

Second Quarter & Half Year 2020 Financial Report

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CEO Statement

The first half of 2020 has been unprecedented for us, just like for all other companies and individuals.



We have strong sympathy with those who being infected by Covid-19, their families and those at the front line in the health care system, fighting the disease.

HBC has been operating efficiently despite the impact from the ongoing COVID-19 pandemic. The safety, health and well-being of our employees and their families, and our collaborators remains our priority. The pandemic has had a minimal impact on our operations, even though all physical sales and marketing activities were cancelled in the second quarter.

We are extremely happy that also Hofseth BioCare can contribute to the war against the virus. Right now, we are close to concluding a fast track phase II study aiming to document whether fat-soluble components in our salmon oil can save lives among COVID-19 patients with breathing difficulties.

Hofseth BioCare is in a fortunate and unique situation, as our research indicates close to 20 indications of nutrition and health benefits from our products, and hence our vast potential is very large. Bomi Framroze, our Chief Scientific Officer, cooperates with some of the best medical universities and hospitals in the world. They want to work with us because they can clearly see what we see: Strong evidence of great pharmaceutical potential in our products.

A good example is the effect our salmon protein hydrolysate products CollaGo® and ProGo® have on anemia. We are optimistic that we will receive a health label for correction of iron deficiency for these products. This will be a significant step forward for us, as our products will be the only available treatment for an attractive solution for millions of individuals dependent on iron supplements, but without the negative side effects iron treatment has on the digestive system.

Extracting high value nutrition and medical products from low value waste from salmon production is the core of our business. During the first half of 2020 we have become even more confident in our strategy to develop Hofseth BioCare into a true biotech company, and at the same time develop and sell consumer products with documented nutrition effect. All of it based on clean raw materials from the sea.

One can hardly imagine a better environment than the pure waters at the west coast of Norway for exploring and developing the nutrition and medicine of tomorrow. This is one of the reasons why sustainability, recycling and energy efficiency is so deeply rooted in Hofseth BioCare's culture.

Going forward, we will continue to increase the investments in targeted research and development in order to exploit the potential that lies in the combination of our unique technology and pure raw materials.

Roger Hofseth, CEO

Key Figures & Highlights

	Q2 2020	Q2 2019	1H 2020	1H 2019	2019
Gross operating revenue	20 097	12 783	38 621	27 464	67 778
EBITDA	-12 296	-8 368	-22 518	-21 280	-52 118
Operating profit/loss	-17 819	-14 673	-33 808	-33 980	-79 574
Net cash flow	-6 449	-16 649	-33 556	-28 774	6 573
Equity ratio	33.7%	21.2%	33.7%	21.2%	40.2%

HIGHLIGHTS IN THE SECOND QUARTER

- › Signed research agreement and started our research collaboration with Prof. Karl Sylvester at Stanford University School of Medicine on a multi-year pre-clinical and clinical program towards a Necrotizing Enterocolitis (NEC) and Irritable Bowel Disease (IBD) label claim for our Soluble Protein Hydrolysate (SPH).
- › Initiated accelerated COVID-19 Phase 2 clinical trial of OmeGo® salmon oil to decrease Acute Respiratory Distress Syndrome and the need for assisted respiration
- › Brilliant Salmon Oil™ brand launched in USA, contracts with new US distributors signed for delivery from end of May.
- › HBC Berkåk obtained Kosher certification
- › Received approval for a loan facility of NOK 38m to increase cash balance and secure further R&D activities

POST-PERIOD HIGHLIGHTS

- › Signed an agreement to acquire 34 per cent ownership in the Asia-Pacific distributor Atlantic Delights Ltd. in Hong Kong for approx. NOK 6.5m in August
- › Dr. Erland Hermansen hired as Medical Director for Clinical Development
- › Secures distribution with a Global Retailer giant in the UK, Spain, Iceland and online for Brilliant Salmon Oil™ for pets

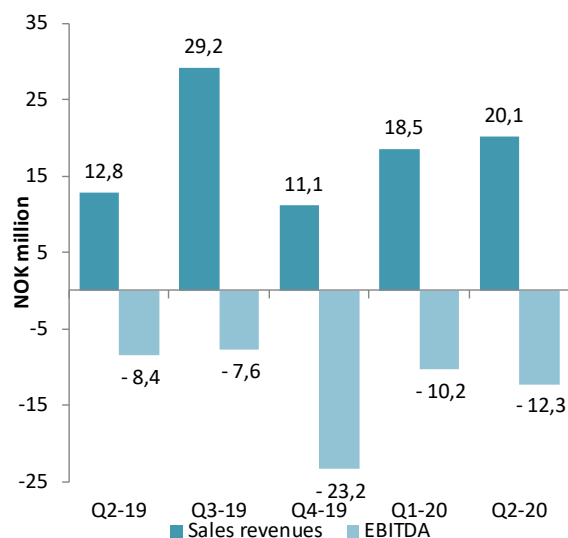
Financial Review

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

Profit and Loss Second Quarter and Half Year 2020

HBC had gross operating revenues of NOK 38.6m (27.5m) in the first half of 2020 and operating revenues of NOK 20.1m (12.8m) in the second quarter. The NOK 7.3m (+57 %) increase QoQ is a result of increased sales of Salmon Oil and PHP with NOK 18.5m alone on the two products in the second quarter. The first quarter 2020 gross revenues included NOK 8m insurance claim payout.

Cost of Goods Sold (CoGS) amounted to NOK 12.5m (6.8m) in the quarter and NOK 18.7m for the first half (17.7m). Operational profit (EBITDA) for the second quarter 2020 was NOK -12.3m (-8.4m) and for the first half NOK -22.5m (-21.3m). In the first half 2020, Salaries increased by NOK 2.8m, compared to the same period 2019 due to new employees in sales and operations. OPEX increased by NOK 8.6m, compared to 1H 2019, mainly due to increased R&D and clinical work in 2020.



Gross margin was 38 % in the second quarter and 52 % for the first half, including other operating revenues in the first quarter. Net financial items in the second quarter were NOK -2.5m (-2.2m) and NOK -4.4m in the first half (-3.5m).

Loss before tax was NOK 20.3m in the quarter and NOK 38.2m for first half, compared to a loss of NOK 16.9m during second quarter and NOK 37.5m in the first half of 2019.

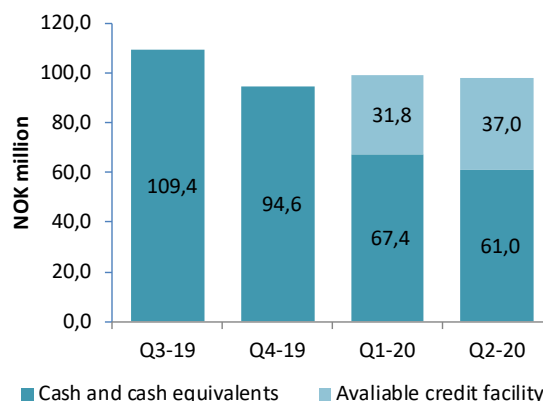
Cash flow

Cash flow from operations during the second quarter was NOK -17.0m and NOK -43.4m in the first half, compared to NOK -5.4m and NOK -11.3m in the respective periods last year.

Net cash flow from investment activities was NOK -16.5m in the second quarter and NOK -23.9m in the first half of 2020, compared to NOK -4.8m and NOK -7.8m for the corresponding periods last year.

Cash flow from the financing activities amounted to NOK 27.0m in the second quarter and NOK 33.8m in the first half 2020, compared to NOK -6.4m in the second quarter and NOK -9.6m in the first half of 2019.

Cash and cash equivalents decreased by NOK 6.5m during the quarter, leaving total holding of cash and cash equivalents at NOK 60.1m by the end of the period, compared to NOK 19.9m by the end of the second quarter 2019. Including credit facilities, HBC had NOK 98m in free liquidity by the end of the second quarter.

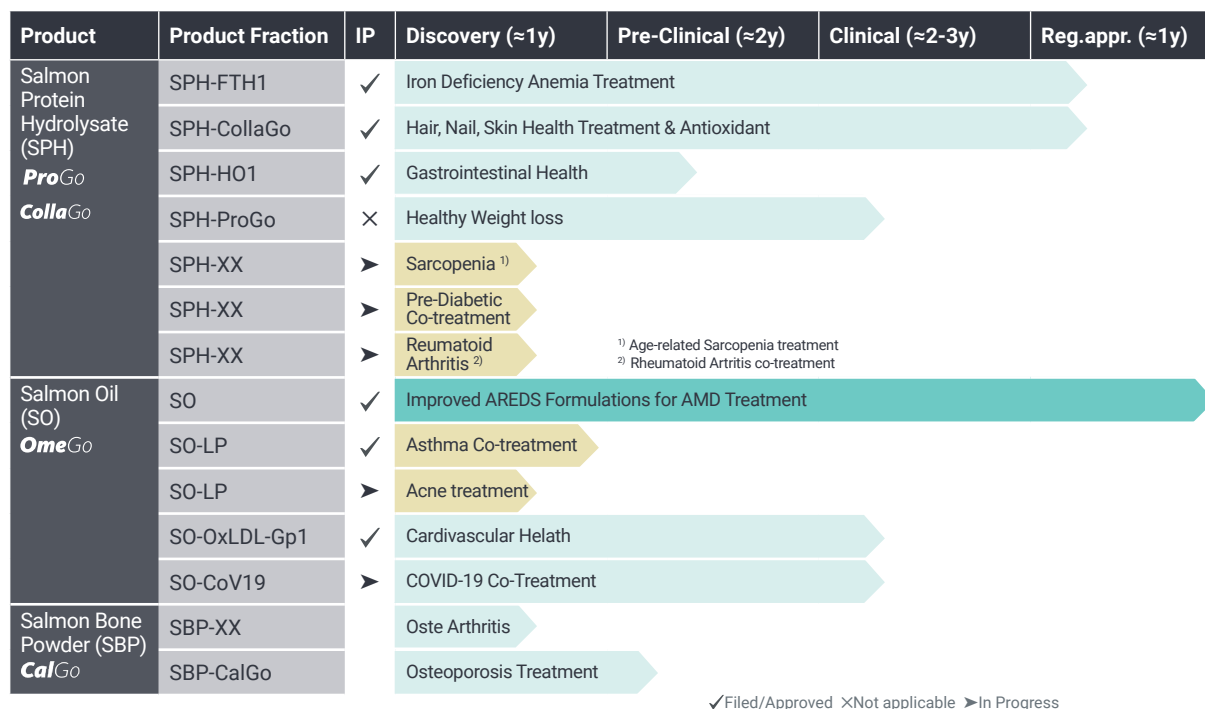


Financial position

Total assets for HBC were NOK 306.9m at the end of second quarter of 2020 (228.9m). Deferred tax assets are not recognized in the balance sheet but the estimated value for them is NOK 151.6m. Total equity amounted to NOK 103.5m (48.5m) corresponding to an equity ratio of 33.7 % (21.2 %) for the group.

Pipeline

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



R&D Indications

Discovery Update

In the second quarter, R&D focused largely on

- i. Clinical trial for the use of CARDIO™ softgels for reducing COVID-19 disease severity
- ii. Use of OmeGo® in the treatment of eosinophilic steroid-treatment resistant asthma and identifying the active component(s) in OmeGo® that modulate eosinophil effector function
- iii. Identifying and tailoring enzymes to produce a greater percent of active fractions of SPH for the treatment of iron-deficiency anemia
- iv. Invitro assay development on sarcopenia and prediabetic treatment.

CARDIO™ softgels in COVID-19 treatment

in the second quarter, we received approval for a fast-track trial to treat COVID-19 patients with CARDIO™ softgel from Health Canada in a remarkable 3 weeks. Patient recruitment will start in the third quarter, and an initial read-out from the first part of the trial is anticipated within 12 weeks of the first patient goes on treatment.

The aim is to prevent progression from mild to severe COVID-19

in SARS-CoV-2 infected patients. This is an open-labeled, accelerated proof-of-concept trial in which self-identified former smoker patients will be given the best antiviral standard of care (BSC) together with CARDIO™ softgels in the treatment arm. CARDIO™ is the only marine oil that contains components that have been shown to reduce eosinophil effector function and increase eosinophil apoptosis in invitro assays. Uncontrolled eosinophil production in lung epithelial cells may play a critical role in the destruction of the respiratory epithelium in the former smoker and steroid-treatment resistant asthma patients.

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

Steroid-treatment resistant asthma therapeutic

This quarter we submitted a paper "An invitro study to explore the modulation of eosinophil effector function in human allergic peripheral blood eosinophils using enzymatically extracted salmonid oil." for publication in Functional Foods in Health and Disease journal.

We also completed a small peritoneal eosinophil modulation animal dosing study using high/low doses and fevipiprant as a commercial positive control that showed that OmeGo® salmon

oil was just as effective at the high dose as commercial standard fevipirant in modulating peritoneal eosinophil functions.

In the third quarter, we will start a second pre-clinical trial on the use of OmeGo® to modulate house-dust mite induced allergy in mice to directly study respiratory eosinophil modulation.

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

Situational anemia treatment

We continue our efforts at identifying the active peptides that are responsible for the FTH 1 gene upregulation and hence the iron-deficiency anemia treatment label. Using our new in-vitro HIEC-6 model, the structure identification analytical efforts are progressing well, and we will be working on this through most of 2020. We have identified both N and C terminus amino acid groups needed and narrowed the molecular weight range to 2,300-2,600 Dalton.

We are also simultaneously working on optimizing the process to produce more of this fraction of peptides, so that at least the nutraceutical and medical foods monetization of our results, when successful, will be very quick.

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.

Sarcopenia treatment

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

This quarter we completed the development and validated our first sarcopenia invitro assay that will measure increased levels of oxidative stress and reactive oxygen species in primary skeletal muscle cells.

H₂O₂ is known to diffuse across cellular membranes and H₂O₂-stimulated skeletal muscle cells show increased intracellular ROS levels and can induce several mechanisms involved in the pathogenesis of sarcopenic muscle characteristics.

We will investigate the potential impact of our bioactive peptides from SPH as well as our other lab-made hydrolysates in this assay in the second half of 2020.

In spite of delays due to COVID-19 closures of US hospitals for pre-clinical and clinical research, we have been able to initiate our multi-year research collaboration with Prof. Karl Sylvester at Stanford University School of Medicine in this quarter. New

peptide fractions are being prepared and provided for multiple invitro and animal assays towards Necrotizing Enterocolitis and Irritable Bowel Syndrome medical food label claims.

Retarding the progression from pre-diabetes to type II diabetes

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

Other indications

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

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

Sales & marketing

Because of the ongoing pandemic, tradeshows and events has been cancelled on a global scale. Normally the sales team would have attended several shows during the second quarter.

GOL update

Even with a delay due to the pandemic, Garden of Life (GOL) continues to move forward with their forthcoming salmon protein launch. GOL has now achieved proof of concept and is working to finalize the formulation and flavours. *"Covid-19 has clearly disrupted the consumer significantly and delayed new product launches to date in 2020 for obvious reasons. Nonetheless, we remain more committed than ever and are working on our go-to-market strategy. We are excited to bring innovation to the protein category once again"* says VP of R&D Jeff Brams at Garden of Life. Hofseth and GOL are discussing retail collaboration to assist in bringing the products to market and to continue to tell the industry leading sustainability story.

Other updates

The North American sales team has to date signed a total of 8 distributors in the USA and Canada reaching more than 1,000 pet stores with its Brilliant Salmon Oil™ product. The product has been well received in the market and is continuing to grow with increased market exposure and publicity.

We have secured distribution with a global retailer giant in the UK, Spain, Iceland and online for Brilliant Salmon Oil™ for pets.

The process of expanding the Brilliant Salmon Oil™ presence into new territories such as Peru, Costa Rica, Poland, South Korea, and Japan is ongoing. So far, Brilliant Salmon Oil™ is present in more than 20 different countries.

HBC human line of products is soon to be found in Lazada online store for the Southeast Asian market. Lazada is Asia's leading online department store, covering the Philippines, Malaysia, Indonesia, Singapore, Taiwan, and Vietnam.

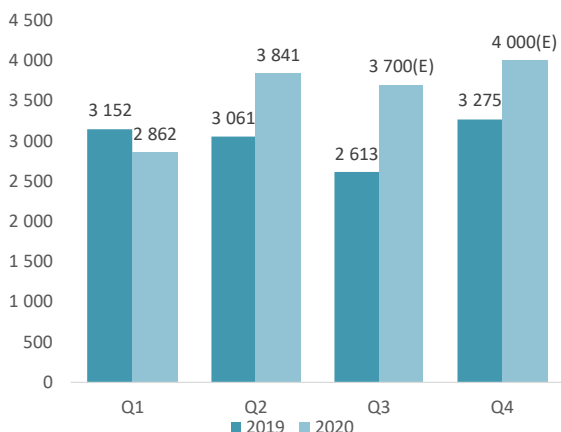
As PetGo® Salmon Oil and PetGo® Salmon Meal continue to be sold in large volumes, Prinova Europe is focusing their efforts in increasing sales of ProGo®, CollaGo®, OmeGo® and CalGo® ingredients.

HBC has also launched its new and improved website. The new website focuses more on the company's technology, research and development, and future potential as HBC is becoming a biotech company and producing the medicine of tomorrow.

Production update

HBC produces Soluble Protein Hydrolysate (SPH, ProGo® and CollaGo®), Partly Hydrolyzed Protein (PetGo®), fresh Salmon Oil (OmeGo®) and Marine Calcium (CalGo®).

HBC operates two plants: The hydrolysis plant in Midsund and the spray-drying plant in Berkåk. In the second quarter of 2020, HBC Midsund processed 3,841 tons of salmon and trout raw materials, compared to 3,061 tons in the second quarter 2019.



In order to improve yield, reduce costs and improve further our quality parameters for ProGo®, the expansion and installation of a Spray Dryer at Midsund plant is moving forward as planned. The new processing line at Midsund is expected to be up and running by the third quarter 2020. Despite the challenging situation with restrictions due to Covid-19, we are on schedule with the expansion.

Process development

Process development research to reduce odor in ProGo®/CollaGo® (SPH) powder has continued to focus on inhibiting decarboxylation reactions. We have been able to slow down the decarboxylation by over 50 % using a combination of food-approved reagents. In the second quarter of 2020 we translated the Phase 1 data into a usable commercial recipe to implement at the update Midsund facility when completed. One significant unexpected result is that the modified recipe has led to a ~40% increase in FTH1 gene upregulation (the mode of action for reducing iron-deficiency anemia) and we will use the peptide differences between these batches to accelerate the identification of FTH1 gene upregulating peptides in the next 6 months.

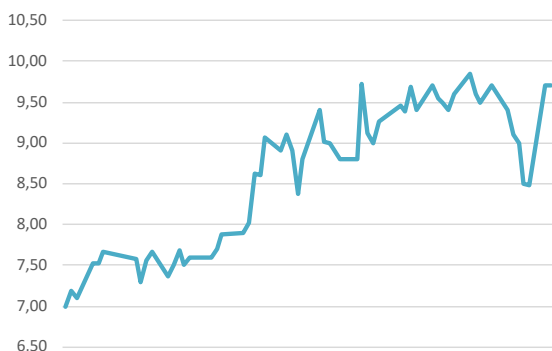
We continued to explore our colloid filtration project in this quarter as a new and potentially patentable solution to explore this potential to reduce yield loss and increase throughput during separation and filtration steps this project in the second quarter to bring it to a commercial trial in Midsund in the third quarter.

Yield improvement work has continued to dose range and process implement the new finishing enzyme added to our standard recipe to improve the recovery of SPH and minimize loss during processing. Implementation at Midsund will begin on completion of the update facility.

Share information

HBC shares were traded between NOK 7.00 and 9.84 per share in the second quarter and the last closing price on 30 June 2020 was NOK 9.70.

Based on 329,073,881 outstanding shares, this values HBC's equity at approximately NOK 3,192m. As of 30 June 2020, HBC had 1,230 shareholders. The 20 largest shareholders controlled 86.42 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 2020. However, a new shareholder loan of NOK 38m has been issued to HBC in June 2020.

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 2020 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, 28 August 2020

Ola Holen
Chairman of the board

Henriette G. Heggdal
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 2020	Q2 2019	1H 2020	1H 2019	2019	Notes
Sales revenue	19 852	12 783	30 209	27 464	67 778	<u>7</u>
Other operating revenue	245	0	8 412	0	0	
Gross operating revenue	20 097	12 783	38 621	27 464	67 778	
Cost of sales	12 451	6 767	18 694	17 684	59 570	<u>8</u>
Salaries and other payroll costs	6 915	5 650	16 720	13 902	29 212	
Other operating expenses	13 028	8 734	25 726	17 158	31 114	
EBITDA	-12 296	-8 368	-22 518	-21 280	-52 118	
Depreciation and Write-down	5 523	6 305	11 290	12 700	27 456	<u>6</u>
Operating profit/loss (EBIT)	-17 819	-14 673	-33 808	-33 980	-79 574	<u>6</u>
Financial income	794	1 844	1 598	3 476	5 148	<u>10</u>
Financial expenses	3 249	4 040	5 950	7 003	14 792	<u>10</u>
Net financial items	-2 455	-2 196	-4 352	-3 528	-9 644	<u>10</u>
Profit/loss before taxes	-20 275	-16 869	-38 160	-37 507	-89 218	
Tax expense	0	0	0	0	0	
Profit for the period	-20 275	-16 869	-38 160	-37 507	-89 218	
Total comprehensive income for the period attributable to:						
Non-controlling interests	-1	0	-1	0	-9	
Shareholders in HBC (majority)	-20 273	-16 869	-38 159	-37 507	-89 209	
Total	-20 275	-16 869	-38 160	-37 507	-89 218	
Earnings per share (EPS)						
Basic earnings per share (NOK)	-0.06	-0.06	-0.12	-0.13	-0.29	

The interim financial information has not been subject to audit.

Consolidated condensed statement of financial position

(figures in NOK 1 000)	Q2 2020	Q2 2019	1H 2020	1H 2019	2019	Notes
Research, patents etc.	32 749	16 500	32 749	16 500	24 346	5
Property, plant and equipment	131 316	127 527	131 316	127 527	128 353	6
Financial assets	909	3 447	909	3 447	2 460	
Total non-current assets	164 973	147 473	164 973	147 473	155 159	
Inventories	54 883	42 478	54 883	42 478	33 986	9
Trade receivables	14 733	8 490	14 733	8 490	5 542	
Other current assets	11 286	10 588	11 286	10 588	3 771	
Cash and cash equivalents	60 997	19 868	60 997	19 868	94 553	
Total current assets	141 899	81 423	141 899	81 423	137 852	
Total assets	306 872	228 896	306 872	228 896	293 011	
Share capital	3 291	294 837	3 291	294 837	325 821	12
Other Paid in equity (+) Uncovered losses (-)	100 867	-245 626	100 867	-245 626	-207 389	
Non-controlling interests	-683	-673	-683	-673	-682	
Total equity	103 475	48 538	103 475	48 538	117 750	
Non-current liabilities interest bearing	94 121	91 724	94 121	91 724	103 510	
Total non-current liabilities	94 121	91 724	94 121	91 724	103 510	
Other Interest-bearing loans, leasing and borrowings	49 954	29 770	49 954	29 770	28 955	
Trade payables	49 656	56 431	49 656	56 431	29 712	
Other current liabilities	9 645	2 434	9 666	2 434	13 085	
Total current liabilities	109 255	88 635	109 276	88 635	71 752	
Total equity and liabilities	306 872	228 896	306 872	228 896	293 011	

The interim financial information has not been subject to audit.

Consolidated condensed statement of changes in equity

(figures in NOK 1 000)	Q2 2020	Q2 2019	1H 2020	1H 2019	2019	Notes
Equity at start of period	122 789	66 792	117 749	86 043	86 044	
Share based payment program	1 029	0	2 057	0	827	
Issue new shares 17th August 2019	0	0	0	0	117 935	
Issue new shares 1st October 2019	0	0	0	0	6 000	
Issue new shares 22nd March 2020	0	0	21 895	0	0	
Share issue costs	-67	0	-67	0	-3 839	
Profit/loss for the period	-20 275	-16 869	-38 160	-37 507	-89 218	
Other comprehensive income/expenses	0	0	0	0	0	
Total comprehensive income	-20 275	-16 869	-38 160	-37 507	-89 218	
Equity at the end of period	103 475	48 538	103 475	48 538	117 749	

Earnings per share

(figures in NOK 1 000, except EPS)	Q2 2020	Q2 2019	1H 2020	1H 2019	2019
Number of shares end of period	329 074	294 837	329 074	294 837	323 821
Weighted average number of shares	329 074	294 837	327 618	294 837	304 500
Effect of employee stock options and warrants	6 484	0	6 484	0	6 484
Weighted average number of shares diluted	335 558	294 837	334 102	294 837	310 985
Basic earnings per share (NOK)	-0.06	-0.06	-0.12	-0.13	-0.29
Diluted earnings per share (NOK)	-0.06	-0.06	-0.12	-0.13	-0.29

Consolidated condensed cash flow statement

(figures in NOK 1 000)	Q2 2020	Q2 2019	1H 2020	1H 2019	2019
Cash flow from operational activities					
Profit before taxes	-20 275	-16 869	-38 160	-37 507	-89 218
Depreciation and write-off	5 523	6 305	11 290	12 700	22 190
Changes in Inventory	-9 228	-6 629	-20 897	-13 075	-12 544
Changes in trade debtors	-1 646	3 990	-9 191	6 207	12 006
Changes in trade creditors	4 638	11 937	19 944	24 318	-19 817
Changes in other current bal. sheet items	2 110	-6 650	-10 492	-8 638	50 695
Classified as financial activities	1 927	2 517	4 083	4 675	3 621
Net cash flow from operational activities	-16 951	-5 399	-43 423	-11 320	-28 625
Cash flow from investment activities					
Investments in tangible assets	-7 094	-4 402	-13 551	-7 046	-16 718
Investments in intangible assets	-9 413	-300	-10 372	-600	-12 083
Other investments	0	-163	0	-163	0
Net cash flow from investment activities	-16 507	-4 865	-23 922	-7 808	-27 166
Cash flow from financing activities					
Issuance of share capital	0	0	21 895	0	108 935
Transaction cost on issue of shares	-67	0	-67	0	-3 839
Payment of interest	0	-2 517	0	-4 675	-8 065
Proceeds from borrowings	38 000	914	43 227	1 192	21 607
Repayment of borrowings	-10 924	-4 782	-31 266	-6 161	-22 062
Net cash flow from financing activities	27 009	-6 385	33 789	-9 645	96 576
Net change in cash and cash equivalents	-6 449	-16 649	-33 556	-28 774	45 912
Cash and cash equivalents at the beginning of the period	67 446	36 517	94 553	48 641	48 641
Cash and cash equivalents at the end of the period	60 997	19 868	60 997	19 868	94 553
Significant transactions in the accounts without cash flow:					
New shares subscribed from debt	0	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 151.6m.

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 31.03.2020	21 298	2 320	625	184	26 184
Additions	8 291	590	0	531	9 413
Depreciations for the period	990	2	72	26	1 090
Book value at 30.06.2020	28 599	2 909	553	1 144	32 749
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 31.03.2020	38 097	146	38 243
Additions	7 094	0	7 094
Depreciations for the period	1 205	34	1 239
Book value at 30.06.2020	43 986	112	44 098
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 31.03.2020	60 210	26 909	1 621	88 740
Additions	0	0	0	0
Depreciations for the period	881	602	40	1 523
Book value at 30.06.2020	59 329	26 307	1 581	87 217
Economic life	13 years	5-10 years	3-5 years	
Method of depreciation	straight line	straight line	straight line	

7. Segments

(figures in NOK 1 000)	Q2 2020	Q2 2019	1H 2020	1H 2019	2019
Per product					
Salmon oil	10 664	6 729	16 199	13 828	24 228
Protein	659	177	1 580	686	20 418
Calcium	444	11	956	1 832	2 999
PHP	7 809	2 651	10 699	4 515	9 963
By-product/other	521	3 215	1 020	6 603	10 170
Insurance settlement	0	0	8 167	0	0
Total revenues	20 097	12 783	38 621	27 464	67 778

8. Cost of sales

(figures in NOK 1 000)	Q2 2020	Q2 2019	1H 2020	1H 2019	2019
Cost of goods sold	10 662	6 253	16 906	17 170	49 160
Write-downs inventory	1 789	514	1 789	514	10 410
Net cost of sales	12 451	6 767	18 695	17 684	59 570

9. Inventory

(figures in NOK 1 000)	Q2 2020	Q2 2019	2019
Per product			
Raw material	1 974	1 735	2 282
Finished goods	52 909	40 743	31 704
Total inventory	54 883	42 478	33 986

10. Trade receivables

(figures in NOK 1 000)	Q2 2020	Q2 2019	2019
Trade receivables	14 733	8 490	5 542
Total receivables	14 733	8 490	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.

11. Finance

(figures in NOK 1 000)	Q2 2020	Q2 2019	1H 2020	1H 2019	2019
Interest expense	1 982	2 521	4 142	4 692	9 715
Interest income	55	4	59	17	529
Net currency exchange	-529	321	-268	1 148	-807
Gain on investments	0	0	0	0	4
Net financial items	-2 455	-2 196	-4 352	17 684	-9 988

12. Shareholders

Largest shareholders as of 30.06.2020

Shareholder	Acc. Type	# of shares	% stake
SIX SIS AG	Nominee	79 274 001	24.33
ROGER HOFSETH AS	Ordinary	51 389 998	15.77
YOKOHAMA REITO CO. LTD	Ordinary	40 951 333	12.56
HOFSETH AS	Ordinary	32 403 409	9.94
BRILLIANT INVEST AS	Ordinary	11 000 000	3.37
SEAFOOD FARMERS OF NORWAY AS	Ordinary	10 574 921	3.24
CREDIT SUISSE (SWITZERLAND) LTD.	Nominee	8 867 351	2.72
HOFSETH INTERNATIONAL AS	Ordinary	8 585 905	2.63
GOLDMAN SACHS & CO. LLC	Nominee	5 738 166	1.76
HOFSETH AALESUND AS	Ordinary	4 860 718	1.49
INITIA AB	Ordinary	4 601 000	1.41
JPMORGAN CHASE BANK, N.A., LONDON	Nominee	3 387 010	1.03
SWELANDIA INTERNATIONAL AB	Ordinary	3 350 000	1.02
THE NORTHERN TRUST COMP, LONDON BR	Nominee	3 068 667	0.94
UBS SWITZERLAND AG	Nominee	2 620 658	0.80
HOFSETH LOGISTICS AS	Ordinary	2 456 825	0.75
INTERACTIVE BROKERS LLC	Nominee	2 429 891	0.74
ØDEGÅRD PROSJEKT AS	Ordinary	2 104 039	0.64
CITIBANK, N.A.	Nominee	1 982 479	0.60
UBS AG	Nominee	1 929 804	0.59
Total 20 largest		281 576 175	86.42
Total other		47 497 706	13.58
Total no. of outstanding shares		329 073 881	100.00

Total no. of shareholders: 1,230

This is Hofseth BioCare






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

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

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

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

OUR PRODUCTS AND INGREDIENTS

Ingredient	About	Finished products
	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

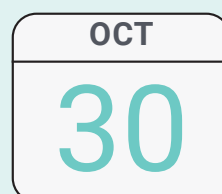
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CALENDAR



Q3/20 Financial Report



Q1/21 Financial Report