Second Quarter 2021 Financial Report

Published:
27.08.2021

CEO Statement

During the last twelve months, we have significantly increased our research efforts to explore new indications and to garner further clinical evidence in our focus areas of research. In Q2 we opened a Clinical Trial Unit at our headquarters in Ålesund.

During the second quarter of 2021, Hofseth BioCare has continued to deliver on both our commercial activities our comprehensive R&D program with successful results.

We remain totally committed to our mission of turning fish waste into high value consumer health products. Every day, tons of fish off-cuts are collected from the Hofseth Group facilities. These are brought to our facility without delay in refrigerated containers to ensure we maintain all the health benefits contained in this high-quality raw material. Hofseth BioCare's proprietary enzymatic hydrolysis process has been developed and optimised from more than 15 years research and development. This enables us to convert the salmon off-cuts into differentiated products to enhance human health: our calcium bone powder, our fresh unrefined salmon oil, our pure bioactive peptides, and our collagen at our Midsund production facility, on the Atlantic coast of Norway.

Not only are these products valuable nutritional supplements, but over time we have identified close to 20 distinct scientific leads, which will enable us to progressively deliver important targeted nutritional and health benefits with our products. We have unique label claims for our bioactive peptides in North America and asthma, weight management and gastrointestinal inflammation are among the conditions for which our products have demonstrated positive health benefits.

During the last twelve months, we have significantly increased our research efforts to explore new indications and to garner further clinical evidence in our focus areas of research. In Q2 we opened a Clinical Trial Unit at our headquarters in Ålesund. This team consists of two Medical Doctors, two registered nurses and one physiotherapist. The research unit adds to our established research activities in the USA, which has close ties to several world-leading academic institutions, including Stanford University School of Medicine. In Q3 we will initiate our clinical study of 100 participants at the Clinical Trial Unit in Ålesund., The trial will assess the extent to which CalGo prevents bone thinning in women with osteopenia. A trial in joint health will follow soon after.

We continue to strengthen the reach and distribution of our consumer products. Recently we have established distribution partnerships across the continents with leaders in this field, IMCD and DKSH. In Q2 the IMCD cooperation was expanded to Europe. We are collaborating with Tenet Partners in the US to develop consumer brands reflecting our values of pure raw materials with unique health benefits supported by our science.

In Q2 our net sales revenues were NOK 31.0 million, a growth of 56 percent compared to the same period last year. This was driven by a market pickup particular in pet nutrition, with a range of new customers. Our EBITDA was negative by NOK 14.6 million in Q2 with planned costs related to investments for R&D as well as our commercial ramp-up efforts.

Roger Hofseth, CEO

Key Figures & Highlights

	Q2 2021	Q2 2020	1H 2021	1H 2020	2020
Gross operating revenue	31 044	20 097	47 879	38 612	69 252
EBITDA	-14 559	-12 296	-33 370	-22 518	-65 255
Operating profit/loss	-22 772	-17 819	-47 805	-33 808	-92 021
Net cash flow	-25 961	-6 449	-60 167	-33 016	78 187
Equity ratio	46.7%	33.7%	46.7%	33.7%	57.4%

HIGHLIGHTS IN THE SECOND QUARTER

- Extended the exclusive distribution agreement with leading speciality chemicals and ingredients distributor IMCD, to include most of Europe.
- Following the granting of Qualified Health Claims from Health Canada, asserting the maintenance of healthy levels of ferritin and hemoglobin, we have now successfully identified the peptides responsible for this effect. This will enable us to develop a capsule format to target the treatment of iron deficiency anaemia.
- Synthesis of a novel compound for the treatment of eosinophilic (allergic) inflammation such as asthma. A patent has been filed and the process will be completed before year end.
- Successful oral dosing of the peptides in a proprietary animal model of inflammatory bowel disease run at Stanford University School of Medicine. Further preclinical work will start imminently with the aim to commence clinical trial work in 2022.

POST-PERIOD HIGHLIGHTS

- A clinical trial of 100 patients has been initiated at the newly established Clinical Trial Unit in Ålesund, Norway, for the prevention of Bone Mass Density decline in osteopenic woman.
- The Asthma-study has received an approval from the ethics committee, and we are pending the decision from the ethics committee for the COPD study.

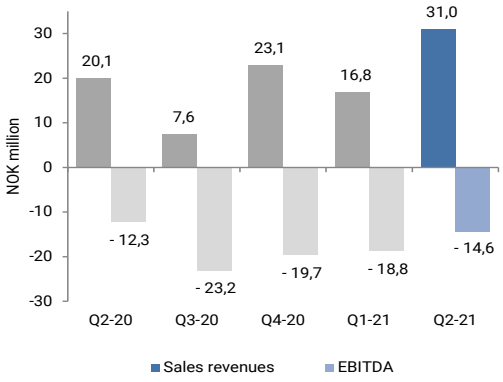
Financial Review

Figures for the corresponding periods in 2020 are given in brackets.

P&L Second Quarter and first half 2021

HBC had net sales revenues of NOK 31.0m (19.9m) in the second quarter and gross operating revenues of NOK 30.0m (20.1m). For the first half of 2021 HBC had revenues of NOK 47.9m (38.6). Gross revenues in first quarter 2020 included NOK 8.2m in insurance claim settlements. Adjusted for this settlement, HBC had 36% increased revenues in first half of 2021, compared to 2020. Revenues in the second quarter increased by 51 % compared to the same quarter in 2020.

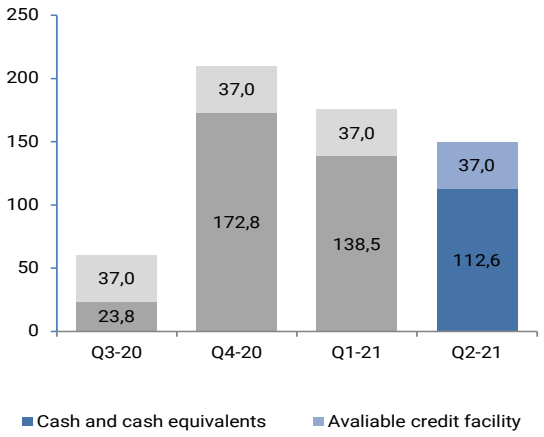
Cost of Goods Sold (CoGS) amounted to NOK 21.6m (12.5m) in the quarter and NOK 29.9m (18.7m) for the first half of



2021. Operational profit (EBITDA) for the second quarter was NOK -14.6m (-12.3m) and NOK -33.4m (22.5m) for the first half of 2021.

Gross margin was 31 % in the second quarter, down from 38 % in the second quarter 2020, due to higher sales volumes to feed and pet food customers, even though also higher sales to human nutrition customers compared to the same period last year. We expect increased gross margin in the second half and next year.

Net financial items in the second quarter were NOK -1.9m (-2.4m) and NOK 3.7m (-4,4m) in the first half of 2021. Loss before tax was NOK 24.6m in the quarter, compared to a loss of NOK 20.3m during second quarter in 2020. Loss for the first half of 2021 was NOK 51.5m compared to a loss of NOK 38.2m in the corresponding period last year.



Cash flow

Cash flow from operations during the second quarter was NOK -6.9m, compared to NOK -15.0m in second quarter last year. Cashflow from operations for the first half of 2021 was NOK-24.7m (42.9m) Net cash flow from investment activities was NOK -14.4m in the second quarter, compared to NOK -16.5m in the corresponding quarter last year and NOK -9.5m (-23.9m) for the first half. Cash flow from the financing activities amounted to NOK -4.6m in the second quarter, compared to NOK 25.1m in the second quarter in 2020 and NOK -9.5m (33.8m) for the first half year.

Cash and cash equivalents decreased by NOK 25.9m during the quarter, leaving total holding of cash and cash equivalents at NOK 112.6m by the end of the period, compared to NOK 61.5m by the end of the second quarter 2020. For the first half year of 2021 cash decreased with NOK 60.2m compared to 33.0m in the first half of 2020. Including credit facilities, HBC had NOK 149.6m in free liquidity by the end of the second quarter 2021.

Financial position

Total assets for HBC were NOK 458.1m at the end of second quarter of 2021 (306.9m). Deferred tax asset of NOK 175.3m is not recognized in the statement of financial position.

Total equity amounted to NOK 213.9m (103.5m) corresponding to an equity ratio of 46.7 % (33.7 %) for the group.

Pipeline

HBC current pipeline for our most important R&D developments 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	F	Iron Deficiency Anemia Treatment			
	SPH-CollaGo	F	Hair, Nail, Skin Health Treatment & Antioxidant			
	SPH-HO1	F	Gastrointestinal Health			
	SPH-ProGo	N	Healthy Weight loss			
	SPH-X1	P	Sarcopenia [1]			
	SPH-X2	P	Pre-Diabetic Co-treatment			
	SPH-X3	P	Reumatoid Arthritis [2]			
Salmon Oil (SO) ***OmeGo***	SO	F	Improved AREDS Formulations for AMD Treatment			
	SO-LP	F	Asthma Co-treatment			
	SO-LP	P	Acne treatment			
	SO-OxLDL-Gp1	F	Cardiovascular Health			
	SO-CoV19	P	COVID-19 Co-Treatment			
Salmon Bone Powder (SBP) ***CalGo***	SBP-X1	P	Osteoarthritis			
	SBP-CalGo	P	Osteoporosis Treatment			
Pharma-ceutical Leads	SPH-FTH1-P	P	FTH1 Upregulating Peptides			
	SO-EOML-P	P	EO Modulating Lipopeptides			

[1] Age-related Sarcopenia treatment
[2] Rheumatoid Artritis co-treatment

F=Filed/Approved N=Not applicable P=In Progress

R&D Discovery & Clinical update

In the second quarter of 2021, HBC R&D delivered the following:

i. The identification of the bioactive peptides in SPH that up-regulate the FTH1 gene, which encodes the heavy chain of ferritin and increases the storage capacity for iron. This results in an increase in haemoglobin to correct iron deficiency anaemia (IDA). We have completed the identification of 8 related peptides and the structures are being assessed for their novelty to enable a new patent application to be filed in the Q3/Q4. We will complete process optimization to manufacture a FTH1-enhanced SPH in the second half of 2021, which will increase the concentration of these peptides by 2x to 4x. We will also begin trials for a capsule-based product to treat anaemia soon after.

ii. Completion of the entire QSAR (quantitative structure-activity relationship) program of synthesis and invitro assays of 24 novel analog compounds based on the MICR-001 lead structure for asthma/COPD treatment via eosinophilia control. The lead analog has shown significantly superior activity to the original molecule (MICR-001) and we are now preparing to carry out pre-clinical trial work. A new PCT patent (US 63/211,972 06/17/2021) has been filed.

iii. The final House Dust Mite allergy preclinical trial to modulate eosinophilia with orally administered OmeGo® at two ranging doses (high/low) will be initiated in Q3.

iv. Together with Stanford University School of Medicine, we successfully completed our first pre-clinical (mouse) experiment for determining the effectiveness of SPH on reducing intestinal injuries in an inflammatory bowel disease (IBD) model. A pilot experiment showed that SPH protects the GI tract from (TNBS-induced) IBD at a 1% concentration. Our collaborators at Stanford University will next run a statistically significant assay with negative control peptides along with mode of action gene and biomarker assays on serum and tissue samples.

v. Successfully completed work to identify the molecular weight range of the peptides in SPH driving the reduction in IBD based on HO1 (heme-oxygenase) gene regulation activity in SPH. Further narrowing and structural elucidation work will be performed in the second half of 2021.

vi. Multiple assays and formulation development have been successfully carried out to significantly expand the Brilliant™ Pet Health, daily supplementation product portfolio.

OmeGo® softgels in COVID-19 treatment

Patient recruitment for our Health Canada approved outpatient clinical trial has been challenging. Our out-patient study in Canada has completed the recruitment of 15 patients providing the company with valuable insights into the potential role in the management of Covid. We are now in the process of completing the analysis of the change in respiratory symptoms, biomarker serum assays and quality of life assessments for the patients treated in the Canadian virtual outpatient study.

Our inpatient Covid study, based in Hungary, Serbia and Brazil, is assessing the potential for OmeGo® to prevent progression from mild and moderate COVID-19 to severe COVID-19 in SARS-CoV-2 infected patients. This is the same outcome that has gained Emergency Therapeutic Vaccine approval for 11 vaccines. This study is an open-labelled, accelerated proof-of-concept trial where patients will be given the best standard of care (BSC) together with OmeGo® softgels in the treatment arm. OmeGo® is the only marine oil that contains components that have been shown to reduce eosinophil effector function and increase eosinophil apoptosis in invitro and animal 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 targeted mechanism of action of OmeGo®, along with its broad inflammatory-resolving effects, 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.

The first patients have now finally been randomised in Hungary and the final regulatory approval is pending in Brazil with completion of the process expected imminently.

Steroid-treatment resistant asthma therapeutic

The final preclinical animal study "Eosinophil modulating properties of Orally Administered OmeGo® Salmon oil (OmeGo® softgels) in House Dust Mite extract (HDM)-induced murine asthma model" is ready with protocol approvals for 3Q implementation. With this study we hope to show that the excellent results seen with OmeGo® on respiratory inflammation using IP injection delivery are replicated with oral dosing.

Our efforts at developing a pharmaceutical lead program around eosinophilia inflammation control is on-going with rapid success. We have made and tested 24 SAR (Structure-Activity Relationship) analog compounds of which one (MA-022) has shown a clinically significant level of eosinophil control in in-vitro. We are following up with scaling up the synthesis of MA-022, together with the other analogs, is the subject of a new US/PCT patent filling filed in June 2021. Subsequent to the completion of the patenting process we will apply for New Chemical Entity (NCE) status in the US. This will further enhance the patent protections in the US.

OmeGo® softgels in Asthma and COPD

Two clinical trials with 100 patients in each study are now in the final stage of preparation, and planned start in mid-September. The Asthma- study has received an approval from the ethics committee, and we are pending the decision from the ethics committee for the COPD study. Both trials will be conducted in-house by the HBC Clinical Trial Unit. The studies will be conducted as double blind randomized clinical trials comparing best Standard of Care + Cardio™ with Best Standard of Care + Placebo. These proof-of-concept studies will help determine the efficacy of OmeGo® in these inflammatory lung conditions. A steering committee has been established, composed of academic scholars from Norway, England and USA. This does not impact the R&D budget with members focused on scientific advancement in the treatment of asthma and COPD.

Treatment of iron deficiency anemia

We have completed our research and have identified 8 active peptides that are collectively responsible for the FTH 1 gene upregulation towards our iron-deficiency anaemia pharmaceutical treatment label. Novelty structure searching is on-going towards the filing of a new patent on these compounds.

Process development work to increase the concentration of these peptides in our salmon protein hydrolysate to result in an IDA-SPH anaemia treatment targeted capsule are on-going during the rest of 2021.

Gastro-Intestinal (GI) Protective medical food

We have successfully completed the first in-vivo proof of the prophylactic effect of SPH on TNBS-induced IBD as part of our multi-year research collaboration with Prof. Karl Sylvester at Stanford University School of Medicine. The results showed that SPH at 1% concentration in drinking water substantially

protected the GI tract from TNBS-induced damage as measured by all criteria - i) colon length ii) fecal occult blood test and iii) fecal K8. It is note-worthy that the 1% concentration in this assay was equivalent to an adult human dose of 10g/day.

We are now carrying out a statistically significant preclinical TNBS induced colitis mouse assay with a negative control peptide and serum and tissue MOA analyses at optimum SPH dosing, towards development of our Necrotizing EnteroColitis and Irritable Bowel Syndrome medical food label claims.

Other indications

Our Discovery Research programs on a) islet cell protection to retard the progression of pre-diabetes to type II diabetes, (b) prostate cancer co-treatment using fractionated peptides in SPH, c) acne treatment as well as planning for d) applications of SPH in GI health of poultry production are continuing to progress with positive results being followed-up.

Our R&D Discovery department also provided support for Brilliant Pet care product line extension, shelf-life labelling 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.

We have also conducted a research program for the SPH at NOFIMA and Marbio. We have fractionated the SPH by molecular size and by polarity. Several anti-inflammatory effects were discovered with a significant reduction of Nf-λB activity the main finding as well as a significant reduction in several inflammatory cytokines. This includes a 40-46% reduction of TNF-α production in two different human cell lines. This work will be pursued further with NOFIMA and Marbio in Q3 2021, and we expect to publish the findings in Q4 2021.

Treatment of Osteoporosis and Osteoarthritis Arthrosis with CalGo®

One clinical trial of 100 patients has been initiated for the prevention of Bone Mass Density decline in osteopenic woman. It will be conducted by the HBC Clinical Trial Unit in Ålesund. This proof-of-concept trial is a double blind randomized controlled trial that will compare CalGo® with Placebo. The main outcome is to assess whether CalGo® prevents a decrease in Bone Mass Density in Osteopenic woman over 50 years of age. A steering committee has been established and is composed of academic scholars from Norway. The preparation for this study is complete, together with all regulatory approvals. We plan to start the study in September 2021.

A proof-of-concept clinical trial of 100 patients, has been initiated to investigate the clinical effect of hydrolysed collagen from CalGo®. This study will be conducted at the HBC Clinical trial Unit at Ålesund. This will be a double blind randomized controlled trial comparing three groups. One group will be treated with hydrolysed Collagen from CalGo®, the second group will be treated with non-hydrolysed CalGo®, and the last group will receive Placebo. Regulatory approval has been granted, and we plan to start the trial in September 2021. This study will assess the efficacy hydrolysed and non-hydrolysed Collagen from CalGo® to improve pain and joint function in mild to moderate osteoarthritis.

HBC Clinical Trial Unit

A Clinical Trial Unit is established at HBC HQ in Ålesund. This team consists of two Medical Doctors, two registered nurses and one physiotherapist. A PhD biostatistician is also affiliated to this unit in a part time position. A full research infrastructure has been established, with up-to-date solutions for data management, suitable location, study monitoring and full laboratory service.

The team is led by an MD with long term scientific experience. This team will conduct and lead all the clinical trials in Norway as well as our trials conducted in other countries. This will significantly reduce the cost of future trials compared to using an external Contract Research Organisation (CRO).

Sales & marketing

HBC's global ingredients business saw a marked pickup in activity, especially into the end of the quarter with new customers acquiring significant volumes driving the base business in Pet food in Q2. We continue to see this development continuing into Q3.

Furthermore, notwithstanding the restriction on global travel and trade shows and the adverse impact that Covid has on brand owner New Product Development teams, HBC has continued to work extensively with both IMCD in Europe and the Americas and with DKSH across Asia to gain access to new markets. New product videos have been completed and used successfully as new marketing tools for this Covid infected world and new product decks have had success at launching interest in multiple opportunities. One-on-one introductions have also gone very well in numerous geographies and cus-

tomers in South Africa, Turkey, Malaysia, China, and the US are all moving forward with projects for all three main ingredients for human nutrition. Our sales team has also adapted its approach and held very well attended webinars in both Thailand and Indonesia. We will continue to use this approach at reaching new customers throughout the rest of the year. Furthermore, with lockdown restriction easing in some parts of the world, HBC has booked a booth at Supply Side West in Las Vegas (the largest ingredients trade fair in in the world) in October with the US team attending independently of whether European flights open-up for non-US nationals by then.

The Catalent partnership is also proceeding strongly as all the OmeGo® stability studies and tests are being implemented to prepare for a US and global launch with their new OmeGo® Opitgel DR technology fish oil capsule in Q1 2022. With the start of Garden of Life™ project now complete, they are launching SKU'S using our ProGo® quality seal on their label in a new "sustainable" protein launch this month across the US.

Of note in this quarter, there has been a marked pick up in the recognition from new brands of HBC's business model clear 'sustainability' benefits. The 'circular economy' benefits of HBC are a true differentiator for brands to leverage, and is becoming more apparent. The Garden of Life new protein labels really endorse this fact.

Furthermore, zero externalities from the production process and the sole use of fresh sashimi grade salmon side streams from the filleting, as compared to the input of older, lower grade fish offcuts (as very few players can control and own the whole supply chain from the egg to the slaughter) used by the in the rest of the Omega-3 industry to create consumer and pet heath products, is becoming more apparent. The upcoming R&D publications with regards to unique anti-inflammatory benefits of the oil in particular pay testament to this very differentiation. Fish off-cuts begin to oxidise very quickly unless kept refrigerated after processing and treated as fresh fish equivalent. Only then do the nutritional benefits of that fresh fish translate into superior supplements for human health. We are expecting to publish numerous new white papers through the rest of the year to differentiate ourselves and to educate both brands and the consumer. A collaboration with a market-leading trade agency is now in place for this too.

Brilliant™ Salmon Oil

Q2 saw a significant acceleration in sales and profit performance across all regions and countries for our Pet Health business.

Whilst performance improved in all regions - North America, EMEA and APAC - the growth acceleration was most pronounced in the priority markets defined in the Brilliant™ brand roadmap. Key to this delivery was the US market where we saw several important developments underpinning performance. Firstly, the closure of an agreement with Chuck Latham Associates to represent Brilliant™ Salmon in a channel of 8000 plus US Pet Specialty stores. Work is already underway in building distribution across both independent and chain stores in this important channel. The launch of product into US big box retailers went live online in Q2 and we have supported the brand with a comprehensive marketing activation plan to drive performance and help accelerate the potential roll out of the programme on a national basis across US and Canada.

Lastly, a successful implementation of a double-digit price increase to all North American customers as part of a global revenue growth management strategy was absorbed by the market with virtually no impact on volumes. In addition, a number of new retail and distributor partnerships were confirmed across the other regions (EMEA and APAC) and this will also fuel our growth further in Q3 and Q4. As part of the Brilliant™ brand relaunch plan for Q1 2022, a comprehensive review of the brand took place and work on new packaging developments, label redesigns and product innovation is now coming to fruition. This will include new product formats and a new professional series range for next year.

Brand Building and Tenet Partners

Progress on our Consumer Health new brand launch plan continued to gather pace in Q2. The new brand will launch initially via a direct-to-consumer model and then roll out to retailers in the US and other global priority markets. In addition to the confirmation of the new brand name work is now complete on tagline formation, brand messaging and logo development. Packaging concepts were researched through consumer testing via several consumer workshops. Initial development work was also completed on the new brand's website infrastructure with defined wire frames. Consumer validation of the programme will continue throughout Q3, and final packaging propositions will be developed along with product formulations for the new range.

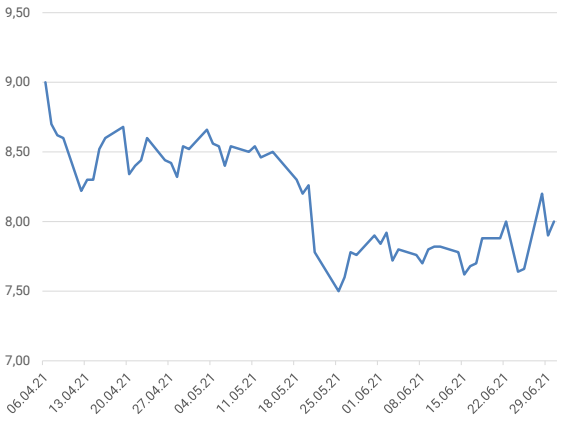
Health claims

Our ongoing work with senior Regulatory Affairs consultants will maximise the commercial relevance of the products through the near-term delivery of further label claims, based both on data from our previous trials and from bioequivalence-related work. Our next wave of clinical trials will further

assess the unique attributes of our products with the aim to further complement and enhance our label claims and the overall differentiation of the products.

Branded B2B ingredients

Together with our branding colleagues at Tenet Partners we have successfully completed a re-branding exercise of our B2B ingredients. This will better differentiate and distinguish our products in the marketplace. Although the fonts are unchanged a distinctive quality seal emphasising sustainability and science is at the core of what we stand for.



Share information

HBC shares were traded between NOK 7.50 and 9.00 per share in the second quarter and the last closing price on 30 June 2021 was NOK 8.00.

Based on 357,831,030 outstanding shares, this values HBC's equity at approximately NOK 2,863m. As of 30 June 2021, HBC had 1,415 shareholders. The 20 largest shareholders controlled 84.85 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 second quarter 2021.

Declaration by the Board of Directors and CEO

We confirm to the best of our knowledge that the interim financial statements for the period 1 January to 30 June 2021 is prepared in accordance with IAS 34 - Interim Financial Reporting, and that the accounts give a true and fair picture of the company's assets, liabilities, financial position and results of operations.

We declare that, to the best of our knowledge, the interim report gives a true and fair overview of important events in the financial year and their impact on preliminary results, the most important risk and uncertainties for the remaining six months of the accounting period, and significant transactions with related parties.

Hofseth BioCare ASA Board of Directors
Ålesund, 27 August 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)	Q2 2021	Q2 2020	1H 2021	1H 2020	2020	Notes
Sales revenue	31 043	19 852	47 769	30 209	54 933	8
Other revenue	0	245	110	8 412	14 319	
Gross operating revenue	**31 044**	**20 097**	**47 879**	**38 621**	**69 252**	
Cost of sales	21 561	12 451	29 952	18 694	39 532	9
Salaries and other payroll costs	8 998	6 915	20 708	16 720	42 641	11
Other operating expenses	15 043	13 028	30 589	25 726	52 334	
EBITDA	**-14 559**	**-12 296**	**-33 370**	**-22 518**	**-65 255**	
Depreciation and Write-down	8 213	5 523	14 435	11 290	26 766	
Operating profit/loss (EBIT)	**-22 772**	**-17 819**	**-47 805**	**-33 808**	**-92 021**	
Financial income	545	794	970	1 598	2 580	13
Financial expenses	2 411	3 249	4 647	5 950	12 650	13
Net financial items	-1 866	-2 455	-3 677	-4 352	-10 070	13
Profit/loss before taxes	**-24 638**	**-20 275**	**-51 482**	**-38 160**	**-102 091**	
Tax expense	0	0	0	0	0	
Profit for the period	**-24 638**	**-20 275**	**-51 482**	**-38 160**	**-102 091**	
Total comprehensive income for the period attributable to:						
Non-controlling interests	0	0	0	0	-1	
Shareholders in HBC (majority)	-24 638	-20 275	-51 482	-38 160	-102 090	
Total	**-24 638**	**-20 275**	**-51 482**	**-38 160**	**-102 091**	
Earnings per share (EPS)						
Basic earnings per share (NOK)	**-0.07**	**-0.06**	**-0.14**	**-0.12**	**-0.31**	

The interim financial information has not been subject to audit.

Consolidated condensed statement of financial position

(figures in NOK 1 000)	Q2 2021	Q2 2020	1H 2021	1H 2020	2020	Notes
Research, patents etc.	47 514	32 749	47 514	32 749	42 434	5
Property, plant and equipment	175 509	131 316	175 509	131 316	137 955	6
Financial assets	6 856	909	6 856	909	7 275	7
Total non-current assets	**229 879**	**164 973**	**229 879**	**164 973**	**187 664**	
Inventories	87 238	54 883	87 238	54 883	73 302	10
Trade receivables	17 765	14 733	17 765	14 733	14 267	12
Other current assets	10 664	11 286	10 664	11 286	11 066	
Cash and cash equivalents	112 573	60 997	112 573	60 997	172 835	
Total current assets	**228 240**	**141 899**	**228 240**	**141 899**	**271 470**	
Total assets	**458 119**	**306 872**	**458 119**	**306 872**	**459 134**	
Share capital	3 578	3 291	3 578	3 291	3 578	14
Other Paid in equity (+) Uncovered losses (-)	210 986	100 867	210 986	100 867	260 870	
Non-controlling interests	-684	-683	-684	-683	-684	
Total equity	**213 880**	**103 475**	**213 880**	**103 475**	**263 764**	
Non-current liabilities interest bearing	117 265	94 121	117 265	94 121	89 191	
Total non-current liabilities	**117 265**	**94 121**	**117 265**	**94 121**	**89 191**	
Other Interest-bearing loans, leasing and borrowings	11 243	49 954	11 243	49 954	11 652	
Trade payables	104 979	49 656	104 979	49 656	84 956	
Other current liabilities	10 752	9 666	10 752	9 666	9 570	
Total current liabilities	**126 974**	**109 276**	**126 974**	**109 276**	**106 178**	
Total equity and liabilities	**458 119**	**306 872**	**458 119**	**306 872**	**459 134**	

The interim financial information has not been subject to audit.

Consolidated condensed statement of changes in equity

(figures in NOK 1 000)	Q2 2021	Q2 2020	1H 2021	1H 2020	2020	Notes
Equity at start of period	**237 715**	**122 789**	**263 764**	**117 749**	**117 750**	
Share based payment program costs	506	1 029	1 012	2 057	7 857	
Issue new shares 22nd March 2020	0	0	0	21 895	21 895	
Issue new shares 31st August 2020	0	0	0	0	11	
Issue new shares 27th October 2020	0	0	0	0	200 000	
Issue new shares 30th December 2020	0	0	0	0	23 738	
Share issue costs	0	-67	0	-67	-5 395	
Profit/loss for the period	-24 638	-20 275	-51 482	-38 160	-102 091	
Other comprehensive income/expenses	0	0	0	0	0	
Total comprehensive income	-24 638	-20 275	-51 482	-38 160	-102 091	
Equity at the end of period	**213 880**	**103 475**	**213 880**	**103 475**	**263 764**	

Earnings per share

(figures in NOK 1 000, except EPS)	Q2 2021	Q2 2020	1H 2021	1H 2020	2020
Number of shares end of period	357 831	329 074	357 831	329 074	357 831
Weighted average number of shares	357 831	329 074	357 831	327 618	333 650
Effect of employee stock options and warrants	5 521	6 484	5 521	6 484	5 349
Weighted average number of shares diluted	363 352	335 558	363 352	334 102	339 000
Basic earnings per share (NOK)	-0.07	-0.06	-0.14	-0.12	-0.31
Diluted earnings per share (NOK)	-0.07	-0.06	-0.14	-0.12	-0.31

Consolidated condensed cash flow statement

(figures in NOK 1 000)	Q2 2021	Q2 2020	1H 2021	1H 2020	2020
Cash flow from operational activities					
Profit before taxes	-24 638	-20 275	-51 482	-38 160	-102 091
Depreciation and write-off	8 213	5 523	14 435	11 290	26 766
Changes in Inventory	-1 953	-9 228	-13 936	-20 357	-39 315
Changes in trade debtors	-808	-1 646	-3 498	-9 191	-8 725
Changes in trade creditors	6 641	4 638	20 023	19 944	55 245
Changes in other current bal. sheet items	3 569	4 037	5 916	-10 492	-2 958
Classified as financial activities	2 006	1 927	3 810	4 083	8 662
Net cash flow from operational activities	**-6 971**	**-15 024**	**-24 732**	**-42 884**	**-61 632**
Cash flow from investment activities					
Investments in tangible assets	-8 697	-7 094	-17 239	-13 551	-21 882
Investments in intangible assets	-4 866	-9 413	-7 820	-10 372	-32 575
Other investments	0	0	0	0	-5 599
Net cash flow from investment activities	**-14 432**	**-16 507**	**-25 928**	**-23 922**	**-60 056**
Cash flow from financing activities					
Issuance of share capital	0	0	0	21 895	245 645
Transaction cost on issue of shares	0	-67	0	-67	-5 395
Payment of interest	-2 006	-1 927	-3 810	0	-8 661
Proceeds from borrowings	0	38 000	0	43 227	39 021
Repayment of borrowings	-3 421	-10 924	-6 566	-31 266	-60 974
Net cash flow from financing activities	**-4 559**	**25 082**	**-9 507**	**33 789**	**199 970**
Net change in cash and cash equivalents	-25 961	-6 449	-60 167	-33 016	78 282
Cash and cash equivalents at the beginning of the period	138 535	67 985	172 740	94 553	94 553
Cash and cash equivalents at the end of the period	**112 573**	**61 536**	**112 573**	**61 537**	**172 835**
Avaliable unused credit facility	37 000	37 000	37 000	37 000	37 000
Total cash and unused credit facility	**149 573**	**98 536**	**149 573**	**98 536**	**207 740**

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 of 31 December 2020.

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. However, it is emphasized that by definition there may be 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 sales volumes 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 175.3m.

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 31.03.2021	**39 128**	**3 160**	**337**	**1 395**	**44 020**
Additions	4 871	0	0	0	4 871
Depreciations for the period	836	2	62	20	920
Book value at 30.06.2021	**43 163**	**3 158**	**275**	**1 375**	**47 514**
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 31.03.2021	**58 890**	**558**	**66 171**
Additions	8 696	0	8 696
Depreciations for the period	1 5597	248	1 807
Book value at 30.06.2021	**66 027**	**310**	**66 337**
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 31.03.2021	**58 147**	**23 217**	**831**	**82 192**
Additions	31 415	0	0	31 415
Depreciations for the period	3 230	377	831	4 438
Book value at 30.06.2021	**86 332**	**22 840**	**0**	**109 172**
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)	Q2 2021	Q2 2020	2020
HFS Alliance Inc.	0	477	477
Atlantic Delights Limited	6 517	0	6 517
Investmets in other companies	25	25	25
Other	314	407	407
Total Financial Assets	**6 856**	**909**	**7 427**

8. Segments

(figures in NOK 1 000)	Q2 2021	Q2 2020	1H 2021	1H 2020	2020
Per product					
Salmon oil	15 094	10 664	24 151	16 199	33 314
Protein	6 903	659	7 608	1 580	3 183
Calcium	272	444	1 758	956	2 456
PHP	8 775	7 808	14 176	10 699	12 719
By-product/other	0	521	186	1 020	1 394
Insurance settlement	0	0	0	8 167	16 298
Total revenues	**31 044**	**20 097**	**47 879**	**38 621**	**69 252**

9. Cost of sales

(figures in NOK 1 000)	Q2 2021	Q2 2020	1H 2021	1H 2020	2020
Cost of goods sold	20 373	10 662	28 764	16 906	34 179
Write-downs inventory	1 188	1 789	1 188	1 789	5 353
Net cost of sales	**21 561**	**12 451**	**29 952**	**18 694**	**39 532**

10. Inventory

(figures in NOK 1 000)	Q2 2021	Q2 2020	2020
Per product			
Raw material	1 328	986	3 468
Finished goods	83 391	51 775	67 316
Spare parts equipment	2 519	2 122	2 519
Total inventory	**87 238**	**54 883**	**73 302**

11. Salaries and other payroll costs

(figures in NOK 1 000)	Q2 2021	Q2 2020	1H 2021	1H 2020	2020
Salaries incl social security and pension	7 553	5 887	18 234	14 663	34 830
Share based payment	1 445	1 029	2 474	2 057	7 811
Salaries and other payroll costs	**8 998**	**6 915**	**20 708**	**16 720**	**42 641**

12. Trade receivables

(figures in NOK 1 000)	Q2 2021	Q2 2020	2020
Trade receivables	17 765	14 733	14 267
Total receivables	**17 765**	**14 733**	**14 267**

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 0.2 million.

13. Finance

(figures in NOK 1 000)	Q2 2021	Q2 2020	1H 2021	1H 2020	2020
Interest expense	2 069	1 982	3 887	4 142	9 287
Interest income	0	55	14	59	553
Net currency exchange	203	-529	196	-268	-1 337
Net financial items	**-1 866**	**-2 455**	**-3 667**	**-4 352**	**-10 070**

14. Shareholders

Largest shareholders as of 30 June 2021

Shareholder	Account Type	Shareholdings	% stake
SIX SIS AG	Nominee	77 459 672	21.65
HOFSETH INTERNATIONAL AS	Ordinary	58 881 778	16.46
RH INDUSTRI AS	Ordinary	51 500 000	14.39
YOKOHAMA REITO CO. LTD	Ordinary	40 951 333	11.44
CREDIT SUISSE (SWITZERLAND) LTD.	Nominee	11 897 568	3.32
BRILLIANT INVEST AS	Ordinary	11 000 000	3.07
GOLDMAN SACHS & CO. LLC	Nominee	8 326 830	2.33
CITIBANK, N.A.	Nominee	6 315 022	1.76
UBS SWITZERLAND AG	Nominee	4 105 260	1.15
CLEARSTREAM BANKING S.A.	Nominee	3 980 439	1.11
JPMORGAN CHASE BANK, N.A., LONDON	Nominee	3 879 734	1.08
INITIA AB	Ordinary	3 500 000	0.98
BOMI FRAMROZE HOLDING AS	Ordinary	3 253 370	0.91
UBS AG	Nominee	3 049 804	0.85
SWELANDIA INTERNATIONAL AB	Ordinary	2 717 000	0.76
SAXO BANK A/S	Nominee	2 708 766	0.76
THE BANK OF NEW YORK MELLON SA/NV	Nominee	2 613 706	0.73
THE NORTHERN TRUST COMP, LONDON BR	Nominee	2 433 865	0.68
INTERACTIVE BROKERS LLC	Nominee	2 373 925	0.66
ØDEGÅRD PROSJEKT AS	Ordinary	2 104 039	0.59
Total 20 largest		**303 052 111**	**84.69**
Total other		54 778 919	15.31
Total no. of outstanding shares		**357 831 030**	**100.00**

Total number of shareholders: 1,432

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, Palo Alto and Tokyo. HBC is listed on Oslo Stock Exchange with ticker "HBC".

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
ColloGo®	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, Chief Commercial Officer
Tel: +41 79 950 1034
E-mail: jb@hofsethbiocare.no

Jon Olav Ødegård, Chief Financial Officer
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

NOV 5 — Q3/21 Financial Report

FEB 4 — Q4/21 Financial Report