



HOFSETH  
BioCare®



# QUARTERLY REPORT

## Q2 2019



## THIS IS HOFSETH BIOCARE ASA

HBC is a Norwegian biotech company that offers high-value ingredients and finished products for humans and pets.

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 salmon oil, proteins and calcium, prepared of fresh salmon off-cuts.






HBC's objective is to contribute to the efficient use of marine resources and deliver quality products for ingredients and finished consumer products in the nutrition market.

Hofseth BioCare's headquarters are in Ålesund, Norway with branches in Oslo, Chicago, Mumbai, Palo Alto and Tokyo. HBC is listed on Oslo Stock Exchange Axess list with ticker "HBC". More information about Hofseth BioCare at [hofsethbiocare.com](http://hofsethbiocare.com) and [facebook.com/hofsethbiocare](https://facebook.com/hofsethbiocare)

## OUR VISION

Sustainable production of premium bioactive marine ingredients with documented health effects

## 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 increase 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	
	Salmon peptides with more than 25 % collagen type I & III for skin, hair and nails.	Collagen Peptides for human consumption as drink

## HIGHLIGHTS IN THE SECOND QUARTER 2019

- The single largest order of Brilliant® Salmon Oil was received in April and the bottles will be shipped to the customer in Shanghai in April. The total volume of Brilliant® sold in 2019 has now surpassed the total volumes sold from launch in 2016 to end of 2018.
- In June, HBC entered into a Letter of Intent with Florida-based and Nestlé-owned Garden of Life® for sales of HBC products in the USA. The LOI states that as soon as the final organoleptic tests are done, the parties envisage entering into a long-term agreement to develop a close collaboration on developing the world market for HBC's products.
- Positive and very encouraging tests have been done at Stanford University School of Medicine on ProGo® powder given orally to GI damaged mice that mimic necrotizing enterocolitis (NEC) to show that ProGo® powder was able to protect human gastrointestinal cells from oxidative damage. The Stanford lab is now running a formal statistically powered, POC preclinical trial and successful results will lead to a significant publication and breakthrough on our path towards an adjuvant treatment for GI protection in inflammatory diseases, starting with NEC.

## EVENTS AFTER THE SECOND QUARTER 2019

- In July, HBC raised approximately NOK 118 million in gross proceeds through a Private Placement of 29,483,682 new shares, at a fixed price per share of NOK 4. The participants in the Private Placement were private and institutional investors from the US, UK and Europe.

## OUTLOOK

- HBC will ramp up global sales and marketing in the coming months. The LOI with Garden of Life® has gained interest in the market and HBC will strengthen its presence and visibility in trade shows and social media channels.
- HBC are steady increasing the average price mix on OmeGo®, with higher sales of salmon oil to pets and human nutrition.
- Continued R&D development towards treating age-related Sarcopenia and Gastro-Intestinal (GI) Protective Medical Food together with Stanford University.

## KEY FIGURES

	Q2 2019	Q2 2018	1H 2019	1H 2018	2018
Sales revenue	12 783	14 583	27 464	29 350	60 740
Gross operating revenue	12 783	14 583	27 464	29 350	60 740
EBITDA	-8 368	-12 859	-21 280	-27 711	-55 658
Operating profit/loss	-14 673	-18 269	-33 980	-38 866	-77 699
Profit/loss before taxes	-16 869	-18 834	-37 507	-40 994	-84 527
Earnings per share (NOK)	-0.06	-0.08	-0.13	-0.18	-0.33
Net cash flow	-16 649	-13 278	-28 774	-31 554	6 573
Interest-bearing liabilities	121 494	74 527	121 494	74 527	58 300
Total assets	228 896	151 209	228 869	151 209	187 945
Equity ratio	21.2%	-2.6%	21.2%	-2.6%	45.8%

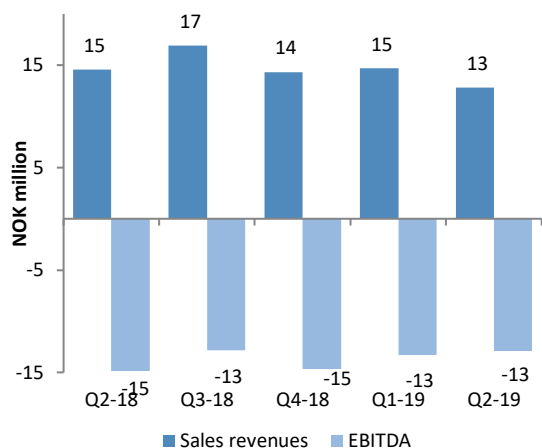
## FINANCIAL REVIEW

In the financial review, figures for the corresponding periods in 2018 are given in brackets.

### PROFIT AND LOSS SECOND QUARTER

Hofseth BioCare had operating revenues of NOK 12.8m (14.6m) in the second quarter of 2019.

Cost of Goods Sold (CoGS) amounted to NOK 6.8m (11.8m) in the period. Operational profit (EBITDA) for the second quarter 2019 was negative NOK 8.4m (12.9m).



Net financial items in the second quarter were negative NOK 2.2m (negative 0.6m).

Loss before tax was NOK 16.7m in the quarter, compared to a loss of NOK 18.8m during second quarter 2018.

### CASH FLOW

Cash flow from operations during the second quarter was negative by NOK 5.4m compared to positive NOK 7.8m in the same quarter last year.

Net cash flow from investment activities was negative by NOK 4.9m in the second quarter of 2019, compared to negative NOK 12.9m for the corresponding period last year.

Cash flow from the financing activities amounted to negative NOK 6.4m in the second quarter 2019, compared to negative NOK 8.3m in the second quarter of 2018.

Cash and cash equivalents decreased by NOK 16.6m during the quarter, leaving total holding of cash and cash equivalents at NOK 19.9m by the end of the period.

### FINANCIAL POSITIONS

Total assets for the company were NOK 228.9m at the end of second quarter of 2019 (NOK 151.2m). Deferred tax assets are not posted in the balance sheet. Estimated value is NOK 132.2m.

Total equity amounted to NOK 48.5m (negative NOK 3.9m) giving an equity ratio of 21.2% (-2.6%) for the group.

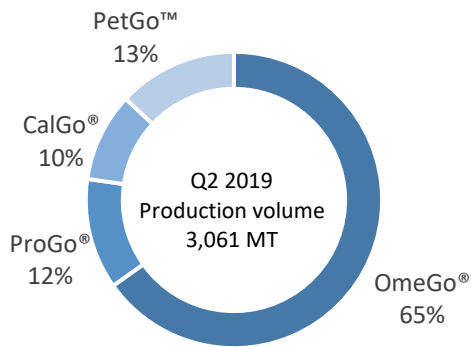
As described in the annual report for 2018, IFRS 16 effects are recognized from 1 January 2019. The Group has recognized their leased buildings and other lease agreements as fixed assets (66m) and as a lease liability (66m). Furthermore, operational rental cost is reduced (3.8m), depreciations is increased (1.6m) and interest expenses are increased (2.2m) compared to the last quarter.

The company announced the completion of a private placement of NOK 117.9m on 29 July. The capital increase was approved and registered 19 August 2019.

## PRODUCTION UPDATE

Hofseth BioCare produces Soluble Protein Hydrolysate (ProGo®), Partly Hydrolyzed Protein (PetGo™), fresh Salmon Oil (OmeGo®) and Marine Calcium (CalGo®).

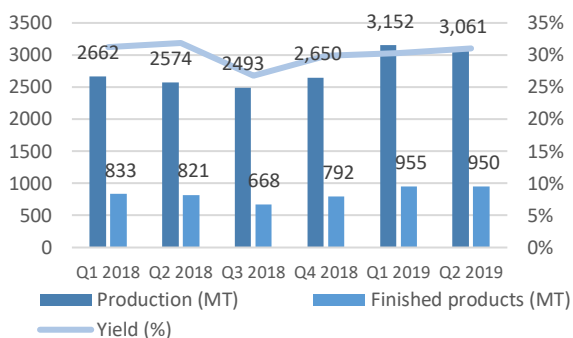
The products are based on fresh off-cuts from the Norwegian salmon and trout processing industry. The proprietary production process with enzymatic hydrolysis splits the four fractions of the salmon raw material.



HBC operates two plants; The hydrolysis plant in Midsund and the spray-drying plant in Berkåk. In the second quarter 2019, HBC Midsund processed 3,061 tons of salmon and trout raw materials, which is 91 tons less than previous quarter. However, we processed 487 tons more than the same quarter previous year (an increase of 18,9%).

Raw material availability from our core suppliers are still good and increasing. We expect the processed raw material to continue increasing for second half of 2019.

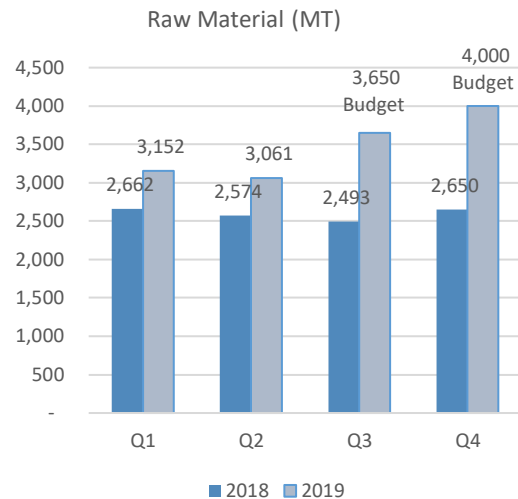
HBC Berkåk produced 441 tons of finished products in the second quarter 2019, including the capacity lease manufactured products. ProGo production alone was 115 tons. Total production at Berkåk in previous quarter was 419 tons, which gives an increase of 5,2%.



A total of 1,276 tons of finished goods were manufactured at all HBC plants, including the capacity lease volumes, compared to 1,280 tons in previous quarter.

The overall yield of finished products from our plants remains stable at > 30.0 % based on raw material inlet.

Increase of raw material intake are expected for the second half of 2019, after a few minor upgrades to improve efficiency and capacity at the Midsund plant in first quarter 2019.



In order to improve yield, reduce costs and improve further our quality parameters for ProGo, the planning of expansion and installation of a Spray Dryer at Midsund plant is moving forward as planned. The target is to have the new process line at Midsund up and running by end of second quarter 2020.

## RESEARCH & DEVELOPMENT

In the second quarter of 2019 the R&D group continues to work on the 2019 projects that are of highest commercial priority and build on the positive results from the first quarter.

### Process Development

The same three critical areas of Process Development research remained our priority this quarter.

- 1) Reduction of fish odor in ProGo® and CollaGo® powder - our efforts have improved upon the scale-up of the process for implementation at Berkåk. We initiated a new effort at reducing

the formation of certain odor compounds by inhibiting a secondary free radical decarboxylation mechanism. Our initial results are promising, and further work will be carried out in the next quarter. Successful implementation could lead to extended odor and taste properties and longer shelf-life for our powders. In addition, we continue to work with a major food producing company to improve encapsulation of our protein to improve organoleptic properties, particularly in after water dissolution.

- 2) Yield Improvement - this quarter, we focused our attention on the use of a new enzyme finishing step to improve recovery of SPH versus losses into the other fractions. We have had modest success in the lab this quarter and will continue to fine-tune the results in the lab in the next quarter before beginning implementation in Midsund as soon as possible.
- 3) Enzymes from a new source received last quarter were used in multiple experiments. However, although the yields were improved, the biological efficacy of iron uptake was lost. Hence yield improvement work with these enzymes has stopped. However, work has now started on using these enzymes to select and characterize the structures of the active peptides for our market-leading iron uptake effect using MALDI-TOF subset analysis. This research will continue for some time but has excellent pharmaceutical Rx potential for HBC.

### **CollaGo® Powder**

On completion of our clinical trial on the impact of CollaGo® powder we applied for unique (only our product can make use of it) health claims with Health Canada. This quarter, discussion progressed successfully on one of the four claims and requirements for the other three were concluded. We have initiated a small

clinical trial to overcome these shortcomings to be completed early 4Q 2019. We expect to submit the results of this trial for publication and to Health Canada, as part of the current review process, so that most if not all our unique claims will be granted within the same evaluation round.

### **ProGo® Powder**

#### Development towards a Gastro-Intestinal (GI) Protective Medical Food:

Inflammation and oxidative damage of the cells in the GI tract is a growing health issue globally. Besides drugs, diseases such as IBS, Crohn's Disease and Ulcerative need balanced medical food supplementation to heal these inflamed tissues.

As described in the last quarterly report, ProGo® consists of bioactive peptides that are orally active and have shown significant bio-efficacy in several clinical studies. We believe that our salmon peptide powder or bioactive fractions of it, will find utility in the modulation of gastrointestinal damage in irritable bowel syndrome and enterocolitis.

We had reported last quarter, that we completed our first study (in-vitro), in collaboration with Prof. Karl Sylvester's lab at Stanford University School of Medicine, in which he showed that ProGo® powder was able to protect human gastrointestinal cells from oxidative damage.

This quarter, we tested ProGo® powder given orally to GI damaged mice that mimic necrotising enterocolitis (NEC) in their specially developed mouse model. The results were positive and very encouraging. The Stanford lab is now running a formal statistically powered, POC preclinical trial. Successful results will lead to a significant publication and breakthrough on our path towards an adjuvant treatment for GI protection in inflammatory diseases, starting with NEC.

HBC's intellectual rights have been protected globally by the filing of a new global PCT Patent



Application No. PCT/NO2019/050125 filed on 17th June 2019 - Fish Protein Hydrolysate powder and a composition comprising said powder for use as a medicament which is based on our earlier USPTO Provisional Application US 62/687665 in this R&D space.

Development towards a Medical Food to help treat age-related Sarcopenia (muscle mass loss):

Sarcopenia is a syndrome characterized by progressive and generalized loss of skeletal muscle mass and strength and it is strictly correlated with physical disability, poor quality of life and death. Our research is focused on using salmon protein peptides to reverse this condition and assist sarcopenia patients with muscle building. This quarter we are expanding our initial positive in-vitro results from the last quarter, using more cell-types from human and animal GI, with some positive results. This work will continue into the second half of 2019. Completion of this work will allow us to apply for starting a POC clinical trial, with the correct fraction of SPH as the Rx product. Mechanism of action work was also initiated this quarter.

### **OmeGo® Oil**

Acne, asthma and rheumatoid arthritis are three chronic health issues targeted by HBC's OmeGo Salmon Oil.

Daily supplementation with OmeGo® oil reduces circulating proinflammatory CRP, TNF- $\alpha$  and (IL)-1 $\beta$ , IL-6, IL-8, and IL-10 cytokines in a mouse model.

Acne is one of the most common skin diseases worldwide. Recent studies have shown an alternative mechanism where inflammation of the sebaceous-rich skin and follicles leads to degradation and an imbalance in bacterial infections and leads to further inflammation that perpetuates the acne cycle.

This quarter, we started our first invitro studies to define biomarkers in human skin cells that can be used as targets for OmeGo®. Early results show that several inflammatory

pathways are involved and can be blocked by the non-EPA/DHA molecules present in OmeGo®.

### **ShrimpGo® Feed Pellets**

In 4Q 2018 we successfully completed our first commercial trial for improved late-stage shrimp growth with one of our partners in Malaysia. This quarter we collaborated with NMBU Oslo to successfully produce a new early-stage feed and completed extensive testing to confirm peptide content, water stability and shelf-life. 300 kg will be shipped to our partners in Malaysia who will run concurrent commercial trials in 3Q/4Q 2019.

### **Salmon Bone Collagen (CalGo®) Powder**

In 2019, we are focused on showing the efficacy of our Salmon Bone Collagen Powder in improving joint health. One of every 3 people over the age of 60 suffers from osteoarthritis. It is a natural wear and tear of joint cartilage which occurs as we age, and the body's ability to replace the primary joint protein, type II collagen, slows down. This is exactly the protein which is present as a large fraction of our CalGo® powder, together with calcium hydroxyapatite and other bone growth factors.

This quarter we completed an invitro co-culture assay with human Chondrocytes & Synovial Fibroblasts from osteoarthritic patients and compared the cytokine and inflammatory response to different doses of CalGo versus Calcium carbonate with excellent results. We are now writing up a paper for publication and the preclinical protocol for a in-vivo trial in mice with cytokine-induced joint inflammation.

Our R&D department continues to support Worldwide Patents/Trademark prosecutions and Marketing/Sales efforts with targeted research, publications and presentations.

## SALES & MARKETING

In accordance with the Company's strategy, OmeGo® continues to be sold straight from the factory, with no inventory time and cost. The volumes are mainly being sold into the feed and pet food industry to secure higher revenues and continued cashflow. The Company still focuses on building volumes in existing and new markets with its pet food supplement Brilliant Salmon Oil™. A tradeshow in Italy has secured several new customers with first orders already delivered, or in production. The focus will be on securing even more customers and helping new and existing customers to grow.

The Company continues to strengthen its position in the Norwegian market together with its distributor Morene Produkter AS. HBC's market push for Brilliant Salmon Oil™ is paying off, and volumes are steadily increasing. Brilliant Salmon Oil™ should continue to see good growth going forward.

Brilliant Salmon Oil™ is being sold in Norway as Brilliant Lakseolje, and Brilliant Salmon Oil abroad as well as a white labeled (OEM) product. As OEM product Brilliant has gained good traction in China and is now looking at several container loads per year going forward with its current pace.

Brilliant is now to be found in multiple countries in Europe and Asia with more existing new markets to come.

The Company's fourth ingredient, PetGo™, is being produced as expected and is, as OmeGo®, being sold straight from the factory, with no inventory time and cost. PetGo™ is today being sold only to the pet food industry as a high-quality fish meal at premium pricing.

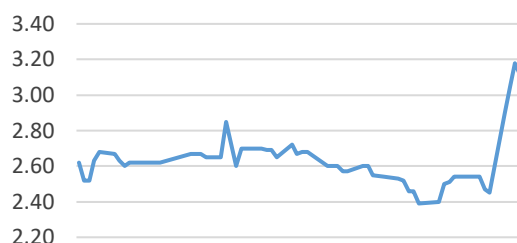
The company's fifth ingredient, CollaGo™, a Salmon Collagen Tripeptide, with more than 25 % collagen Type I & III, will continue to be sold as a separate ingredient upon request from customers as the process focuses on producing ProGo® as the main protein fraction. Sales in the quarter showed a more even spread among

the products, still OmeGo® and PetGo™ as the strongest revenue fractions.

The Company released a new calcium brand in January for a bigger marketing push of the ingredient. The product is now in the Norwegian market and is also gaining interest for customers abroad. Continues marketing and customer exposure is important in brand building to secure new customers in the future.

## SHARE INFORMATION

The Hofseth BioCare share (HBC) was traded between NOK 2.18 and 3.22 per share in the second quarter and the last closing price on 28 June 2019 was NOK 3.20.



Based on 294,836,829 outstanding shares, this values the company's equity at approximately NOK 943 million.

As of 30 June 2019, the company had 719 shareholders. The 20 largest shareholders controlled 89.53 per cent of the shares.

## RELATED PARTY TRANSACTIONS

There are no significant new types of transactions with related parties during 2019.

## 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 2019 is prepared in accordance with IAS 34 - Interim Financial Reporting, and that the accounts give a true and

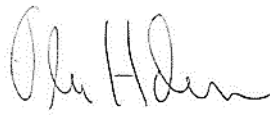


fair picture of the company's assets, liabilities, financial position and results of operations.

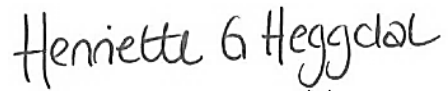
We declare that, to the best of our knowledge, the interim report gives a true and fair overview of important events in the financial year and their impact on preliminary results, the most important risk and uncertainties for the

remaining six months of the accounting period, and significant transactions with related parties.

Hofseth BioCare ASA Board of Directors  
Ålesund, 30 August 2019



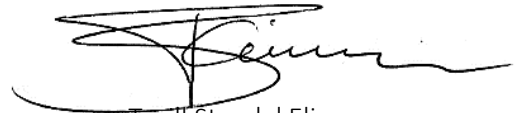
Ola Holen  
Chairman of the Board



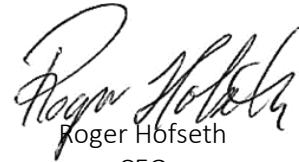
Henriette G. Heggdal  
Board member



Christoph Baldegger  
Board member



Torill Standal Eliassen  
Board member



Roger Hofseth  
CEO

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(figures in NOK 1 000, except EPS)</i>	Q2 2019	Q2 2018	1H 2019	1H 2018	2018	Notes
Sales revenue	12 783	14 583	27 464	29 350	60 740	7
<b>Gross operating revenue</b>	<b>12 783</b>	<b>14 583</b>	<b>27 464</b>	<b>29 350</b>	<b>60 740</b>	
Cost of sales	6 767	11 796	17 684	24 094	48 361	8
Salaries and other payroll costs	5 650	5 405	13 902	14 471	31 402	
Other operating expenses	8 734	10 241	17 158	18 496	36 485	
<b>EBITDA</b>	<b>-8 368</b>	<b>-12 859</b>	<b>-21 280</b>	<b>-27 711</b>	<b>-55 508</b>	
Depreciation and Write-down	6 305	-5 410	12 700	11 156	22 190	6
<b>Operating profit/loss (EBIT)</b>	<b>-14 673</b>	<b>-18 269</b>	<b>-33 980</b>	<b>-38 866</b>	<b>-77 699</b>	6
Financial income	1 844	722	3 476	1 124	3 036	10
Financial expenses	4 040	1 287	7 003	3 252	9 865	10
<b>Net financial items</b>	<b>-2 196</b>	<b>-564</b>	<b>-3 528</b>	<b>-2 128</b>	<b>-6 829</b>	10
<b>Profit/loss before taxes</b>	<b>-16 869</b>	<b>-18 834</b>	<b>-37 507</b>	<b>-40 994</b>	<b>-84 528</b>	
Tax expense	0	0	0	0	249	
<b>Profit for the period</b>	<b>-16 869</b>	<b>-18 834</b>	<b>-37 507</b>	<b>-40 994</b>	<b>-84 776</b>	
Other comprehensive income/expenses	0	0	0	0	0	
<b>Total comprehensive income</b>	<b>-16 869</b>	<b>-18 834</b>	<b>-37 507</b>	<b>-40 994</b>	<b>-84 776</b>	
<b>Total comprehensive income for the period attributable to:</b>						
Non-controlling interests	0	0	0	0	-8	
Shareholders in HBC (majority)	-16 869	-18 834	-37 507	-40 994	-84 768	
<b>Total</b>	<b>-16 869</b>	<b>-18 834</b>	<b>-37 507</b>	<b>-40 994</b>	<b>-84 776</b>	
<b>Earnings per share (EPS)</b>						
Basic earnings per share (NOK)	-0.06	-0.08	-0.13	-0.18	-0.33	

The interim financial information has not been subject to audit.

## CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

<i>(figures in NOK 1 000)</i>	1H 2019	1H 2018	2018	Notes
Research, patents etc.	16 500	17 186	17 357	5
Property, plant and equipment	127 527	74 622	67 361	6
Financial fixed assets	3 447	4 072	2 909	
<b>Total non-current assets</b>	<b>147 473</b>	<b>95 880</b>	<b>87 626</b>	
Inventories	42 478	23 753	29 402	9
Trade receivables	8 490	11 146	14 697	
Other current assets	10 588	9 915	7 578	
Cash and cash equivalents	19 868	10 514	48 641	
<b>Total current assets</b>	<b>81 423</b>	<b>55 328</b>	<b>100 319</b>	
<b>Total assets</b>	<b>228 896</b>	<b>151 209</b>	<b>187 945</b>	
Share capital	294 837	233 500	294 837	11
Other Paid in equity (+) Uncovered losses (-)	-245 626	-236 753	-208 120	
Non-controlling interests	-673	-665	-673	
<b>Total equity</b>	<b>48 538</b>	<b>-3 918</b>	<b>86 043</b>	
Non-current liabilities interest bearing	91 724	41 674	30 387	
<b>Total non-current liabilities</b>	<b>91 724</b>	<b>41 674</b>	<b>30 387</b>	
Other Interest-bearing loans, leasing and borrowings	29 770	32 853	27 912	
Trade payables	56 431	77 379	32 112	
Other current liabilities	2 434	3 221	11 490	
<b>Total current liabilities</b>	<b>88 635</b>	<b>113 453</b>	<b>71 514</b>	
<b>Total equity and liabilities</b>	<b>228 896</b>	<b>151 209</b>	<b>187 945</b>	

The interim financial information has not been subject to audit.

## CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

<i>(figures in NOK 1 000)</i>	Q2 2019	Q2 2018	1H 2019	1H 2018	2018
Equity at start of period	65 404	14 915	86 043	37 083	37 083
Issue new shares 1 <sup>st</sup> August 2018	0	0	0	0	120 283
Issue new shares 26 <sup>st</sup> September	0	0	0	0	13 461
<i>Profit/loss for the period</i>	-16 869	-18 834	-37 507	-40 994	-84 776
<i>Other comprehensive income/expenses</i>	0	0	0	-6	0
Total comprehensive income	-16 869	-18 834	-37 507	-41 000	-84 776
<b>Equity at the end of period</b>	<b>48 538</b>	<b>-3 919</b>	<b>48 538</b>	<b>-3 919</b>	<b>86 043</b>

## EARNINGS PER SHARE

<i>(figures in NOK 1 000, except EPS)</i>	Q2 2019	Q2 2018	1H 2019	1H 2018	2018
Number of shares end of period	294 837	233 500	294 837	233 500	294 837
Weighted average number of shares	294 837	233 500	294 837	233 500	258 098
Effect of empl. stock options and warrants	0	0	0	0	0
Weighted average number of shares diluted	294 837	233 500	294 837	233 500	258 098
Basic earnings per share (NOK)	-0.07	-0.08	-0.13	-0.18	-0.33
Diluted earnings per share (NOK)	-0.07	-0.08	-0.13	-0.18	-0.33

## CONSOLIDATED CONDENSED CASH FLOW STATEMENT

<i>NOK 1000</i>	Q2 2019	Q2 2018	1H 2019	1H 2018	2018
<b>Cash flow from operational activities</b>					
Profit before taxes	-16 869	-18 834	-37 507	-40 994	-84 527
Paid taxes	0	0	0	0	-249
Depreciation and write-off	6 305	5 410	12 700	11 156	22 190
Changes in Inventory	-6 629	-3 174	-13 075	-6 895	-12 544
Changes in trade debtors	3 990	-1 464	6 207	15 557	12 066
Changes in trade creditors	11 937	26 215	24 318	25 450	-19 817
Changes in other current bal. sheet items	-6 650	-1 269	-8 638	-10 326	50 695
Classified as financial activities	2 517	970	4 675	2 136	3 621
<b>Net cash flow from operational activities</b>	<b>-5 399</b>	<b>7 854</b>	<b>-11 320</b>	<b>-3 889</b>	<b>-28 625</b>
<b>Cash flow from investing activities</b>					
Investments in non-current tangible assets	-4 402	-11 716	-7 046	-16 263	-7 529
Investments in non-current intangible assets	-300	-630	-600	-1 007	-2 308
Other investments	-163	-506	-163	-489	0
<b>Net cash flow from investing activities</b>	<b>-4 865</b>	<b>-12 853</b>	<b>-7 808</b>	<b>-17 758</b>	<b>-9 837</b>
<b>Cash flow from financing activities</b>					
Issuance of share capital	0	0	0	0	72 219
Transaction cost on issue of shares	0	0	0	0	-4 265
Payment of interest	-2 517	-970	-4 675	-2 163	-3 621
Proceeds from borrowings	914	13 000	1 192	13 718	14 612
Repayment of borrowings	-4 782	-20 310	-6 161	-21 461	-33 919
<b>Net cash flow from financing activities</b>	<b>-6 385</b>	<b>-8 280</b>	<b>-9 645</b>	<b>-9 906</b>	<b>45 035</b>
Net change in cash and cash equivalents	-16 649	-13 278	-28 774	-31 554	6 573
Cash and cash equivalents at the beginning of the period	36 517	23 792	48 641	42 068	42 068
<b>Cash and cash equivalents at the end of the period</b>	<b>19 868</b>	<b>10 514</b>	<b>19 868</b>	<b>10 514</b>	<b>48 641</b>
Significant transactions in the accounts without cash flow:					
New shares subscribed from debt	0	0	0	0	65 790
Proceeds from financial lease	35	0	4 483	781	11 169
Proceeds from financial lease buildings	0	0	66 078	0	0

# SELECTED NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION AND BASIS FOR PREPARATION

This report has been prepared in accordance with International Financial Reporting Standards (IFRS) and the standard for interim reporting (IAS 34). The same accounting principles and calculation methods used in the last Financial statements (IFRS) 2014 has been used here.

## 2. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires management to make estimates based on professional judgement and assumptions considered realistic. There may be situations or changes in market conditions that can lead to changes in

estimates, but management do not consider it to be significant estimation uncertainty associated with estimates and reported figures for the company's assets, liabilities, equity and profits.

## 3. TAXES

Deferred tax assets are not posted in the balance sheet. Estimated value is NOK 132.2m.

## 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

<i>NOK 1 000</i>	R&D	Trademarks	Patents	Other	Total
<b>Book value at 31.03.2019</b>	<b>15 074</b>	<b>13</b>	<b>1 308</b>	<b>479</b>	<b>16 945</b>
Additions	300	0	0	0	300
Depreciations for the period	648	2	68	27	745
<b>Book value at 30.06.2019</b>	<b>14 725</b>	<b>11</b>	<b>1 240</b>	<b>452</b>	<b>16 500</b>
Economic life	10 years	5 years	5-10 years	10 years	

## 6. PROPERTY, PLANT AND EQUIPMENT

<i>NOK 1 000</i>	Property plant and equipment	Machines and Equipment	Fixtures and fittings	Total
<b>Book value at 31.03.2019</b>	<b>64 752</b>	<b>66 526</b>	<b>1 006</b>	<b>133 623</b>
Additions	0	4 402	0	4 402
Depreciations for the period	1 326	4 105	129	5 560
<b>Book value at 30.06.2019</b>	<b>63 426</b>	<b>61 884</b>	<b>877</b>	<b>127 527</b>
Economic life		5-10 years	3-10 years	
Method of depreciation		straight line	straight line	

## 7. SEGMENTS

<i>NOK 1000</i>	Q2 2019	Q2 2018	1H 2019	1H 2018	2018
Per product					
Salmon oil	6 729	5 108	13 828	10 251	21 049
Protein	177	2 856	686	6 197	7 196
Calcium	11	151	1 832	200	947
PHP	2 651	3 449	4 515	7 013	12 045
By-product/other	3 215	3 019	6 603	5 689	19 503
<b>Total revenues</b>	<b>12 783</b>	<b>14 583</b>	<b>27 464</b>	<b>29 350</b>	<b>60 740</b>

## 8. COST OF SALES

<i>NOK 1000</i>	Q2 2019	Q2 2018	1H 2019	1H 2018	2018
Cost of goods sold	6 253	10 451	17 170	20 502	48 361
Write-downs inventory	514	1 345	514	3 592	0
Allocation of cost prod. calc.	0	0	0	0	0
<b>Net cost of sales</b>	<b>6 767</b>	<b>11 796</b>	<b>17 684</b>	<b>24 094</b>	<b>48 361</b>

## 9. INVENTORY

<i>NOK 1000</i>	1H 2019	1H 2018	2018
Per product			
Raw material	1 645	1 496	1 826
Goods in process	90	0	0
Finished goods	40 743	22 257	27 576
<b>Total inventory</b>	<b>42 478</b>	<b>23 753</b>	<b>29 402</b>



## 10. FINANCE

<i>NOK 1000</i>	Q2 2019	Q2 2018	1H 2019	1H 2018	2018
Interest expense	2 521	969	4 692	2 163	4 647
Interest income	4	10	17	21	209
Net currency exchange	321	395	1 148	14	-2 391
<b>Net financial items</b>	<b>-2 196</b>	<b>-564</b>	<b>-3 528</b>	<b>-2 128</b>	<b>-6 829</b>

## 11. SHAREHOLDERS

Largest shareholders

<i>Shareholder</i>	# of shares	% share
SIX SIS AG (DEEP BLUE VENTURES FUND/BONAFIDE GLOBAL FISH FUND)	74 388 675	25.23
ROGER HOFSETH AS	47 639 998	16.16
ALLIANCE SEAFOODS INC.	40 951 333	13.89
HOFSETH AS	32 403 409	10.99
HOFSETH INTERNATIONAL AS	19 585 905	6.64
SEAFOOD FARMERS OF NORWAY AS	10 574 921	3.59
HOFSETH AALESUND AS	4 860 718	1.65
NORDEA BANK ABP	4 601 000	1.56
SWELANDIA INTERNATIONAL AB	4 430 000	1.50
STOREBRAND VEKST VERDIPAPIRFOND	3 702 987	1.26
VARMA MUTUAL PENSION INSURANCE CO.	3 492 249	1.18
CREDIT SUISSE (SWITZERLAND) LTD.	2 930 908	0.99
HOFSETH LOGISTICS AS	2 456 825	0.83
UBS SWITZERLAND AG	2 206 510	0.75
ØDEGÅRD PROSJEKT AS	2 104 039	0.71
BNP PARIBAS SECURITIES SERVICES	1 850 855	0.63
SINKABERG-HANSEN AS	1 764 107	0.60
JAN PETTERSSON	1 553 137	0.53
ENTRANS INVEST AS	1 275 088	0.43
TROLS A/S	1 185 046	0.40
<b>Total 20 largest</b>	<b>263 957 710</b>	<b>89.53</b>
<b>Total other</b>	<b>30 879 119</b>	<b>10.47</b>
<b>Total no. of outstanding shares</b>	<b>294 836 829</b>	<b>100.00</b>
Total no. of shareholders: 719		