares.

Related party transactions

All related party transactions are being made in the ordinary course of the business at the arm's length principle.

There are no significant new types of transactions with related parties during the third quarter 2020.

Hofseth BioCare ASA Board of Directors
Ålesund, 30 October 2020

Ola Holen
Chairman of the board

Christoph Baldegger
Board member

Henriette G. Heggdal
Board member

Torill Standal Eliassen
Board member

Roger Hofseth
CEO

Interim Financial Statements

Consolidated



Consolidated statement of comprehensive income

(figures in NOK 1 000, except EPS)	Q3 2020	Q3 2019	9M 2020	9M 2019	2019	Notes
Sales revenue	7 299	29 172	37 508	56 635	67 778	<u>8</u>
Other operating revenue	279	0	8 691	0	0	
Gross operating revenue	7 578	29 172	46 199	56 635	67 778	
Cost of sales	4 163	25 306	22 858	42 990	59 570	<u>9</u>
Salaries and other payroll costs	14 824	6 592	31 544	20 494	29 212	<u>11</u>
Other operating expenses	11 782	4 897	37 507	22 055	31 114	
EBITDA	-23 191	-7 623	-45 709	-28 903	-52 118	
Depreciation and Write-down	5 969	6 758	17 258	19 458	27 456	
Operating profit/loss (EBIT)	-29 160	-14 381	-62 968	-48 361	-79 574	
Financial income	677	547	2 275	4 022	5 148	<u>13</u>
Financial expenses	4 381	4 433	10 331	11 436	14 792	<u>13</u>
Net financial items	-3 704	-3 886	-8 056	-7 414	-9 644	<u>13</u>
Profit/loss before taxes	-32 864	-18 268	-71 024	-55 775	-89 218	
Tax expense	0	0	0	0	0	
Profit for the period	-32 864	-18 268	-71 024	-55 775	-89 218	
Total comprehensive income for the period attributable to:						
Non-controlling interests	0	0	-1	0	-9	
Shareholders in HBC (majority)	-32 864	-18 268	-71 023	-55 775	-89 209	
Total	-32 864	-18 268	-71 024	-55 775	-89 218	
Earnings per share (EPS)						
Basic earnings per share (NOK)	-0.10	-0.06	-0.22	-0.19	-0.29	

The interim financial information has not been subject to audit.

Consolidated condensed statement of financial position

(figures in NOK 1 000)	Q3 2020	Q3 2019	9M 2020	9M 2019	2019	Notes
Research, patents etc.	37 838	21 991	37 838	21 991	24 346	5
Property, plant and equipment	141 223	130 600	141 223	130 600	128 353	6
Financial assets	7 426	1 788	7 426	1 788	2 460	7
Total non-current assets	186 487	154 380	186 487	154 380	155 159	
Inventories	64 479	31 987	64 479	31 987	33 986	10
Trade receivables	7 285	6 682	7 285	6 682	5 542	12
Other current assets	11 268	28 128	11 268	28 128	3 771	
Cash and cash equivalents	23 769	109 362	23 769	109 362	94 553	
Total current assets	106 801	176 160	106 801	176 160	137 852	
Total assets	293 288	330 540	293 288	330 540	293 011	
Share capital	3 302	324 321	3 302	324 321	325 821	14
Other Paid in equity (+) Uncovered losses (-)	72 845	-179 128	72 845	-179 128	-207 389	
Non-controlling interests	-683	-673	-683	-673	-682	
Total equity	75 464	144 519	75 464	144 519	117 750	
Non-current liabilities interest bearing	92 661	110 162	92 661	110 162	103 510	
Total non-current liabilities	92 661	110 162	92 661	110 162	103 510	
Other Interest-bearing loans, leasing and borrowings	49 658	27 611	49 658	27 611	28 955	
Trade payables	63 648	39 602	63 648	39 602	29 712	
Other current liabilities	11 857	8 644	11 857	8 644	13 085	
Total current liabilities	125 164	75 858	125 164	75 858	71 752	
Total equity and liabilities	293 288	330 540	293 288	330 540	293 011	

The interim financial information has not been subject to audit.

Consolidated condensed statement of changes in equity

(figures in NOK 1 000)	Q3 2020	Q3 2019	9M 2020	9M 2019	2019	Notes
Equity at start of period	103 476	49 926	117 749	86 043	86 044	
Share based payment program costs	5 293	0	7 350	0	827	
Issue new shares 17th August 2019	0	114 251	0	114 251	117 935	
Issue new shares 1st October 2019	0	0	0	0	6 000	
Issue new shares 22nd March 2020	0	0	21 895	0	0	
Issue new shares 31st August 2020	11		11			
Share issue costs	-318	0	-385	0	-3 839	
Profit/loss for the period	-32 864	-18 268	-71 024	-55 775	-89 218	
Other comprehensive income/expenses	0	0	0	0	0	
Total comprehensive income	-32 864	-18 268	-71 024	-55 775	-89 218	
Equity at the end of period	75 598	144 519	75 598	144 519	117 749	

Earnings per share

(figures in NOK 1 000, except EPS)	Q3 2020	Q3 2019	9M 2020	9M 2019	2019
Number of shares end of period	330 209	324 321	330 209	324 321	323 821
Weighted average number of shares	329 448	309 093	328 233	299 606	304 500
Effect of employee stock options and warrants	5 349	0	5 349	0	6 484
Weighted average number of shares diluted	334 797	309 093	333 583	299 606	310 985
Basic earnings per share (NOK)	-0.10	-0.06	-0.22	-0.19	-0.29
Diluted earnings per share (NOK)	-0.10	-0.06	-0.22	-0.19	-0.29

Consolidated condensed cash flow statement

(figures in NOK 1 000)	Q3 2020	Q3 2019	9M 2020	9M 2019	2019
Cash flow from operational activities					
Profit before taxes	-32 864	-18 268	-71 024	-55 775	-89 218
Depreciation and write-off	5 969	6 758	17 258	19 458	22 190
Changes in Inventory	-9 596	10 490	-30 493	-2 585	-12 544
Changes in trade debtors	7 449	1 808	-1 743	8 015	12 006
Changes in trade creditors	13 993	-16 828	33 937	7 490	-19 817
Changes in other current bal. sheet items	8 384	4 443	1 976	-4 195	50 695
Classified as financial activities	2 896	2 306	6 979	6 981	3 621
Net cash flow from operational activities	-3 770	-9 291	-43 109	-20 611	-28 625
Cash flow from investment activities					
Investments in tangible assets	-13 467	-919	-27 017	-7 965	-16 718
Investments in intangible assets	-6 469	-6 236	-16 841	-6 836	-12 083
Other investments	-6 517	1 744	-6 517	1 581	0
Net cash flow from investment activities	-26 453	-5 412	-50 376	-13 220	-27 166
Cash flow from financing activities					
Issuance of share capital	11	117 935	21 907	117 935	108 935
Transaction cost on issue of shares	-318	-3 683	-385	-3 683	-3 839
Payment of interest	-2 896	-2 306	-6 979	-6 981	-8 065
Proceeds from borrowings	0	2 005	43 227	3 197	21 607
Repayment of borrowings	-3 803	-8 629	-35 069	-14 791	-22 062
Net cash flow from financing activities	-7 005	105 322	22 701	95 677	96 576
Net change in cash and cash equivalents	-37 229	90 619	-70 784	61 845	45 912
Cash and cash equivalents at the beginning of the period	60 997	19 868	94 553	48 641	48 641
Cash and cash equivalents at the end of the period	23 769	109 362	23 769	110 486	94 553
Available unused credit facility	37 000	0	37 000	0	0
Total cash and unused credit facility	60 769	109 362	60 769	110 486	94 553
Significant transactions in the accounts without cash flow:					
New shares subscribed from debt	0	15 000	0	15 000	15 000

Selected notes to the condensed financial statements

1. General information and basis for preparation

This report has been prepared in accordance with IAS 34 Interim Financial Statements. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

2. Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make judgments when choosing and applying accounting principles. Further, IFRS requires the management to make estimates based on judgments, and that estimates, and assumptions are realistic. All estimates are considered to be the most likely outcome based on the management's best knowledge.

The Group's most significant accounting estimates and areas of judgment are the following: a) Going concern, b) Allocation of production costs in manufacturing cost of finished product cost, c) Transactions with related parties, d) Recognition of intangible assets, e) Depreciation, amortization and impairment of fixed assets and intangible assets, f) Deferred tax asset, g)

Inventory – obsolescence and h) Assessment of losses on accounts receivables

Going Concern

In accordance with section 3-3a of the Accounting Act, it is confirmed that the assumptions regarding continued operations are present and that the interim report has been prepared under the assumption of continued operation. It is emphasized that there is uncertainty associated with continuing operations, considering the Group's ability to sell the products at sufficiently high prices, as the company has established several large contracts that secure volumes sold, but at a lower price than the long-term objective.

3. Taxes

Deferred tax assets are not been recognized in the financial statements. Estimated value is NOK 158.4m.

4. Transactions with related parties

Transactions with related parties are governed by market terms and conditions in accordance with the "arm's length principle".

5. Intangible assets

(figures in NOK 1 000)	R&D	Systems	Patents	Other	Total
Book value at 30.06.2020	28 599	2 909	553	1 144	32 749
Additions	5 888	252	0	329	6 469
Depreciations for the period	1 280	2	72	26	1 380
Book value at 30.09.2020	33 208	3 159	481	1 447	37 838
Economic life	10 years	5 years	5-10 years	10 years	

6. Property, plant and equipment

(figures in NOK 1 000)	Machines and Equipment	Fixtures and fittings	Total
Book value at 30.06.2020	43 986	112	44 098
Additions	13 323	144	13 467
Depreciations for the period	1 750	34	1 784
Book value at 30.09.2020	55 559	222	55 781
Economic life	5-10 years	3-10 years	
Method of depreciation	straight line	straight line	

Leased objects

(figures in NOK 1 000)	Rented buildings	Machinery and equipment	Other rentals	Total
Book value at 30.06.2020	59 329	26 307	1 581	87 217
Additions	0	0	0	0
Depreciations for the period	919	1 558	328	2 805
Book value at 30.09.2020	58 410	24 749	1 253	84 412
Economic life	13 years	5-10 years	3-5 years	
Method of depreciation	straight line	straight line	straight line	

7. Financial fixed assets

(figures in NOK 1 000)	Q3 2020	Q3 2019	9M 2020	9M 2019	2019
HFS Alliance Inc.	477	473	477	473	477
Atlantic Delights Limited	6 517	0	6 517	0	0
Investments in other companies	25	25	25	25	25
Other	407	1 290	407	1 209	1 958
Net cost of sales	7 427	1 788	7 427	1 788	2 460

8. Segments

(figures in NOK 1 000)	Q3 2020	Q3 2019	9M 2020	9M 2019	2019
Per product					
Salmon oil	5 281	4 551	21 463	18 379	24 228
Protein	948	19 040	2 528	19 725	20 418
Calcium	941	150	1 897	1 982	2 999
PHP	0	2 638	10 699	7 152	9 963
By-product/other	432	2 793	1 452	9 396	10 170
Insurance settlement	0	0	8 167	0	0
Total revenues	7 585	29 172	46 206	56 635	67 778

9. Cost of sales

(figures in NOK 1 000)	Q3 2020	Q3 2019	9M 2020	9M 2019	2019
Cost of goods sold	3 939	23 958	20 845	41 128	49 160
Write-downs inventory	223	1 348	2 012	1 862	10 410
Net cost of sales	4 163	25 306	22 857	42 990	59 570

10. Inventory

(figures in NOK 1 000)	Q3 2020	Q3 2019	2019
Per product			
Raw material	2 488	2 252	2 282
Finished goods	61 991	29 736	31 704
Total inventory	64 479	31 987	33 986

11. Salaries and other payroll costs

(figures in NOK 1 000)	Q3 2020	Q3 2019	9M 2020	9M 2019	2019
Salaries incl social security and pension	9 530	6 592	24 193	20 494	27 491
Share based payment	5 294	0	7 351	0	1 721
Salaries and other payroll costs	4 163	25 306	22 857	42 990	59 570

12. Trade receivables

(figures in NOK 1 000)	Q3 2020	Q3 2019	2019
Trade receivables	7 285	6 682	5 542
Total receivables	7 285	6 682	5 542

Accounts receivable are not interest-bearing receivables and general terms and conditions for payment are from 7 to 60 days. All significant accounts receivables are credit secured by Coface GK, limited to a maximum of MNOK 30 and with a coverage rate of 90 %. Historical credit losses for customers over the past five years are approximately NOK 0 million.

13. Finance

(figures in NOK 1 000)	Q3 2020	Q3 2019	9M 2020	9M 2019	2019
Interest expense	2 939	2 339	7 081	7 031	9 715
Interest income	43	34	102	50	529
Net currency exchange	-808	-1 581	-1 077	-433	-807
Gain on investments	0	0	0	0	4
Net financial items	-3 704	-3 886	-8 056	-7 414	-9 988

14. Shareholders

Largest shareholders as of 30.09.2020

Shareholder	Acc. Type	# of shares	% stake
SIX SIS AG	Nominee	77,188,447	23.38
ROGER HOFSETH AS	Ordinary	51,389,998	15.56
YOKOHAMA REITO CO. LTD	Ordinary	40,951,333	12.40
HOFSETH AS	Ordinary	32,403,409	9.81
BRILLIANT INVEST AS	Ordinary	11,000,000	3.33
SEAFOOD FARMERS OF NORWAY AS	Ordinary	10,574,921	3.20
CREDIT SUISSE (SWITZERLAND) LTD.	Nominee	9,153,152	2.77
HOFSETH INTERNATIONAL AS	Ordinary	8,585,905	2.60
GOLDMAN SACHS & CO. LLC	Nominee	5,738,166	1.74
HOFSETH AALESUND AS	Ordinary	4,860,718	1.47
INITIA AB	Ordinary	4,601,000	1.39
SWELANDIA INTERNATIONAL AB	Ordinary	3,272,000	0.99
BOMI FRAMROZE HOLDING AS	Ordinary	3,253,370	0.99
THE NORTHERN TRUST COMP, LONDON BR	Nominee	3,068,667	0.93
J.P. MORGAN SECURITIES LLC	Nominee	3,032,648	0.92
UBS SWITZERLAND AG	Nominee	2,479,798	0.75
INTERACTIVE BROKERS LLC	Ordinary	2,456,825	0.74
HOFSETH LOGISTICS AS	Nominee	2,439,062	0.74
SAXO BANK A/S	Nominee	2,241,271	0.68
ØDEGÅRD PROSJEKT AS	Ordinary	2,104,039	0.64
Total 20 largest		280,794,729	85.04
Total other		49,414,272	14.96
Total no. of outstanding shares		330,209,001	100.00

Total no. of shareholders: 1,291

This is Hofseth BioCare






HBC is a Norwegian biotech company that develops high-value ingredients and finished products. The ingredients are in various stages of discovery and preclinical development in collaboration with multiple clinics and university research labs in several countries.

Lead preclinical and clinical candidates are in development toward treatment for iron-deficiency anemia, Gastro-Intestinal Inflammation (NEC/IBS/UC), prediabetes, age-related sarcopenia and osteoarthritis. The company is founded on the core values of sustainability, traceability and optimal utilization of natural resources. Through an innovative hydrolysis technology, HBC can preserve the quality of lipids, proteins and calcium

from fresh salmon off-cuts. Hofseth BioCare's headquarters are in Ålesund, Norway with branches in Oslo, London, Zürich, Chicago, Menlo Park and Tokyo.

HBC is listed on Oslo Stock Exchange Axxess list with ticker "HBC". More information about Hofseth BioCare at hofsethbiocare.com and facebook.com/hofsethbiocare

OUR PRODUCTS AND INGREDIENTS

Ingredient	About	Finished products
OmeGo 	Fresh unrefined salmon oil. Produced with 4 years shelf life, full specter of omegas and natural antioxidants.	Cardio Salmon Oil™ for human consumption and Brilliant Salmon Oil™ for pets
ProGo 	Salmon protein hydrolysate. Peptides for fast uptake, and documented BMI reduction, hemoglobin and energy increase	Endurance Protein™ series as sports nutrition for athletes, active and people looking for a high quality, hypoallergenic protein source
CalGo 	Marine bone powder, as hydroxyapatite form of calcium for best bone growth and density increase	Strength Calcium™ as tablets for human consumption
PetGo 	Partially hydrolyzed salmon protein produced as salmon meal for feed and pet food industry	Sold in bulk as an ingredient for specialized recipes
CollaGo 	Salmon peptides with more than 25 % collagen type I & III for skin, hair and nails.	Collagen Peptides for human consumption as drink

IR CONTACTS

James Berger, Head of Investor Relations
Tel: +41 79 950 1034
E-mail: jb@hofsethbiocare.no

Jon Olav Ødegård, CFO
Tel: +47 936 32 966
E-mail: joo@hofsethbiocare.no

Dr. Crawford Currie, Medical R&D
Tel: +44 7968 195 497
E-mail: cc@hofsethbiocare.no

CALENDAR



Q1/21 Financial Report