



Fourth Quarter 2020 Financial Report

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CEO Statement

We have a solid financial base from which we will continue on our steady strategic course, investing in the commercialization of our consumer products, as well as in research and development



2020 was an extraordinary year in so many ways, for the world, for HBC and for all our colleagues. The pandemic has had a dramatic effect on millions of families around the world, and HBC's top priority from the start of the pandemic has been to protect the health and safety of our employees and their families. Thankfully, we can report that the pandemic so far has had limited impact to HBC.

There has been a high level of activity in HBC during 2020, and we have made significant strides forward in many fields. In production, we have expanded our facility at Midsund, which is now ready to support HBC's next phase of growth with a new on-site spray dry facility together with a significantly expanded R&D laboratory. Both will be strategically important in the years to come.

With our unique, sustainably produced salmon oil we have started to move into higher value nutritional products and medical treatments. Our scientific research, led by Dr Bomi Framroze, has discovered nearly 20 leads for targeted nutritional and health benefits from our products. As such there is tremendous potential for us to improve human health. We are investing significantly in research and development, aiming to further explore and document the differentiated health benefits of our products.

Although there is much work left to be done to explore these exciting leads, we are already seeing the results of our efforts. In the fourth quarter, the Canadian health authorities approved novel health claims for the bioactive peptides contained in our Salmon Protein Hydrolysate (ProGo® and CollaGo®). HBC now has the first non-iron based product to help sustain healthy iron stores in the body which ultimately helps prevent iron deficiency anemia. We also received a claim for the pro-

vision of antioxidant effects for the benefit of health. This is a truly unique label as the peptides contain neither iron nor antioxidants!

The approval of these health claims coincides with the start of major commercial ramp up of HBC's Consumer Health Division. During the fourth quarter, HBC recruited three highly skilled, senior sales executives with experience of building a range of international consumer health brands. In addition, we have entered partnerships with renowned distribution and marketing organizations covering several large territories. The aim is to establish strong brands for our products to be sold into segments such as OTC pharmacies, sports nutrition and cosmetics. All in all, this will strengthen the cash generation from our established business, providing further funding sources for our planned development projects.

At the end of 2020 we completed a successful capital increase and raised new equity totalling NOK 220 million, and as of December 2020 our shares now trade on the main board of Oslo Børs. As such, we have a solid financial base from which we will continue our steady strategic course, investing in the commercialization of our consumer products, as well as in research and development, to support the long-term development of HBC, a business built on high value nutrition and pharmaceutical ingredients.

Roger Hofseth, CEO

Key Figures & Highlights

	Q4 2020	Q4 2019	2020	2019
Gross operating revenue	23 053	11 143	69 252	67 778
EBITDA	-19 670	-23 215	-65 380	-52 118
Operating profit/loss	-29 067	-31 213	-92 035	-79 574
Net cash flow	148 527	-14 809	78 282	45 912
Equity ratio	57.4%	40.2%	57.4%	40.2%

HIGHLIGHTS IN THE FOURTH QUARTER

- › Successful completion of a private placement of NOK 200m by issuance of approx. 24.69m new shares into existing and new institutional shareholders and HBC listed on Oslo Børs on December 14th.
- › 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.
- › Signed a Pan-Asian exclusive collaboration with DKSH for distribution of HBC branded ingredients including across China, India, Japan & Korea, and an exclusive distribution agreement with IMCD Performance material division for 16 territories globally including the USA & Canada.
- › Boosts Sales and Marketing in its Consumer Health division by hiring ex-No-vartis and ex-GSK senior executives Andy Gill and ex-Johnson & Johnson Senior Commercial leader Will Urban-Smith.
- › HBC and Tenet Partners initiated a long-term collaboration to build a global brand and launch HBC own branded consumer health products.

POST-PERIOD HIGHLIGHTS

- › Hired ex-Lonza senior executive Reto Renggli in Consumer Health division to focus on product development and global expansion. The new addition to the team is the last in a series of recruitments focusing on ramping up sales and international growth.

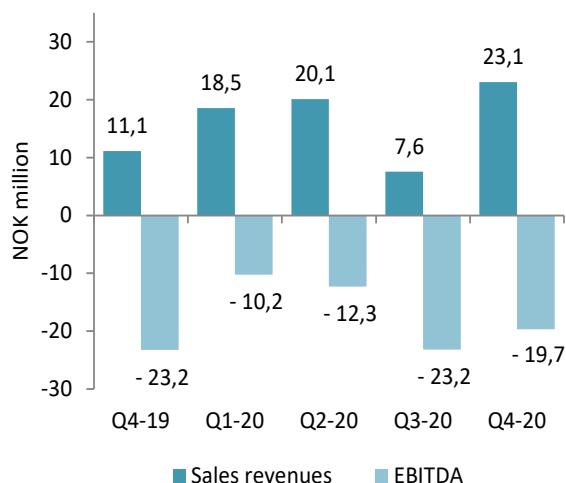
Financial Review

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

P&L Fourth Quarter and Full year 2020

HBC had gross operating revenues of NOK 69.3m (67.8m) in 2020 and operating revenues of NOK 23.1m (11.1m) in the fourth quarter. Gross revenues included NOK 14.3m in insurance claim settlements during 2020.

Cost of Goods Sold (CoGS) amounted to NOK 16.7m (16.6m) in the quarter and NOK 39.5m for the full year (59.6m). Operational profit (EBITDA) for the fourth quarter 2020 was NOK -16.7m (-23.2m) and for the full year NOK -65.4m (-52.1m). In the full year 2020, Salaries increased by NOK 13.4m, compared to the same period 2019 due to new employees in sales and operations, including NOK 7.9m in a share-based payment program. OPEX increased by NOK 21.3m, compared to 2019, mainly due to increased R&D and clinical work in 2020.



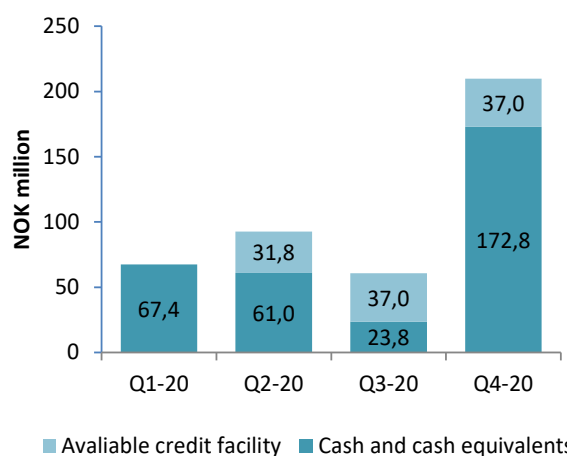
Gross margin was 28 % in the fourth quarter and 43 % for the full year, including other operating revenues in the first and fourth quarter. Net financial items in the fourth quarter were



NOK -1.8m (-2.2m) and NOK -9.9m in 2020 (-9.6m). Loss before tax was NOK 30.9m in the quarter and NOK 101.9m for 2020, compared to a loss of NOK 33.4m during fourth quarter and NOK 89.2m in 2019.

Cash flow

Cash flow from operations during the fourth quarter was NOK -17.1m and NOK -59.7m in 2020, compared to NOK -11.0m and NOK -31.6m in the respective periods last year. Net cash flow from investment activities was NOK -12.6m in the fourth quarter and NOK -63.0m in 2020, compared to NOK -14.0m and NOK -27.2m for the corresponding periods last year.



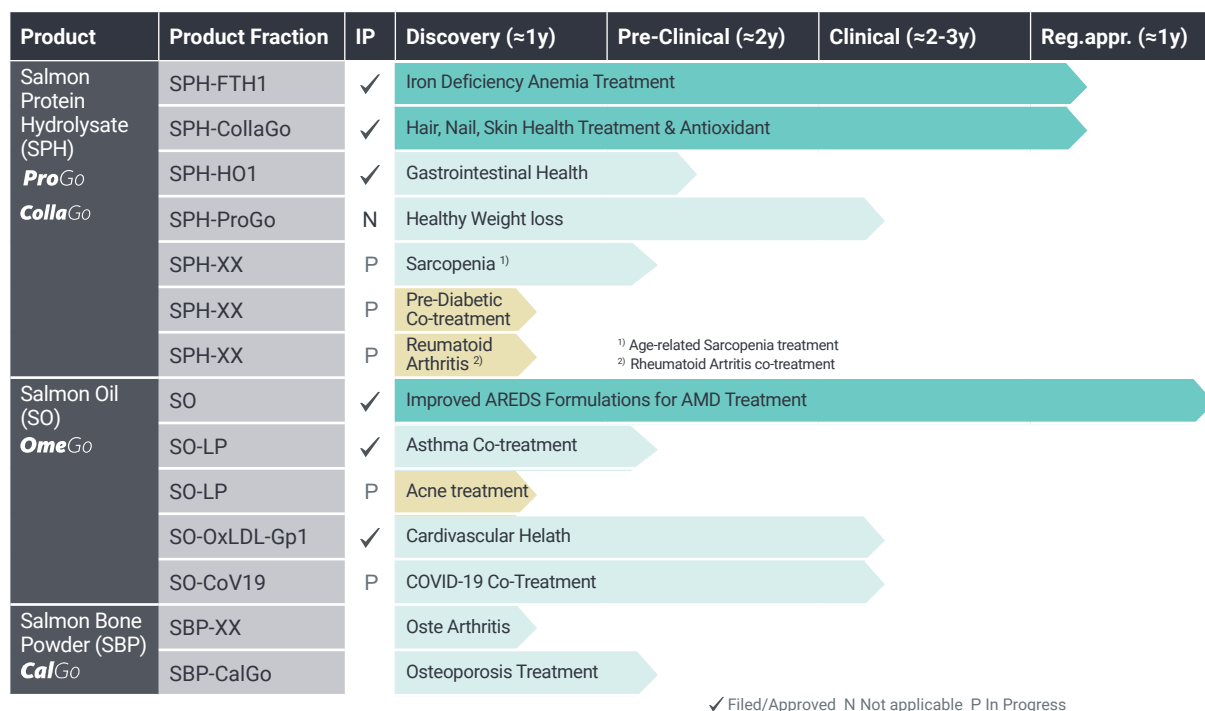
Cash flow from the financing activities amounted to NOK 178.2m in the fourth quarter and NOK 200.9m in 2020, compared to NOK -0.2m in the fourth quarter and NOK 96.6m in 2019. Cash and cash equivalents increased by NOK 148.5m during the quarter, leaving total holding of cash and cash equivalents at NOK 172.8m by the end of the period, compared to NOK 84.2m by the end of the fourth quarter 2019. Including credit facilities, HBC had NOK 209.8m in free liquidity by the end of the fourth quarter.

Financial position

Total assets for HBC were NOK 460.0m at the end of fourth quarter of 2020 (293.0m). Deferred tax assets are not recognized in the balance sheet but the estimated value is NOK 164.8m. Total equity amounted to NOK 263.9m (117.8) corresponding to an equity ratio of 57.4 % (40.2 %) for the group.

Pipeline

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



R&D Indications & Discovery update

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

- i. 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 process has led to 7 closely related peptides which are being individually elucidated for filing a new patent application. The company believes that in 2021 we will be able to carry out the required clinical trials with an IDA-Enhanced-SPH product target to anemia and begin the process to file for “new chemical entity” (NCE) status with the FDA.
- ii. identification of one unrelated and two related non-Omega fatty acid compounds that modulate eosinophil effector function with the potential to treat eosinophilic asthma and other eosinophilic conditions has been completed. An accelerated p2/3 trial in Covid-19 targeting patients with SARS-CoV-2 infections and in whom this results in overactivity of eosinophils has recruited patients in Canada and will add patients from Brazil, Mexico and Hungary in this quarter. The first in-vivo animal trial on modulating eosinophilia with OmeGo was completed successfully.
- iii. Ongoing testing of new models of gastrointestinal injury /

- inflammation are progressing in various in vitro cellular systems simulating the pathology of necrotizing enterocolitis (NEC) / inflammatory bowel disease (IBD) / Leaky gut
- iv. The completion of an in vitro assay for sarcopenia treatment has shown the SPH contains myostatin inhibitory peptides.

CARDIO™ softgels in COVID-19 treatment

Patient recruitment for our Health Canada approved clinical trial remains challenging in the Q4 due to competing Covid-19 treatment trials and periodic 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 and recruited multiple patients into the trial in this quarter. We have also submitted for regulatory approval to recruit patients in Mexico and Brazil, and expect FPI in Q1 2021.

The aim is to prevent progression from moderate and mild to severe COVID-19 in SARS-CoV-2 infected patients, which is the same outcome that has gained Emergency Therapeutic Vaccine approval for 5 vaccines. We have expanded inclusion/exclusion criteria to account for rapidly changing information on the SARS-Cov-2 pandemic and received Health Canada Revised Protocol approval. This study remains an open-labeled, accelerated proof-of-concept trial 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 SARS-CoV-2 patients.



We believe this mechanism of action of CARDIO will help reduce the number of COVID-19 patients who will progress to severe disease and require assisted respiration management as well as shorten their time to recovery.

Steroid-treatment resistant asthma therapeutic

Our study report on “Evaluation of the effects of OmeGo Salmon oil, 18/12 Fish Oil, Cod Liver Oil and Fevipiprant on chemotaxis to leukotriene B4 in guinea pig peritoneal eosinophils” was completed and issued.

We completed 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. The study will be completed in Q1 2021.

Our efforts at elucidating the active component(s) in OmeGo responsible for the eosinophil activity have led to three compounds being identified. One is a known compound but with no eosinophil modulation activity described while the other two compounds may be novel derivatives of known structures, also with no eosinophil modulation activity disclosed. Patent filings are being worked on.

Treatment of iron deficiency anemia

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 expect to identify the related peptide mix responsible for the activity in Q1 2021.

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 push forward on our multi-year research collaboration with Prof. Karl Sylvester at Stanford University School of Medicine. Further Oxidative Injury based on the HT-29 (tumor cell lines) with short chain fatty acid sensitization from formate, butyrate and TNFalpha induced damage showed good prophylactic protection with SPH. We will progress to 3-D organoid testing in Q1/Q2 2021 towards our development of our Necrotizing EnteroColitis and Irritable Bowel Syndrome medical food label claims.

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. Myostatin (GDF-8) is a human growth factor hormone that normally acts as a “brake” that stops muscle growth, preventing them from getting too large and causing injury. Myostatin levels increase with age and are significantly higher in patients with muscle atrophic disorders such as sarcopenia, muscular dystrophy, ALS, MS, cancer cachexia and disuse muscle atrophy, which all involve significant loss of muscle mass. Therefore, inhibiting myostatin is an active area of research with the potential to help prevent the loss of muscle in these diseases.

This quarter we completed our assay to discover if any peptides present in SPH exhibit human myostatin inhibitory activity. The Luciferase Activity assay results clearly show that one or more peptides present in SPH have myostatin inhibitory activity and some measure of improved lean body mass and lowering of BMI seen in multiple clinical trials with SPH, may be attributed to this myostatin inhibitory effect.

We will continue to progress the potential impact of our bioactive peptides toward sarcopenia treatment towards an in vivo animal trial in Q3 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 SPH inhibition of

pancreatic α -amylase and intestinal α -glucosidase enzymes did not show a dose response curve nor inhibition at clinically relevant doses in multiple assays. In 2021, we will also continue to investigate other potential MOA's that can improve insulin function using our bio-active peptides towards therapeutics that directly assist in the retardation of the progression from prediabetic to diabetic diagnosis.

Other indications

Further work continues in the closing months of 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) applications of SPH in GI health of poultry production.

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

Q4 was an extremely busy and successful quarter for HBC as it began its journey to build a new senior Consumer Healthcare sales division, as well as signing up a world class network of partners with which to grow its presence. The strategy in B2B was cemented through exclusive agreements with world leading distributors IMCD and DKSH. Then for its B2C strategy, a major two-and-a-half-year collaboration with Tenet Partners to build a brand was also agreed. This will enable HBC to go direct to the consumer with a new identity and connection with consumers towards the end of this year.

Garden of Life update

Notwithstanding the inevitable delay in 2020 to new product launches in this new Covid world, Garden of Life remains committed to launch novel formulas using our product(s).

Garden of Life's VP of R&D, Jeff Brams, says: "Following extensive market research, we've validated the strong consumer perception of health benefits associated with Salmon. HBC's investment into scientific research continues to validate consumer perception. We believe that this protein will prove disruptive to what has become a commoditized category. Identifying early consumer trends is something that GOL prizes itself in doing and we have firm conviction that our product line up, accompanied with one of our most exciting marketing campaigns, will draw new consumers to GOL. We have spent a considerable amount of time and energy developing the taste profiles that consumers will love and we look forward to bringing these innovative formulas to market." The launch will be facilitated by improvements HBC is driving by opening its new

spray dry facility, which just completed installation.

New Team - Consumer Healthcare Division

Andy Gill (VP) is a highly accomplished commercial leader with over 20 years' experience in driving growth in the Healthcare and FMCG industries. He has held several senior commercial leadership positions in both Novartis Consumer Health and GSK Consumer Health spanning areas such as customer and category management, consumer marketing, commercial excellence and strategic planning. Mr Gill has broad experience in grocery, pharmacy and e-commerce channels working across multiple consumer healthcare categories and global brands.

Will Urban-Smith (VP) is another experienced and proven commercial leader within consumer healthcare and FMCG and joins HBC after more than 15 years at Johnson & Johnson (J&J), where he has held various senior leadership positions across sales & customer management, commercial strategy, and revenue growth. In his most recent role as Sales Director, he was responsible for building J&J's strategic relationships with key UK and global customers to drive long-term value, leading to the development of channel growth strategies, new distributor agreements and B2B e-commerce platforms.

Reto Renggli (VP) is a highly accomplished leader with two decades of global experience in marketing, business development and the sales of scientific based branded raw materials to the human and pet food sector. As the former Head of Sales and Marketing of Health Ingredients at Lonza, the Swiss based life sciences business, he has a broad experience of developing new markets, specifically in the channels that matter to HBC, including sports nutrition and joint health among others. He managed key commercial relationships with multinationals such as Nestle, and Danone and we expect that this will facilitate our aim of opening new relationships directly with global FMCG in the weeks and months ahead.

Worldwide Distribution Agreements

HBC signed comprehensive distribution contract with leading speciality chemicals and ingredients distributor IMCD to cover sixteen territories worldwide including the US & Canada, most of South America, including Argentina, Brazil, and Mexico, as well as Australia, New Zealand, South Africa and Turkey. The distribution agreement was part of a major step towards not only a global distribution of nutritional and nutraceutical grade products, but also further independent validation of the unique and first-class nature of the HBC proposition. IMCD's activity is the sales, marketing and distribution of human & pharma grade raw materials through extensive local networks, market intelligence and technical expertise. HBC still maintains the right to sell products for use as ingredients for Nestle-owned brands including Garden of Life in the United States.

Following on from this exciting agreement, HBC then also

signed up DKSH, performance materials division to similarly distribute the same ingredients exclusively into 10 Asian territories, including China, India, and Japan. These agreements also clearly complement the recent senior hires who have extensive knowledge of how to manage and promote products through third party distributors.

Pet Nutrition

HBC was awarded the Editor's Choice Award on the Pet Product News (PPN) online publication, one of the largest portals for pet retailers and manufacturers. There were over one thousand participants for the award, so this was truly an astonishing independent verification from the industry to strongly endorse the product. This is not all – Brilliant was also awarded the Pet Business Product of the year 2020 award. These two remarkable accolades certainly put the pet supplement Brilliant Salmon oil business on a great trajectory to grow market share substantially throughout 2021. We are encouraged by the rate of market share gains in the US and are hopeful that some major pet stores business will begin retailing Brilliant into the mass market this year.

Human health – New Brand

HBC has started the branding project with Tenet Partners in New York. The project will build a consumer brand with a clear vision to motivate connections with consumers. Tenet have a long history of success with a particular focus on healthcare and consumer products, making them an excellent partner for HBC. It is HBC's intention to build its brand equity in both the wellness and OTC segments using the recently approved Qualified Health Claims for preventing Iron-deficiency Anemia.

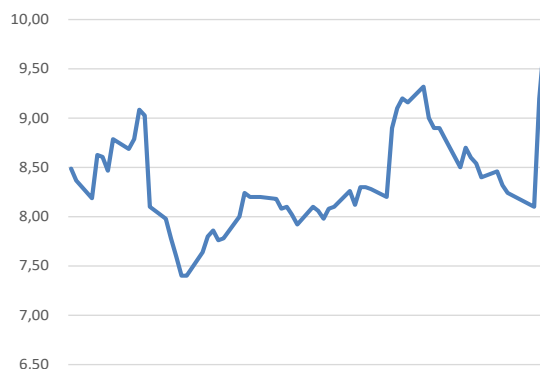
Given our new team members' vast know-how at brand development, both Andy Gill and Will Urban-Smith, will contribute to the Tenet project. For context, Andy has played a major role in developing many internationally recognised brands, including Voltaren, Otrivin, Panadol, Sensodyne and Parodontax and Will has worked closely on brand development and growth strategies for some of J&J's largest global brands such as Johnson's Baby, Aveeno, Listerine, Neutrogena and Nicorette. We

firmly believe we now have a team that can leverage both the science and the manufacturing to explore major B2C routes going forward.

Our current selection of supplements is now available online from Feb 10th on Amazon in the UK and in the rest of Europe a few weeks later – there had been some initial delays due to one-off Brexit paperwork related issues as the main Amazon distribution centre is in the UK for the whole of Europe as well.

Share information

HBC shares were traded between NOK 7.40 and 9.80 per share in the fourth quarter and the last closing price on 31 December 2020 was NOK 9.80.



Based on 357,831,030 outstanding shares, this values HBC's equity at approximately NOK 3,507m. As of 31 December 2020, HBC had 1,385 shareholders. The 20 largest shareholders controlled 85.22 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 fourth quarter 2020.

Hofseth BioCare ASA Board of Directors
Ålesund, 5 February 2021

Ola Holen
Chairman of the board

Henriette G. Heggdal
Board member

Kristin Fjellby Grung
Board Member

Christoph Baldegger
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)	Q4 2020	Q4 2019	2020	2019	Notes
Sales revenue	17 425	11 143	54 933	67 778	<u>8</u>
Other revenue	5 628	0	14 319	0	
Gross operating revenue	23 053	11 143	69 252	67 778	
Cost of sales	16 675	16 580	39 532	59 570	<u>9</u>
Salaries and other payroll costs	11 097	8 718	42 641	29 212	<u>11</u>
Other operating expenses	14 951	9 059	52 458	31 114	
EBITDA	-19 670	-23 215	-65 380	-52 118	
Depreciation and Write-down	9 397	7 998	26 655	27 456	
Operating profit/loss (EBIT)	-29 067	-31 213	-92 035	-79 574	
Financial income	1 089	1 126	3 364	5 148	<u>13</u>
Financial expenses	2 885	3 356	13 215	14 792	<u>13</u>
Net financial items	-1 795	-2 230	-9 851	-9 644	<u>13</u>
Profit/loss before taxes	-30 862	-33 443	-101 886	-89 218	
Tax expense	0	0	0	0	
Profit for the period	-30 862	-33 443	-101 886	-89 218	
Total comprehensive income for the period attributable to:					
Non-controlling interests	0	0	-1	-9	
Shareholders in HBC (majority)	-30 862	-33 443	-101 885	-89 209	
Total	-30 862	-33 443	-101 885	-89 218	
Earnings per share (EPS)					
Basic earnings per share (NOK)	-0.09	-0.10	-0.31	-0.29	

The interim financial information has not been subject to audit.

Consolidated condensed statement of financial position

(figures in NOK 1 000)	Q4 2020	Q4 2019	2020	2019	Notes
Research, patents etc.	42 434	24 346	42 434	24 346	5
Property, plant and equipment	138 066	127 814	138 066	127 814	6
Financial assets	7 333	2 460	7 333	2 460	7
Total non-current assets	187 833	154 620	187 833	154 620	
Inventories	73 302	34 525	73 302	34 525	10
Trade receivables	14 267	5 542	14 267	5 542	12
Other current assets	11 792	3 771	11 792	3 771	
Cash and cash equivalents	172 835	94 553	172 835	94 553	
Total current assets	272 196	138 391	272 196	138 391	
Total assets	460 029	293 011	460 029	293 011	
Share capital	3 578	325 821	3 578	325 821	14
Other Paid in equity (+) Uncovered losses (-)	260 973	-207 389	260 973	-207 389	
Non-controlling interests	-683	-682	-683	-682	
Total equity	263 869	117 750	263 869	117 750	
Non-current liabilities interest bearing	89 301	103 510	89 301	103 510	
Total non-current liabilities	89 301	103 510	89 301	103 510	
Other Interest-bearing loans, leasing and borrowings	11 652	28 955	11 652	28 955	
Trade payables	84 956	29 712	84 956	29 712	
Other current liabilities	10 247	13 085	10 247	13 085	
Total current liabilities	106 859	71 752	106 859	71 752	
Total equity and liabilities	460 029	293 011	460 029	293 011	

The interim financial information has not been subject to audit.

Consolidated condensed statement of changes in equity

(figures in NOK 1 000)	Q4 2020	Q4 2019	2020	2019	Notes
Equity at start of period	74 464	145 907	117 750	86 044	
Share based payment program costs	507	1 589	7 857	827	
Issue new shares 17th August 2019	0	0	0	117 935	
Issue new shares 1st October 2019	0	5 816	0	6 000	
Issue new shares 22nd March 2020	0	0	21 895	0	
Issue new shares 31st August 2020	0	0	11	0	
Issue new shares 27th October 2020	200 000	0	200 000	0	
Issue new shares 30th October 2020	23 738	0	23 738	0	
Share issue costs	-5 112	-2 120	-5 363	-3 839	
Profit/loss for the period	-30 862	-33 443	-101 886	-89 218	
Other comprehensive income/expenses	0	0	0	0	
Total comprehensive income	-30 862	-33 443	-101 886	-89 218	
Equity at the end of period	263 869	117 750	263 869	117 750	

Earnings per share

(figures in NOK 1 000, except EPS)	Q4 2020	Q4 2019	2020	2019
Number of shares end of period	357 831	325 821	357 831	323 821
Weighted average number of shares	347 878	325 821	333 650	304 500
Effect of employee stock options and warrants	5 349	6 484	5 349	6 484
Weighted average number of shares diluted	353 227	332 305	339 000	310 985
Basic earnings per share (NOK)	-0.09	-0.10	-0.31	-0.29
Diluted earnings per share (NOK)	-0.09	-0.10	-0.31	-0.29

Consolidated condensed cash flow statement

(figures in NOK 1 000)	Q4 2020	Q4 2019	2020	2019
Cash flow from operational activities				
Profit before taxes	-30 862	-33 443	-101 886	-89 218
Depreciation and write-off	9 397	7 998	26 655	22 190
Changes in Inventory	-8 823	-2 538	-38 777	-12 544
Changes in trade debtors	-6 983	1 140	-8 725	12 006
Changes in trade creditors	21 308	-9 890	55 245	-19 817
Changes in other current bal. sheet items	-2 839	23 494	-864	50 695
Classified as financial activities	1 754	2 204	8 734	3 621
Net cash flow from operational activities	-17 048	-11 035	-59 619	-28 625
Cash flow from investment activities				
Investments in tangible assets	-7 646	-11 430	-34 663	-16 718
Investments in intangible assets	-4 970	-5 355	-21 811	-12 083
Other investments	0	-3 216	-6 517	0
Net cash flow from investment activities	-12 616	-20 001	-62 991	-27 166
Cash flow from financing activities				
Issuance of share capital	223 738	6 000	245 645	108 935
Transaction cost on issue of shares	-5 112	-184	-5 497	-3 839
Payment of interest	-1 754	-2 204	-8 734	-8 065
Proceeds from borrowings	0	18 409	43 227	21 607
Repayment of borrowings	-38 681	-6 017	-73 750	-22 062
Net cash flow from financing activities	178 191	16 004	200 892	96 576
Net change in cash and cash equivalents	148 527	-14 809	78 282	45 912
Cash and cash equivalents at the beginning of the period	24 308	109 362	94 553	48 641
Cash and cash equivalents at the end of the period	172 835	94 553	172 835	94 553
Available unused credit facility	37 000	0	37 000	0
Total cash and unused credit facility	209 935	94 553	209 935	94 553
Significant transactions in the accounts without cash flow:				
New shares subscribed from debt	0	0	0	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 168.8m.

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 30.09.2020	33 208	3 159	481	1 447	37 838
Additions	4 970	0	0	0	4 970
Depreciations for the period	274	2	72	26	374
Book value at 31.12.2020	37 904	3 157	409	1 421	42 434
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 30.09.2020	55 559	222	55 781
Additions	7 027	618	7 646
Depreciations for the period	1 750	34	1 784
Book value at 31.12.2020	60 837	806	61 643
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 30.09.2020	58 410	24 749	1 253	84 412
Additions	0	0	0	0
Depreciations for the period	858	1 558	328	2 744
Book value at 31.12.2020	57 552	23 191	925	81 668
Economic life	13 years	5-10 years	3-5 years	
Method of depreciation	straight line	straight line	straight line	

7. Financial assets

(figures in NOK 1 000)	Q4 2020	Q4 2019	2020	2019
HFS Alliance Inc.	477	477	477	477
Atlantic Delights Limited	6 517	0	6 517	0
Investments in other companies	25	25	25	25
Other	314	1 958	314	1 958
Net cost of sales	7 333	2 460	7 333	2 460

8. Segments

(figures in NOK 1 000)	Q4 2020	Q4 2019	2020	2019
Per product				
Salmon oil	11 851	5 697	33 314	24 228
Protein	655	693	3 183	20 418
Calcium	468	935	2 365	2 999
PHP	2 021	2 837	12 719	9 963
By-product/other	1 906	981	3 352	10 170
Insurance settlement	6 152	0	14 319	0
Total revenues	23 052	11 143	69 252	67 778

9. Cost of sales

(figures in NOK 1 000)	Q4 2020	Q4 2019	2020	2019
Cost of goods sold	13 333	8 032	34 179	49 160
Write-downs inventory	3 341	8 549	5 353	10 410
Net cost of sales	16 674	16 581	39 532	59 570

10. Inventory

(figures in NOK 1 000)	Q4 2020	Q4 2019	2020	2019
Per product				
Raw material	3 468	2 282	3 468	2 282
Finished goods	67 316	31 704	67 316	31 704
Spare parts equipment	2 519	539	2 519	539
Total inventory	73 302	34 525	73 302	34 525

11. Salaries and other payroll costs

(figures in NOK 1 000)	Q4 2020	Q4 2019	2020	2019
Salaries incl social security and pension	10 637	6 997	34 830	27 491
Share based payment	460	1 721	7 811	1 721
Salaries and other payroll costs	11 097	8 718	42 641	59 570

12. Trade receivables

(figures in NOK 1 000)	Q4 2020	Q4 2019	2019
Trade receivables	14 267	5 542	5 542
Total receivables	14 267	5 542	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)	Q4 2020	Q4 2019	2020	2019
Interest expense	2 205	2 684	9 287	9 715
Interest income	451	479	553	529
Net currency exchange	-41	-374	-1 118	-807
Gain on investments	0	4	0	4
Net financial items	-1 795	-2 574	-9 851	-9 988

14. Shareholders

Largest shareholders as of 31.12.2020

Shareholder	Acc. Type	# of shares	% stake
SIX SIS AG	Nominee	78,149,331	21.84
HOFSETH INTERNATIONAL AS	Ordinary	58,881,778	16.46
ROGER HOFSETH AS	Ordinary	51,439,998	14.38
YOKOHAMA REITO CO. LTD	Ordinary	40,951,333	11.44
CREDIT SUISSE (SWITZERLAND) LTD.	Nominee	11,832,269	3.31
BRILLIANT INVEST AS	Ordinary	11,000,000	3.07
GOLDMAN SACHS & CO. LLC	Nominee	8,326,830	2.33
CITIBANK, N.A.	Nominee	6,292,683	1.76
INITIA AB	Ordinary	4,601,000	1.29
UBS AG	Nominee	4,549,804	1.27
JPMORGAN CHASE BANK, N.A., LONDON	Nominee	3,486,960	0.97
BOMI FRAMROZE HOLDING AS	Ordinary	3,253,370	0.91
THE NORTHERN TRUST COMP, LONDON BR	Nominee	3,174,397	0.89
SWELANDIA INTERNATIONAL AB	Ordinary	3,147,000	0.88
CLEARSTREAM BANKING S.A.	Nominee	2,967,210	0.83
UBS SWITZERLAND AG	Nominee	2,806,994	0.78
EUROCLEAR BANK S.A./N.V.	Nominee	2,620,064	0.73
INTERACTIVE BROKERS LLC	Nominee	2,578,796	0.72
SAXO BANK A/S	Nominee	2,575,692	0.72
BANK JULIUS BÄR & CO. AG	Nominee	2,301,318	0.64
Total 20 largest		304,936,827	85.22
Total other		52,894,203	14.78
Total no. of outstanding shares		357,831,030	100.00

Total no. of shareholders: 1,385






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.

Research is ongoing to identify the individual elements within the products that modulate inflammation and the immune response with pre-clinical studies in multiple clinics and university research labs in several countries. Lead clinical and pre-clinical candidates are in development for the protection of the Gastro-Intestinal (GI) system against inflammation, including ulcerative colitis and the orphan condition necrotising enterocolitis, as a Medical Food to help treat age-related Sarcopenia, and as a treatment for Iron Deficiency Anemia, all using peptide fractions of Salmon Protein Hydrolysate.

Preclinical trial work with the oil is ongoing to ameliorate lung inflammation in eosinophilic asthma and COPD ("smokers lung") as well as clinical work in COVID. HBC is founded on the core values of sustainability 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. HBC's headquarters are in Ålesund, Norway with branches in Oslo, London, Zürich, Chicago, Mumbai, Palo Alto and Tokyo. HBC is listed on Oslo Stock Exchange with ticker "HBC".

OUR PRODUCTS AND INGREDIENTS

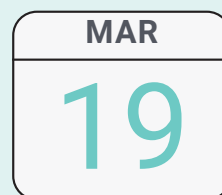
Ingredient	About	Finished products
	Fresh unrefined salmon oil. Produced with 4 years shelf life, full specter of omegas and natural antioxidants.	Cardio Salmon Oil™ for human consumption and Brilliant Salmon Oil™ for pets
	Salmon protein hydrolysate. Peptides for fast uptake, and documented BMI reduction,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

IR CONTACTS

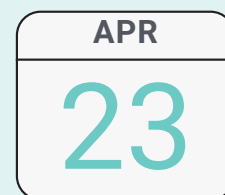
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Annual Report



Annual General Meeting