Annual Report 2020

Published:
19.03.2021

Content

Adopted by Hofseth BioCare ASA's Board of Directors 19th March 2021

Hofseth BioCare ASA is committed to maintaining high standards of corporate governance that will strengthen confidence in the company among shareholders, capital market and among other stakeholders, thereby contributing to the greatest possible value creation over time. The aim of corporate governance is to regulate the roles of shareholders, board and management beyond what is required by legislation.
The company reports in accordance with the recommendation of 30 October 2014 («the Recommendations») issued by the Norwegian Corporate Governance Board (NUES). The rules on the continuing obligations of listed companies at www.oslobors.no and guidelines are available at www.nues.no

Compliance is based on a «comply or explain» principle, which means that the company must comply with all recommendations or explain why they have chosen an alternative approach to specific recommendations. The following explains the company's compliance with the 15 sections and addresses the additional requirements set out in the Accounting Act § 3-3 b.
Any deviation from the Code of Conduct will be explained under the appropriate section.
This report is part of the company's annual report. The report is also available on Hofseth BioCare's website www.hofsethbiocare.no, along with more information about the company's business.

Corporate governance

CHAPTER 1

The Board of Directors of Hofseth BioCare ASA has the ultimate responsibility to ensure that the company is practicing good corporate governance. The company's Board of Directors and management conducts a thorough review and assessment of its principles of corporate governance annually.

Hofseth BioCare is a Norwegian public limited company and is listed on Oslo Stock Exchange. The Norwegian Accounting Act and the rules of the Continuing Obligations for stock listed companies impose a duty on the Company to issue in the annual report its principles and practice for corporate governance.

Values and guidelines for business ethics and corporate social responsibility

Values and guidelines for business ethics and corporate social responsibility are essential to the Company's competitiveness.

Hofseth BioCare is committed to transparency about its guidelines for management of the Company. This strengthens the value creation, builds internal and external confidence and promotes a code of ethics and sustainable approach to business.

Hofseth BioCare is founded on the core value of sustainability and optimal use of natural resources. The Company aspires to create a healthy company culture based on these core values. The Board of Directors has approved the Code of Conduct for business ethics and corporate social responsibility. The Company's customization of the Code of Conduct and the internal guidelines ensures a proper division of roles and responsibilities and well-functioning cooperation among the Company's shareholders, the Board of Directors and its management, and that the business is subject to satisfactory control. An appropriate distribution of roles, effective collaboration and satisfactory control contributes to the best possible value creation over time, for the benefit of its owners and other stakeholders.

The company's code of Ethics deals with the handling of impartiality, conflicts of interest, relationships with customers and suppliers, relations with the media, insider trading and relevant financial interests of a personal nature.

The core of the concept of CSR is the company's responsibility for people, communities and environment affected by operations and typically addresses

- **Human rights** which means that the company carries out its operations in accordance with the international agreements and conventions that are fundamental rights of every human being, regardless of race, gender, religion or other status.

- **Anti-corruption** which means that the organization instructed that it should not be demanded, receive or accept an offer of an improper advantage in connection with a position, office or assignment.

- **Employee relations** where AMLs (Working Environment Act) provisions concerning employment contracts, working hours, insurance, pension, vacation, sick monitoring etc. embodied in internal guidelines and be followed through the organization. The employees are organized, and there is established good communication channels between employee representatives and management.

- **HSE** (Health, Security and Environment) is the company’s overall focus. Through guidelines and incorporate routines that safety inspections, preventive maintenance routines, etc. involves all the employees. A safety delegate system is implemented in the organization.

- **Discrimination** where the Company endeavors to ensure that there shall be no discrimination or unequal treatment which has its basis in individuals, genders, ethnicities, nationalities, religious communities and the like.

- **Environmental** which is a key factor in the company's social responsibility. Emissions to water and air are continuously monitored. Regular meetings are held with local authorities and municipal bodies.

Business

The aim of Hofseth BioCare is defined in the Company's Articles of Association, which among other states:

- Hofseth BioCare's business is development, manufacturing, marketing and sale of marine ingredients such as oil, calcium and protein products, as well as cooperation with, and the participation and ownership in businesses engaged in related businesses.

- The Company's board of directors shall have from 3 to 10 members according to the resolution of the General Meeting.

- The company shall have an audit committee.

Please refer to the Articles of Association for Hofseth BioCare, last modified 21 December 2020, which are available at the company's website www.hofsethbiocare.com.

Equity and dividend

Equity

Hofseth BioCare shall have an equity ratio which is appropriate in relation to its objectives, strategy and risk profile, and the Board of Directors will continually assess the capital situation.

The Company's Board of Directors and management have used the following instruments to have a customized equity at any given time

- Private placement/capital increase
- Shareholder loans (subordinated loan) that can be deemed part of the company's equity
- Sales-enhancing and cost-cutting measures

As of 31 December 2020, the group had an equity of NOK 263.8 million, corresponding to an equity ratio of 57.5 %. The board considers an equity ratio of more than 25.0 per cent to be at a satisfactory level with regard to prudent equity. The company's long-term debt financing has financial covenant requirements of 25 % equity, including subordinated loans. The main shareholders have, if necessary, provided subordinated loans to ensure that the company is not in breach of covenant requirements from the banks. The board will at all times consider various instruments to ensure that the company has sufficient equity, including an authorization given to the board at the general meeting on 25 May 2020 to issue up to approximately 32.9 million new shares intended to be used in the event of a need for additional equity and liquidity. At the time of publishing the annual report, 27.7 million new shares had been issued under this authorization. It is the Board's intention to ask the General Meeting for a similar authorization for the coming period.

Dividend

Hofseth BioCare aims to give its shareholders a competitive rate of return based on the company's earnings. Dividends will be considered in the context of Hofseth BioCare's financial position, loan terms and capital requirements for existing and new projects.

Mandates of the board of directors

Mandates granted to the Board of Directors, either to increase the company's share capital or to buy its own shares, will generally be limited to defined purposes and usually limited in time until the date of the next ordinary general meeting.

As of 31 December 2020, the Board of Directors in Hofseth BioCare holds an authorization to increase the company's share capital by issuing new shares with a total face value of up to NOK 52 854 equivalent to 5.3 million shares, each with a nominal value of NOK 0.01.

The authorization can be used in connection with the issuance of shares to investors who are considered to have strategic importance for the company as well as to repair any issues as a result of such, or any other private equity issues.

In accordance with this power of attorney to the Board of Directors will also be able to offer shares to the people or companies who are not shareholders of the company. Existing shareholders' preferential right may be waived.

The Board of Directors is given the authority to change the Articles of Association stating the share capital size in accordance with the shares the Board decides under this authorization. The authorization was granted at the Extra Ordinary General Assembly 25 May 2020 and is valid until the Ordinary General Assembly in 2021, however not longer than 30 June 2021.

Equal treatment and transactions with related parties

Hofseth BioCare has one class of shares. Each share in the Company carries one vote.

As a main rule, all transactions in the company's own shares shall take place through the stock exchange. If traded outside of the stock exchange, the trades shall take place at the stock market price and all shareholders shall be treated on an equal basis.

Transactions with related parties

Included in the rules of procedures for the Board are guidelines for how the members of the Board and the CEO shall act in discussions or decisions related to issues which are of special personal importance to them, or to any related parties to the member in question.

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

The Company's Board and management and their related parties, as well as all companies in the Hofseth group, including RH Industri AS and Hofseth International AS, will be related parties to Hofseth BioCare.

Transactions with related parties are further described in the notes to the financial statements.

Freely tradable shares

All shares in Hofseth BioCare are freely tradable with no limitations in the Articles of Association.

The general meeting

Through the general meeting the shareholders exercise the highest authority in Hofseth BioCare. All shareholders are entitled to submit items to the agenda, meet, speak and vote at general meetings in accordance with the provisions of the Norwegian Public Limited Companies Act. The Board of Hofseth BioCare strives to ensure that the general meetings are an effective forum for communication between shareholders and the Board, and the Board shall take steps to ensure that as many shareholders as possible may exercise their rights by participating in the general meetings.

The annual general meeting is held each year before the end of May. Extraordinary general meetings may be called by the Board at any time. Hofseth BioCare's auditor or shareholders representing at least five percent of the total share capital may demand an extraordinary General Meeting to be called.

The notice calling the annual general meeting is made available on the Company's website and sent to shareholders with known addresses by post no later than 21 days prior to the date of the meeting. Article 9 in the Company's Article of Associations states that documents related to matters on the agenda of a general meeting can be made available on the Company's website rather than being sent to shareholders by post. The supporting documentation will be available at the same date as the notice calling the meeting and provides all the necessary information for shareholders to form a view on the matters to be considered. The deadline for registration for the annual General Meeting is at the latest 3 days before the general meeting takes place. Shareholders who cannot attend the general meetings in person shall be given the opportunity to vote, and the Company shall provide information and nominate an available person who may vote on behalf of the shareholders in this respect.

The general meeting elects the members and deputy members of the Board, determines the remuneration of the members of the Board, approves the annual financial statements, discusses the Board of Director's guidelines on management remuneration and decides such other matters which by law or Hofseth BioCare's Articles of Association are to be transacted at the General Meeting.

The Board of Directors, the Nomination Committee and the auditor's attendance at the General Meeting is waived from the recommendation if a review of the agenda, the availability and physical location would suggest this. Under the General Meeting for the adoption of the financial statements for 2019 not all members participated. The auditor did not participate.

Nomination committee

The General Meeting has chosen a Nomination Committee to secure the objectivity regarding the shareholders' interests.

The company shall have a nomination committee consisting of 3 members to be elected by the General Meeting. The majority of the members of the nomination committee shall be independent of the board of directors and the management. The members of the nomination committee shall be elected for terms of two years.

The nomination committee shall propose candidates for the board of directors and the nomination committee, including remuneration to the board of directors and the members of the nomination committee. Members of the Nomination Committee are Geir Even Håberg, Lennart Clausen and Roger Hofseth.

Roger Hofseth is CEO and is not independent of the board and management.

The remuneration to the Nominating Committee shall be determined by the General Meeting.

The nomination committee shall evaluate the need for changes of the board and the nomination committee. To have the best possible basis for their deliberations, the committee should be in contact with the directors and the CEO.

Furthermore, the Nomination Committee should consult relevant shareholders for nominations and for consensus in its decision. The board's evaluation report (ref. Paragraph 9 of its work), should be treated separately by the Nomination Committee.

The recommendations of the nomination committee shall include a justification as to how the best interest of the shareholders and the Company has been secured.

The board of directors, composition and independence

The Board of Hofseth BioCare includes five members, of which three are female. This corresponds with the Company's Articles of the Associations Section 5, stating that the Board should have from three to ten members.

Members of the Board are selected in the light of an evaluation of the Company's needs for expertise, capacity and balanced decision-making, and with the aim of ensuring that the Board of Directors can operate independently of any special interests and function effectively as a collegiate body.

The majority of the Board of Directors shall be independent of Hofseth BioCare's management and its main business connections. At least two of the members of the Board shall be independent of the Company's main shareholder(s). The Board of Directors does not include executive personnel.

The chairman of the Board, Ola Holen, is employed in one of the Company's largest shareholders. Mr. Holen is also related to several of the Company's business connections and is thus not considered independent.

The board members Kristin Fjellby Grung, Christoph Baldegger and Torill Standal Eliassen are considered independent of management, business connections and the Company's main shareholders.

Henriette Godø Heggdal is an employee of the company as Lab manager, however, she is the shareholder elected representative to the Board of Directors.

The term of office for members of the Board of Directors is two years. An updated overview of the members of the Board of Directors of Hofseth BioCare, including their employment, education and professional background is provided at the Company's website www.hofsethbiocare.com.

Members of the Board of Directors are encouraged to own shares in the company.

The General Meeting elects the Chairman of The Board of Directors.

The work of the board of directors

The Board

The Board of Directors has the overall responsibility for the management of Hofseth BioCare. This includes a responsibility to supervise and exercise control of the Company's activities.

Furthermore, this includes developing the Company's strategy and monitoring its implementation. In addition, the Board of Directors exercises supervision responsibilities to ensure that the company manages its business and assets and carries out risk management in a prudent and satisfactory manner. The Board of Directors is also responsible for the appointment of the Chief Executive Officer (CEO).

A separate instruction exists for the board of directors.

The board prepares an annual plan for its work

In accordance with the provisions of Norwegian company law, the proceedings and responsibilities of the Board of Directors are governed by a set of rules of procedures. The Chairman of the Board is responsible for ensuring that the work of the Board of Directors is carried out in an effective and proper manner in accordance with legislation.

The Board of Directors has issued a mandate for the work of the CEO. There is a clear distribution of work between the Board of Directors and the CEO. The CEO is responsible for the operational management of the group.

The board carries out an annual evaluation of its own performance, working arrangements and competence.

The Board of Directors has adopted an audit committee (the «Audit Committee») in accordance with Company's Articles of Association Section 6 and the Code. There is a special instruction for the Audit Committee.

According to the Company's Articles of Association Section 6, the Board decides the members of the committee. Members of the audit committee are Torill Standal Eliassen (chair) and Christoph Baldegger. The company has established a compensation committee (the «Compensation Committee») in accordance with the Company's Articles of Association Section 11. The members of the Compensation Committee are Christoph Baldegger and Torill Standal Eliassen.

Risk management and internal control

The Board of Hofseth BioCare shall ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. The internal control and the systems should also encompass the Company's corporate values, ethical guidelines and guidelines for corporate social responsibility.

Risk management and internal control is performed through various processes within the Company, both though the Board of Directors work and the operational management of the Company.

The Board of Directors receives on a regular basis reports from management outlining the financial and operational performance of the Company. The administration's reporting should be based on input according to key reporting from the chain of command, as updated accounting and valuation of accounting items, including relevant operating data of importance for the assessment of accounting records. Monthly operating reports shall be evaluated and decided by the overall management of the group.

There must be sufficient qualified resources to carry out appropriate reports which will contribute to decision support and continuous control of the Group's performance.

In connection with the budget work and approval of the budget, the Board of Directors evaluates the internal control systems and the most important risk factors that the Company may be confronted with. In view of the Company's growth strategy the Board of Directors pays attention to ensuring that the internal control systems apply to all aspects of the Company's activities. The Board of Directors also considers the need for any further measures in relation to the identified risk factors.

The Board of Directors has adopted guidelines that encompass the Company's corporate and ethical values and corporate social responsibility, cf. Section 1 (Code of Ethics).

The preparation of interim reports and annual reports shall be in accordance with Norwegian and international principles for accounting and as further set out in the rules of procedure for Board of Directors.

The Group's control environment is assessed as satisfactory. The Group operates with a small accounting / controlling department, which could limit financial internal control as a result of limited opportunity for sharing of accounting tasks. As a result, the share of the payroll functions outsourced to external accounting firm.

Operative internal control is safeguarded through established procedures and guidelines to be followed up through line management and management reporting. Likewise, continuous risk analysis and control activities are executed. The Board believes that the scope and level of the said areas is satisfactory to the Group's size and complexity.

The Board of Directors, through its Audit Committee and together with its independent auditor, carries out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.

The Board of Directors describes in the annual report the main features of the Company's internal control and risk management systems related to the Company's financial reporting.

Remuneration of the board of directors

The compensation to the Board shall reflect the Board's responsibility, expertise, time commitment and the complexity of the Company's activities.

The remuneration paid to the members of the Board will be decided by the general meeting. The remuneration paid to the members of the committees will be decided by the general meeting having considered proposals by the Board in line with the Code. Information about the fee paid to the Board and committees is stated in the annual report.

There is an authorization the board may use in connection with the issuance of shares to directors and employees of the Company. In addition to moderate board remuneration it was considered that options are the most appropriate way to honor board members.

Remuneration of executive personnel

The Board of Directors prepares guidelines for the remuneration of the executive personnel. The guidelines are communicated to the annual general meeting. The Company's performance-related remuneration of the executive personnel are linked to value creation for shareholders or the Company's earnings performance over time and the Company strives to ensure that its arrangements are in line with the guidelines.

Information and communications

Hofseth BioCare's information policy shall be based on openness and equal treatment of all shareholders and the Company has resolved to comply with the Oslo Børs' Code of Practice for Reporting IR Information.

Hofseth BioCare strives to continuously publish all relevant information to the market in a timely, effective and non-discriminatory manner. All stock exchange announcements are made available both on the Company's website and on the Oslo Stock Exchange news website www.newsweb.no and are also distributed to news agencies (via GlobaNewswire).

The Company publishes its preliminary annual financial statements by the end of February, together with its fourth quarter results.

The complete annual report and financial statements are made available to shareholders no later than three weeks prior to the annual general meeting, or, at the latest, by 30 April each year, which is the last date permitted by the Securities Trading Act. For 2019 the complete annual report and financial statements were approved and published 20 March 2020.

Quarterly results are normally published at the latest within two months after the close of the quarter.

The Company's financial calendar for the coming year is published no later than December 31 in accordance with the rules of the Oslo Stock Exchange. The financial calendar is available on the company's website and on the Oslo Stock Exchange website.

Quarterly reports and presentation material are available on the Company's website, www.hofsethbiocare.com.

Take-overs

It is a fundamental principle to Hofseth BioCare that all shareholders are treated equally. Openness in respect of take-over situations is considered to be important in ensuring equal treatment of all shareholders.

The Company will not seek to hinder or obstruct take-over bids for the Company's activities or shares unless there are particular reasons for this.

In the event of a take-over bid for the Company's shares, the Board of Directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid.

If an offer is made for the Company's shares, the Company's Board of Directors should issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The Board of Director's statement on the offer should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the Board of Directors have excluded themselves from the Board of Directors' statement. The Board of Directors should arrange a valuation from an independent expert. The valuation should include an explanation and should be made public no later than at the time of the public disclosure of the statement.

Any transaction that is in effect a disposal of the Company's activities should be decided by a general meeting, except in cases where such decisions are required by law to be decided by the corporate assembly.

Auditor

EY is the auditor for Hofseth BioCare and is appointed by the Assembly General Meeting.

The auditor shall annually submit to the audit committee the main features of the plan for the auditing work. Furthermore, the auditor shall at least once a year prepare a report containing its opinions on the Company's accounting policies, financial affairs and internal controls. The auditor participates in board meetings dealing with the consolidated financial statements and the company.

In meetings with the audit committee and the board auditor shall explain any material changes in the company's and Group's accounting policies, the assessment of the significant estimates and all significant matters that there has been disagreement about between the company and the auditor. The Board has annual meetings with the auditors without the group management teams present.

There are no written guidelines for executive management's use of auditors for services other than auditing. This differs from «Norwegian recommendation for corporate governance.» The auditor explains, however, the audit committee for which services other than auditing provided the Group and company. The Audit Committee during the year responsible for approving the services auditors provide and the fees for these. The Audit Committee in conjunction with the annual report in 2020 received a written confirmation from the auditor that he satisfies established and legitimate independence requirements.

Information about the auditor's remuneration for auditing and other services will be provided to the Annual General Meeting. The auditor's remuneration is disclosed in note 5 to the financial statements.

The board of director's report 2020

CHAPTER 2

Important events in 2020

First quarter

A comprehensive distribution agreement with Prinova Europe was signed in March. The agreement is an exclusive agreement for the distribution of marine products in Europe.

Preclinical tests have shown that OmeGo® has the potential effects on eosinophil-driven diseases, such as steroid-resistant asthma.

Strengthened working capital and financing further research through establishing a new credit facility of up to NOK 37 million.

Norway and the rest of the world are affected by the Covid-19 pandemic. HBC's operations continue to a large extent as planned, but sales and marketing work in new markets is hampered and delayed.

Second quarter

The production volume at the company's production facilities was record high.

The Brilliant® Salmon Oil brand was launched in the USA. New contracts signed with US distributors.

An accelerated COVID-19 Phase 2 clinical study of OmeGo® salmon oil initiated to investigate the effect on acute lung problems.

A new research agreement with Professor Karl Sylvester at Stanford University School of Medicine was signed. Plans for pre-clinical and clinical research on necrotizing enterocolitis (NEC) and irritable bowel syndrome with the aim of documenting the health effects of HBC's soluble protein hydrolysate.

Third quarter

HBC acquired 34 percent of distributor Atlantic Delights Ltd. in Hong Kong. The purchase price was NOK 6.5 million.

A new major distribution agreement with a global retailer was signed. The agreement covers Brilliant Salmon Oil™ in the UK, Spain, Iceland and on the internet.

A study published in the journal Functional Foods in Health and Disease demonstrated the therapeutic potential of OmeGo® salmon oil for the treatment of certain types of asthma and COPD.

Strengthened focus on research and development. Dr Erland Hermansen employed as medical director for clinical development.

Fourth quarter

The expansion of the existing production facility in Midsund was completed. The expansion includes a new spray drying plant and new research laboratories.

Health Canada approved HBC's health claims for ProGo® and CollaGo® to maintain healthy levels of ferritin and haemoglobin as well as the blood components required to transport oxygen around the blood.

The US Food and Drug Administration (FDA) approved the marketing of ProGo®'s effect on the iron level in the body.

HBC signed an agreement with DKSH for the distribution of HBC's ingredients in China, India, Japan and Korea and an exclusive agreement with IMCD Performance for 16 other countries, including the USA and Canada.

Tenet Partners and HBC established a long-term collaboration with a view to building global brands and launching products for the consumer market under HBC's own brand.

HBC's Consumer Health division was strengthened through the hiring of Andy Gill and Will Urban-Smith, with extensive experience in product and market development at Novartis, GSK and Johnson & Johnson, respectively. Reto Renggli, who has experience from Lonza, was hired starting in the first quarter of 2021, and further strengthened the division.

Equity was strengthened by NOK 224 million through an issue of 24.7 million new shares and a repair issue of 2.9 million shares to existing and new institutional investors.

Financial results

Revenues and profits

The Group generated gross operating revenues of NOK 69.3 million in 2020, up from NOK 67.8 million in 2019. Correspondingly, the parent company had gross revenues of NOK 68.7 million in 2020, up from NOK 58.5 million in 2019. Ordinary operating revenues are somewhat lower than expected mainly due to lower activity because of optimization of the production lines throughout the year.

Operating costs, excluding depreciation and amortization amounted to NOK 134.5 million in 2020, compared to NOK 119.9 million in 2019. For the parent company operating expenses amounted to NOK 137.0 million in 2020 compared to NOK 109.7 million in 2019. The expenses are mainly cost of sales, salaries and other operating expenses.

The Group had an operating loss of NOK 92.0 million in 2020, compared with a loss of NOK 79.6 million in 2019. Correspondingly, the parent company had an operating loss of NOK 91.8 million compared to NOK 75.9 million in 2019.

Net financial result was NOK -9.9 million in 2020, compared with NOK -9.6 million in 2019. Net financial result for the parent company was NOK -13.5 million and -13.6 million in 2020 and 2019, respectively.

The Group had a loss before tax of NOK 102.1 million in 2020, compared to a loss of NOK 89.2 million the year before. For the parent company the loss before tax was NOK 105.3 million in 2020, compared to NOK 89.6 million in 2019.

The group had a tax expense of NOK 0.0 million in 2020, equal to NOK 0.0 million in tax expense in 2019. The Group has not recognized any deferred tax assets. Net loss for the year was NOK 102.9 million, compared with a net loss of 89.2 million in 2019. The parent company had a net loss of NOK 105.3 million in 2020, compared to NOK 89.6 million in 2019.

Financial position

As of 31 December 2020, Hofseth BioCare had a total consolidated balance sheet of NOK 459.1 million, up from NOK 293.0 million at the end of 2019. The parent company had a balance sheet total of NOK 444.6 million compared to NOK 275.7 million in 2019. The group has raised capital totalling NOK 224 million in 2020 and this mainly constitutes the increase in balance sheet values.

Equity amounted to NOK 263.8 million at the end of 2020, which corresponds to an equity ratio of 57.5%. At the end of 2019, the group had a total equity of NOK 117.7 million and an equity ratio of 40.2%. The parent company had equity of NOK 261.6 million at the end of 2020, compared with NOK 118.8 million the year before. The equity ratio was correspondingly 58.9% in 2020 and 43.1% at the end of 2019 in the parent company.

As of 31 December 2020, the group had cash and cash equivalents of NOK 172.8 million, compared with NOK 94.6 million at the end of last year. The parent company had NOK 171.8 million in cash and cash equivalents at the end of 2020, compared with NOK 92.2 million in 2019.

At the end of 2020, the group had NOK 25.1 million in long-term interest-bearing debt and NOK 3.4 million in short-term interest-bearing debt, compared with NOK 31.5 million and NOK 19.0 million at the same time the year before, respectively. The parent company had NOK 23.2 million and NOK 2.8 million in long-term and short-term interest-bearing debt in 2020, respectively. At the end of 2019, the long-term share was NOK 29.1 million and NOK 18.4 million short-term.

The group has interest-bearing lease obligations of NOK 64.1 million for long-term lease obligations and NOK 8.2 million in short-term lease obligations at the end of the year, compared with NOK 72.0 million and NOK 10.0 million at the end of 2019. The parent company has interest-bearing lease obligations with NOK 42.6 million and NOK 6.4 million in short-term lease obligations at the end of 2020, compared with NOK 48.7 million and NOK 8.1 million at the end of 2019.

Cash flows

The group's cash flow from operating activities amounted to NOK -31.6 million in 2020, compared with NOK -31.1 million the year before. The parent company had a negative cash flow of NOK 67.9 million compared to negative NOK 31.2 million the year before.

Net cash flow from investing activities amounted to NOK -60.1 million, compared with NOK -19.6 million in 2019 for the group. In the parent company, cash flow from investing activities was NOK -58.1 million in 2020 compared to NOK -18.0 million in 2019. Investment at a new production line in the factory under construction at Midsund in 2020.

Net cash flow from financing activities amounted to NOK 200.0 million in 2020, compared with NOK 96.6 million the year before. Corresponding figures in the parent company were NOK 205.5 million in 2020 and NOK 96.2 million in 2019.

The company completed a share issue with a subsequent repair issue both in 2020 and in 2019.

Going concern
In accordance with the accounting act § 3-3a we confirm that the conditions for continued operations is present and that the annual report have been prepared based on the going concern assumption.

With a new credit facility of NOK 37 million in February 2020 and the private placement of NOK 224 million. in December 2020, the group and the parent company ensure sufficient liquidity. Furthermore, at the time of submitting the annual report, the board has been authorized by the general meeting on 25 May 2020 to issue up to 5.3 million new shares. The authorizations are intended to be used if the parent company needs an additional supply of equity and liquidity.

The parent company meets all requirements in its loan agreements and is thus not in breach of the loan conditions as of 31.12.2020. The parent company still has negative results in the first two months of 2021, but the parent company is not in breach of the terms of any of the loans. See also note 16 for more information on the conditions associated with the group's and the parent company's interest-bearing debt, as well as note 19 for information on liquidity risk and maturity structure on the group's liabilities.

Allocation of earnings
Net loss for the parent company Hofseth BioCare ASA is NOK -105.3 million in 2020. The board proposes the following allocation of the loss:

Uncovered loss	NOK - 105,3 million
Totalt	NOK - 105,3 million

Risk and risk management

Risk management
The industry in general is subject to several risk factors. Although these are particularly associated with the production process, also conditions to external suppliers, customers, regulatory provisions, as well as general market trends are essential.

All these risk factors may have a negative impact on the Group's business, financial condition, results and ability to execute projects. Some of the main risk factors facing the Group are briefly described below. We also refer to note 19 «Financial Risk Management» in the financial statements.

Operational risk
The Biotechnology industry is characterized by integration and interdependence between the various steps in the manufacturing process. In Hofseth BioCare, there is a high degree of integration between the various production stages. Any interruption in one function can therefore result in much of, or all the production to halt. Hofseth BioCare has installed extensive monitoring, and staff are working continuously on fine tuning and optimization of processes, to maximize operational uptime. Throughout the last three years, significant improvements and expansions in production have been made that also includes better opportunities for continued production if one of the components stops. Ensuring continuity of operations at any interruption of critical functions has high priority.

A competent workforce is an important factor in the effort to ensure continuity of production. Hofseth BioCare staff have extensive experience and expertise in manufacturing technology, and new employees undergo continuous training and education to build up the necessary expertise.

The Group's manufacturing operations are currently concentrated in two plants and downtime of these facilities can have a significant impact on the company's potential revenue.

Market risk
Hofseth BioCare reduce its market risk through geography- and market diversification. In addition to focusing on sales to Europe, North America and Asia, the company sells its products to various segments of the human nutrition market (sports nutrition, supplements and health foods), as well as to the market within nutrition to pet and feed industry. This strategy allows Hofseth BioCare to reduce its dependence on one market segment and geographical area.

Foreign exchange risk
Hofseth BioCare trades in multiple currencies, mainly USD and EUR. Fluctuations in exchange rates can have an impact on the company's operations, results and financial position. Hofseth BioCare shall not engage in currency speculation, therefore hedge strategies which were implemented in 2018 and 2019, have been continued in 2020. The hedge strategies are based on the company's contractual, and thus predictable, revenue flows.

Interest rate risk (own financing, deposits)
Changes in general interest rates could affect the company's financing and may have an impact on costs. Changes in interest rates may also affect the value of the company's assets.

Credit risk
To minimize the risk of bad debts, the customers' creditworthiness are rated continuously. Receivables from all customers are to be credit insured through Coface GK AS (GK).

Hofseth BioCare's marketing and distribution strategy is to seek collaboration with medium to large business associates who have extensive knowledge of their markets. This will often mean well-established, solid companies with high credit ratings.

Financial and liquidity risk

The Group manages its liquidity risk by strive to have sufficient cash, and bank schemes and lines of credit. Moreover, preparing and monitoring forecasts to keep track of actual cash flows.

In 2020, the group received liquidity through a new credit facility of NOK 37 million in February and equity increases of NOK 224 million in December. Hofseth BioCare had cash and cash equivalents totaling NOK 172.8 million at the end of 2020, compared with NOK 94.6 million at the same time the year before. Cash and cash equivalents largely consist of cash and bank deposits. In addition, there is an available credit facility of NOK 37 million.

Risk insurance

Although Hofseth BioCare seeks to reduce the impact of adverse events using its risk management system, a certain risk remains exist which cannot be completely eliminated through preventive measures. The company covers such risks to a certain extent through the purchase of insurance. The Hofseth BioCare insurance portfolio is covering areas such as business interruption, damage to equipment and property, third party liability and other risks, as well as various types of personnel insurance.

Organization

Hofseth BioCare AS was founded in 2009, with the conversion to ASA in 2011. At the end of 2020 Hofseth BioCare Group had a total of 49 employees.

Working environment

The group's working environment is considered good. The Board emphasizes great importance and priority to reduce absenteeism and preventing injuries. No serious work-related accidents occurred during the year. Long-term absence in 2020 was 5,12 %, compared to 1.2 % in 2019, short-term absence was 1,26 %, compared to 2.3 % in 2019.

Total absence was 6,38 % in 2020. Risk analysis is the basis for measures to be taken to prevent damage or other adverse events to occur. This is a key element in Hofseth BioCare's work with HSE. Understanding risk is essential to prevent dangerous situations. This will be handled continuously and HSE training is getting better. Risk analysis work is being followed up continuously. If HSE non-conformities occur, measures will be put in place to prevent such non-conformities from happening again.

Hofseth BioCare has a partnership with Medi3 who takes care of occupational health in the Group. All employees will also in 2021 undergo a medical examination. A working environment survey will be conducted, that will help contribute to increased job satisfaction and working environment in the Group.

For HBC Berkåk AS an occupational health agreement has been established with AktiMed, who has an office in Trondheim. This is a requirement for all companies that belong to our industry group ref. Section 13 of the Regulations for organization, leadership and participation.

Injury and illness absence	Berkåk 2020	Midsund 2020	Adm. 2020	Group 2020
Total absence (%)	1.28	11.25	0.57	6.38
Total working hours (all)	17 550	42 026	19 812	79 388
-specification:				
Short term absence (%)	0.77	1.80	0.57	1.26
Long term absence (%)	0.51	9.45	0.00	5.12
Number of injuries	2	5	0	7
Number of work-related accidents	2	7	0	9

Equality

Hofseth BioCare aims to practice equality and avoid discrimination in all aspects of our HR and recruitment policies. Hofseth BioCare actively works consciously to promote recruitment of female managers and employees. At the end of 2020, 8 of 49 employees in Hofseth BioCare were female, and on the Board of Directors 3 of 5 members were female (share of female 60%). The Group uses foreign laborers at its factory in Midsund and practice equality of Norwegian and foreign employees.

Environment

Hofseth BioCare is working to reduce the environmental impact in several areas. The major environmental issues are related to the plant in Midsund. The emissions are mainly related to a process which also affect emissions to air and sea. HBC aims to continuously satisfy all requirements for emissions to air and sea. Hofseth BioCare is also working on minimizing total energy consumption.

All organic material that has not been heat-treated goes through a treatment plant and is acid-treated with the right pH and holding time before it is discharged into the sea. Hofseth BioCare has routines for sampling and measurement of wastewater to be within the imposed requirements.

All waste from the production at Midsund are sorted and delivered to recycling, or disposal as hazardous waste.

Organic waste from the process is delivered to approved manufacturers of biogas. Residual waste is collected in a separate compactor and delivered to the incinerator. Cardboard and paper are sorted and delivered to recycling. Waste from our laboratory are collected and delivered in special containers as special waste. Steel and electric waste is delivered to an approved landfill.

Hofseth BioCare transports mainly by road and sea. This applies to the inbound transport of raw materials and outbound products to our customers around the world. Through the optimization of transport and raw material sourcing within Møre og Romsdal, the group aims to reduce the need for long-haul operations. Transport of finished products are mainly to Europe, Asia and the United States. For Europe, road transport and by sea is used and to the United States and Asia we use sea transport. The group intends to transport more goods by rail and boat if solutions for such transport can compete with road transport in regard to speed and infrastructure.

Corporate social responsibility

See separate ESG report prepared about the strategy to take an active responsibility around our business. It can be found in chapter 5.

Shareholders

At the end of the year the company had 1,385 shareholders. For further details about the shareholders, see note 25 to Hofseth BioCare ASA's financial statements. The company has no provisions restricting the right to sell the Company's shares.

Related parties

Related party transactions are made on commercial terms in accordance with the «arm's length» principle. A complete and detailed overview of transactions with related parties is included in note 6 to Hofseth BioCare ASA's financial statements.

Corporate covernance

Hofseth BioCare ASA aims to maintain a high standard of corporate governance. A healthy corporate culture is the key to retain confidence in the company, ensuring access to capital and ensuring a high degree of value creation over time.

All shareholders are treated equally and there should be a clear divide of roles and responsibilities between the Board and management. Hofseth BioCare follows the Norwegian Code of Practice for Corporate Governance of 30 October 2014. A more complete description of how Hofseth BioCare follows the recommendation and the 15 provisions, can be found on http://www.hofsethbiocare.no/investors/cg/.

Outlook

2020 has been a eventful year for Hofseth BioCare. Throughout the year, the company has started the process of becoming a more pure biotechnology company and will in the future add significant resources within research on existing and new health effects in our products.

2020 has also been a special year for all of us. The Covid-19 pandemic has had a significant impact on society and companies around the world. At Hofseth BioCare, the health and safety of our employees, their families and our business partners is extremely important.

Fortunately, the pandemic has had a limited impact on our business, despite significant restrictions on physical sales and marketing activities. In the past year, we have initiated clinical studies to assess whether the fat-soluble components in our salmon oil can contribute to improving the daily lives of corona patients. This has been an important and exciting project for us who will continue in the time to come.

Although the pandemic will continue into 2021, we believe that it will have a limited effect on us as a company. 2020 has taught us to work effectively, even with social distance. Production is not directly affected and sales and marketing activities now take place digitally.

In 2020, Hofseth BioCare has also taken important steps in the direction of commercialization, and established collaboration agreements with distributors in many important markets. At the same time, the competence with regard to commercialization and brand building within the health industry has been significantly strengthened. We expect that this will contribute to gradually increased sales and better profitability.

Our sales strategy is distribution of products in three segments; animal feed, pets and human. This diversification will ensure higher revenues and cash flows in the future. At the same time, further research and development will increase future sales in the core business area of ingredients and finished products for human nutrition.

HBC's research work includes both clinical and preclinical development stages with the aim of developing products for the relief and prevention of a number of different clinical areas and indications. The experiments we have carried out have had positive results that support the great potential that lies in HBC's unique products for nutrition for humans and pets. The company aims to continue to increase resource use in research and development from the current level and we are optimistic that we will achieve further approvals on the health effects from the authorities in our most important markets in the years to come.

Increased production volumes and a larger customer base will always be seen in connection with the group's environmental profile. Hofseth BioCare's vision is, and will continue to be, sustainable production of premium bioactive ingredients with documented health effects.

Hofseth BioCare ASA Board of Directors,
Ålesund, 19 March 2021

Ola Holen
Chariman of the board

Henriette G. Heggdal
Board member

Christoph Baldegger
Board member

Kristin Fjellby Grung
Board member

Torill Standal Eliassen
Board member

Roger Hofseth
CEO

Financial statements

Consolidated and parent company

CHAPTER 3

Statement of comprehensive income

1 January – 31 December
Hofseth BioCare ASA

		Consolidated (IFRS)		Parent company (IFRS)	
(Amounts in NOK 1000)	**Note**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Operating revenues and expenses					
Sales revenues	3, 6	52 514	67 778	52 265	58 499
Other revenues	3	16 738	0	16 449	0
Total operating revenue		69 252	67 778	68 713	58 499
Cost of sales	2, 4, 6	39 532	59 570	54 714	61 461
Salaries and other payroll expenses	5	42 641	29 212	36 432	23 621
Other operating expenses	4, 6, 14	52 334	31 114	45 842	24 574
Depreciation and Write-downs	10, 11, 12	26 766	27 456	23 497	24 770
Operating profit/loss (EBIT)		**-92 021**	**-79 574**	**-91 772**	**-75 926**
Loss from associated company	23	-784	0	0	0
Financial income	7	3 364	5 148	3 488	5 165
Financial expenses	6, 7, 12	12 650	14 792	16 994	18 825
Net financial expenses	15, 19	**-9 866**	**-9 644**	**-13 505**	**-13 660**
Loss before taxes		-102 091	-89 218	-105 277	-89 586
Tax expense	8	0	0	0	0
Net loss for the period	2	**-102 091**	**-89 218**	**-105 277**	**-89 586**
Other income and costs		0	0	0	0
Total comprehensive income		-102 091	-89 218	-105 277	-89 586
Comprehensive income attributable to:					
Shareholders in HBC ASA		-102 090	-89 209		
Non-controlling interest		-1	-9		
Total		-102 091	-89 218		

Earnings per share (NOK)		**2020**	**2019**	**2020**	**2019**
Basic earnings per share	9	-0,31	-0,29	-0,32	-0,29
Diluted earnings per share	9	-0,31	-0,29	-0,32	-0,29

Statement of financial position

1 January – 31 December
Hofseth BioCare ASA

		Consolidated (IFRS)		Parent company (IFRS)	
(Amounts in NOK 1000)	**Note**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
ASSETS					
Non-current assets					
R&D, patents etc.	2, 10	42 434	24 346	42 203	24 176
Total intangible assets		**42 434**	**24 346**	**42 203**	**24 176**
Machinery and equipment	11	57 188	37 910	49 350	30 409
Right of use assets	12	79 920	90 263	56 441	65 009
Fixtures and fittings	11	847	180	807	180
Total fixed assets	2	**137 955**	**128 353**	**106 599**	**95 599**
Investment in subsidiary	7, 23	0	0	18 865	18 865
Investment in affiliated company	23	5 733	0	6 517	0
Non-current financial assets	15, 23	1 542	2 460	1 542	2 460
Total non-current financial assets		**7 275**	**2 460**	**26 924**	**2 460**
Total non-current assets		**187 664**	**155 160**	**175 726**	**141 099**
Current assets					
Inventory	2, 6, 20	73 302	33 986	72 225	33 358
Trade receivables	2, 6, 20	14 267	5 542	13 996	5 446
Other current receivables	2, 21	11 066	3 771	10 922	3 588
Cash and cash equivalents	22	172 835	94 553	171 777	92 230
Total current assets	14, 15, 19	**271 470**	**137 853**	**268 920**	**134 621**
Total assets	2, 24	**459 134**	**293 012**	**444 647**	**275 721**

		Consolidated (IFRS)		Parent company (IFRS)	
(Amounts in NOK 1000)	**Note**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
EQUITY AND LIABILITIES					
Equity					
Paid in equity					
Share capital	5, 25	3 578	325 821	3 578	325 821
Share premium		236 709	0	236 709	0
Other paid in equity		8 684	827	8 684	827
Total paid in equity		**248 971**	**326 648**	**248 971**	**326 648**
Retained earnings					
Other paid in equity		15 477	0	12 650	0
Uncovered losses		0	-208 216	0	-207 855
Total retained earnings (+) Uncovered loss (-) (attributable to equity holders of the parent)		15 477	-208 216	12 650	-207 855
Non-controlling interests	23	-684	-682	0	0
Total equity	2, 6	**263 764**	**117 749**	**261 621**	**118 792**
Non-current liabilities					
Subordinated debt	6, 13	21 346	20 000	21 346	20 000
Interest-bearing loans and borrowings	6, 13	3 768	11 492	1 875	9 059
Financial lease obligations	6, 12, 13	64 078	72 018	42 570	48 710
Total non-current liabilities	16, 17, 18, 19	**89 191**	**103 510**	**65 791**	**77 769**
Current liabilities					
Interest-bearing loans and borrowings	6, 16, 13	3 428	19 003	2 884	18 442
Lease liabilities	6, 12, 13	8 224	9 953	6 427	8 068
Trade payables	6, 24	84 956	29 712	83 238	26 553
Other liabilities	24	9 571	13 085	24 685	26 097
Total current liabilities	16, 17, 18, 19	**106 179**	**71 753**	**117 234**	**79 159**
Total liabilities	14, 16, 19	**195 370**	**175 263**	**183 025**	**156 928**
TOTAL EQUITY AND LIABILITIES	2, 26	**459 134**	**293 012**	**444 647**	**275 721**

Hofseth BioCare ASA Board of Directors,
Ålesund, 19 March 2021

Ola Holen
Chariman of the board

Henriette G. Heggdal
Board member

Christoph Baldegger
Board member

Kristin Fjellby Grung
Board member

Torill Standal Eliassen
Board member

Roger Hofseth
CEO

FINANCIAL STATEMENTS — CONSOLIDATED AND PARENT COMPANY

Statement of cash flows

1 January – 31 December

		Consolidated (IFRS)		Parent company (IFRS)	
(Amounts in NOK 1000)	**Note**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Cash flow from operating activities					
Loss before tax		-102 091	-89 218	-105 277	-89 586
Paid tax	8	0	0	0	0
Depreciation and impairment	2, 10, 11, 12	26 766	27 456	23 497	24 770
Impairment/reversal shares	7, 23	0	0	4 884	5 053
Loss from associated company	23	784	0	0	0
Change in inventory	20	-39 315	-4 584	-38 867	-4 262
Change in trade receivables	21	-8 725	9 155	-8 551	7 626
Change in trade payables	24	55 245	-2 400	56 685	-2 298
Change in other accruals		-2 958	20 466	-7 652	20 414
Items classified as financing activities		8 662	8 065	7 424	7 028
Net cash flows from operating activities		**-61 632**	**-31 060**	**-67 857**	**-31 255**
Cash flow frwom investing activities					
Aquisition of tangible fixed assets	11	-32 575	-10 278	-30 778	-8 717
Payments received from other non-current financial assets		918	449	918	449
Investment in other companies	23	-6 517	0	-6 517	0
Investment in intangible assets	10	-21 882	-9 775	-21 745	- 9775
Net cash flow from investing activities		**-60 056**	**-19 604**	**-58 122**	**-18 043**
Cash flow from financing activities					
Proceeds from issue of shares		245 645	108 935	245 645	108 935
Transaction costs on issue of shares		-5 395	-3 839	-5 395	-3 839
Payment of warranty expenses	6, 7	-86	-777	-86	-777
Payment of interest	6, 7, 13	-4 779	-2 830	-5 169	-3 342
Proceeds from new borrowings	6, 16, 13	39 021	21 607	39 021	21 586
Repayment of borrowings	6, 16, 13	-60 974	-11 831	-60 417	-11 303
Payment of lease liabilities	6, 12, 16, 13	-9 666	-10 231	-7 781	-8 151
Payment of interest on lease liabilities	12, 13	-3 796	4 458	-2 169	-2 909
Payment borrowings from subsidiary	24	0	0	1 876	0
Repayment of borrowings from subsidiary	24	0	0	0	-3 967
Net cash flow from financing activities	18, 19	**199 970**	**96 576**	**205 525**	**96 233**
Cash and cash equivalents at 1 January		94 553	48 641	92 230	45 293
Net change in cash and cash equivalents		78 282	45 912	79 546	46 935
Cash and cash equivalents at 31 December	22	**172 835**	**94 553**	**171 777**	**92 230**

Statement of changes in equity

1 January – 31 December

Consolidated (IFRS)							
(Amounts in NOK 1000)	**Note**	**Share capital**	**Share premium**	**Other paid in capital**	**Uncovered loss**	**Non-controlling interests**	**Total equity**
As of 1 January 2019		**294 837**	**0**	**0**	**-208 120**	**-673**	**86 044**
Share based payment program	5	0	0	827	0	0	827
Share issue 17.08.2019	6	25 734	77 201	0	0	0	102 935
Share issue through debt conversion 17.08.2019	6	3 750	11 250	0	0	0	15 000
Share issue 01.10.2019		1 500	4 500	0	0	0	6 000
Share issue costs	5	0	-3 839	0	0	0	-3 839
Transferred from uncovered losses		0	-89 112	0	89 112	0	0
Loss for the period		0	0	0	-89 210	-9	-89 218
Other income and costs		0	0	0	0	0	0
Total comprehensive income		0	0	0	- 89 210	-9	-89 218
As of 31 December 2019	2, 5, 25	**325 821**	**0**	**827**	**-208 216**	**-682**	**117 749**
As of 1 January 2020		**325 821**	**0**	**827**	**-208 216**	**-682**	**117 749**
Share based payment program	5	0	0	7 857	0	0	7 857
Share issue 22.03.2020	6	3 253	18 642	0	0	0	21 895
Reduction of face value		-325 783	0	0	325 783	0	0
Share issue 31.08.2020		11	0	0	0	0	11
Share issue 27.10.2020		247	199 753	0	0	0	200 000
Share issue 30.12.2020		29	23 709	0	0	0	23 738
Share issue costs	5	0	-5 395	0	0	0	-5 395
Comprehensive income	-	0	0	0	-102 090	-1	-102 091
Other income and costs		0	0	0	0	0	0
Total comprehensive income		0	0	0	-102 090	-1	-102 091
As of 31 December 2020	2, 5, 25	**3 578**	**236 709**	**8 684**	**15 477**	**-684**	**263 764**

Statement of changes in equity

1 January – 31 December

Parent company (IFRS)

(Amounts in NOK 1000)	Note	Share capital	Share premium	Other paid in equity	Uncovered loss	Total equity
As of 1 January 2019	2, 5, 25	**294 837**	**0**	**0**	**-207 383**	**87 454**
Share based payment program	5	0	0	827	0	827
Share issue 17.08.2019	6	25 734	77 201	0	0	102 935
Share issue through debt conversion 17.08.2019	6	3 750	11 250	0	0	15 000
Share issue 01.10.2019		1 500	4 500	0	0	6 000
Share issue costs	5	0	-3 839	0	0	-3 839
Transferred from uncovered losses		0	-89 112	0	89 112	0
Loss for the period		0	0	0	-89 586	-89 586
Other comprehensive income		0	0	0	0	0
Total comprehensive income		0	0	0	-89 586	-89 586
As of 31 December 2019	2, 5, 25	**325 821**	**0**	**827**	**-207 855**	**118 792**
As of 1 January 2020	2, 5, 25	**325 821**	**0**	**827**	**-207 855**	**118 792**
Share based payment program	5	0	0	7 857	0	7 857
Share issue 22.03.2020	6	3 253	18 642	0	0	21 895
Reduction of face value		-325 783	0	0	325 783	0
Share issue 31.08.2020		11	0	0	0	11
Share issue 27.10.2020		247	199 753	0	0	200 000
Share issue 30.12.2020		29	23 709	0	0	23 738
Share issue costs	5	0	- 5 395	0	0	-5 395
Comprehensive income		0	0	0	-105 277	-105 277
Other income and costs		0	0	0	0	0
Other comprehensive income		0	0	0	-105 277	-105 277
As of 31 December 2020	2, 5, 25	**3 578**	**236 709**	**8 684**	**12 650**	**261 621**

Note 1: Accounting policies

General information

Hofseth BioCare ASA is a public limited liability company domiciled in Norway. The company's headquarter is in Havnegata 11 in Ålesund, with one manufacturing facility in the municipality of Molde and one manufacturing facility in the municipality of Rennebu.The annual financial statements were approved for issuance by the board of directors 19 March 2021. The Group's operation is the processing of fish offcuts into high quality protein and other food supplements.
The company's consolidated financial statements for 2019 consist of the parent company and the subsidiaries Hofseth BioCare Rørvik AS, HBC Berkåk AS and Nøre Nutrition AS (the Group).

Basis of preparation

The consolidated financial statements and the parent company financial statements of Hofseth BioCare ASA have been prepared in accordance with IFRSs and related interpretations as issued by the International Accounting Standards Board (IASB) and as adopted by the EU as of 31 December 2020, as well as the additional disclosure requirements following from the Norwegian accounting act as of 31 December 2020.
The consolidated financial statements and the parent company financial statements are prepared on the historical cost basis, with the exception of financial instruments that are measured at fair value with changes in value through profit or loss.
The consolidated financial statements and the parent company financial statements have been prepared applying consistent accounting policies for similar transactions and event.

Basis for consliation

(i) Subsidiaries
The consolidated financial statements include Hofseth BioCare ASA and companies controlled by Hofseth BioCare ASA. Companies are determined to be controlled when the Group is exsposed to, or has rights to, variable returns as a result of the involvement from the Group, and the Group is able to influence the returns through its power over the company. All the following criteria must be fulfilled:

- power over the company
- exposed to, or have rights to, variable returns from its involvement in the company invested in, and
- possibility to exercise its power over the company to influence the amount of the returns

(ii) Associated companies
Associated companies are units in which the group has significant influence, but not control over the financial and operational management (normally with an ownership share between 20% and 50%). Significant influence is the power to participate in financial and operational decisions in principle in the company, but where Hofseth BioCare still has no control or joint control. In the case of an ownership interest of less than 20%, in order to be treated as an associated company, it must be clearly demonstrated that significant influence exists, for example through shareholder agreements. The consolidated financial statements include the group's share of profit from associated companies recognized according to the equity method from the time significant influence is achieved and until such influence ceases. When the group's share of negative profit exceeds the value of the investment, the carrying amount of the investment decreases to zero and recognition of additional negative profit ceases. The exception is those cases where the group has an obligation to cover negative results. The group has no joint ventures.

(iii) Elimination of transactions in the consolidation
Group internal balances and any unrealised gains or losses or revenues and costs related to intra Group transactions, are eliminated in full in the consolidated financial statements.

(iv) The non-controlling interest in the consolidated financial statements is the non-controlled share of the Group's equity. In business combinations the non-controlling interest is measured including the non-controlling interest's share of the acquired entity's identifyable net assets. The subsidiary's annual result, together with the individual components recognized in other comprehensive income, is attributable to the parent company and the non-controlling interests. Total comprehensive income is attributed to the share holders of the parent company and to the non-controlling interests even if this results in negative non-controlling interests.

Functional currency and presentation currency

The Group's presentation currency is NOK, which is also the functional currency of all companies in the Group. All amounts are presented in NOK 1 000 unless specifically noted.

Use of estimates when preparing the annual financial statements

Management has to some extent used estimates and assumptions which have affected assets, liabilities, revenues, expenses, and information of potential commitments. Future events may cause changes in the estimates. Estimates and the underlying assumptions are assessed continuously. Changes in accounting estimates are recognized in the period the changes occur. To the extent the changes also affect future periods, the effect is allocated over the current and future periods. See note 2.

Foreign currency

Transactions in foreign currency are translated at the exchange rates prevailing at the date of the transaction. Monetary items in foreign currency are translated to Norwegian kroner at the exchange rate at the balance sheet date. Currency exchange gains and losses are recognized in the income statement and presented as financial income/financial expense.

Revenue recognition policies

Revenues are primarily generated from manufactured own goods within the following product types:

- Salmon oil (OmeGo®)
- Water-soluble protein (ProGo®)
- Calcium (CalGo®)
- Non-soluble protein (PetGo™)

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers with an amount that reflects the consideration that the Group expects to be entitled to in exchange for delivered goods and services. Control is normally transferred to the customer when goods are sent from the warehouse to the customer.

In addition, in 2019 the group had revenues from drying services at the plant in Berkåk, where the processed protein form is converted into dried protein powder. The income is calculated and recognized as income at a fixed price per volume of dried powder.

To the extent the customers enter into a contract for the purchase of goods, which the customers wish to continue to store at Hofseth BioCares' warehouse, the consideration is recognized as revenue when control has passed to the purchasing party. The customers have a desire to continue storing on the group's stock as a result of requirements for moisture, temperature, etc. when storing the goods, especially Calcium and Protein. In such sales, there is an agreement of control transfer to the customers for the actual delivery of the goods. The parent company and the group also earn revenues from the service of storing the goods, which are recognized at a fixed price per month in storage.

The Group assesses whether there are obligations in the sales contracts that are separate performance obligations, and for which parts of the transaction price must be allocated or agreed variable payment terms in the contracts. The parent company and the group have offered rights of return when selling from the web-stores (of the parent company and of the subsidiary Nøre Nutrition AS) to customers in the human market and have factored in an estimated level of returns when calculating revenue. Furthermore, the Group also assesses whether there are significant financing components in the sales contracts (advance payment, extra long credit terms, etc.).

Contract assets

The Group's right to remuneration in exchange for goods or services that the group has transferred to a customer when this right is conditional on other factors than merely the passage of time (for example, the company's future delivery).

Trade receivables

A receivable represents the Group's right to payment of an amount which is unconditional (i.e. the agreed credit time before payment of the consideration falls due). See accounting principles for financial assets' initial recognition and subsequent measurement. Payment terms in the group's customer contracts vary from 0 days to 60 days.

Contract liabilities

A contract liability may be an obligation to deliver goods or services to the customer, from whom the group has received consideration (or an amount of the consideration is overdue). If a customer pays the consideration before the Group delivers goods or services to the customer, a contractual obligation is recognized at the time of payment or at the time payment of the consideration is due (whichever takes place first). Contract liabilities are not recognized until the Group delivers goods and services in accordance with the contract. The group has not identified contractual obligations in the delivery contracts entered into as of 31 December 2020.

Segments

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses. The Group's operating results are regularly reviewed by the managing director to monitor the Group's results and make decisions about resource allocations.

As the Group has one common and not separable manufacturing process for its products, management focuses its financial review on revenues and quality generated from the manufacturing process. Management monitors the financial results at Group level and, hence, the Group only has one segment.

Information about products is presented in note 3.

Government grants

Government grants are recognised at the time it is reasonably certain that the company complies with the requirements stated to be eligible for the grants and will receive payment. Grants relating to operating expenditures are recognised systematically over the grant period. Grants are recognised against the costs the grant is meant to cover. Grants for investments are recognised systematically over the asset's useful lives. Grants for investments are recognised as a reduction to the related assets' carrying amount.

Employee benefits

Defined contribution pension plan

A defined contribution pension plan is an arrangement in which the employer pays fixed constributions to a fund or a pension fund, and in which the parent company and the group has no further legal or constructive obligations to pay additional contributions. The contributions are recognized in the income statement as salary related costs in the period in which the employee renders the service.

Share based payment arrangements for consultant

The parent company has entered into a share-based payment arrangement with a hired consultant. The arrangement is an option plan with settlement in shares of the company.

The method of recognition varies depending on whether the consultant is determined to be an employee or not. The consultant is determined to be an employee when the agreement for servies relates to an individual delivering personal services, and that the individual (consultant) either:

- is determined to be employed for legal or tax purposes
- works for the company under directives from managing bodies and is managed in the same way as if the individual was legally employed
- delivers services of similar nature to the services delivered by legally employed individuals

To the extent the consultant is determined to be employed, in accordance with the the above description, the share option program is measured at fair value at the time of grant. The calculated fair value of the granted options are accrued and recognised as an expense over the period in which the consultant's right to receive the options is vested, which is over the agreed future service period (vesting period). For transactions which are settled in the company's own equity instruments (equity settled arrangements) the value of the granted options is recognized in the period as salary expenses in the profit or loss with the offsetting entry to other paid in equity.

Obligations for bonuses related to the value of the company's shares, for which cash settlement has been agreed, are measured at fair value each balance sheet date until the time of settlement, and changes in fair value are recognized in profit or loss. The company is not obliged to pay social security when the consultant is not determined to be employed by the company for tax purposes.

Financial income and financial expenses

Financial income consists of interest income, dividends, foreign exchange gains and gains from sale of financial instruments. Interest income is recognised when earned, calculated using the effective interest rate method, while dividends are recognised on the date of the general meeting approving the dividends.

Financial expenses consist of interest expenses, guarantee commissions, foreign exchange losses and losses from sale of financial instruments. Interest expenses and guarantee commissions are recognized when incurred, calculated using the effective interest rate method.

Income taxes

Income tax expenses consist of current taxes payable and changes in deferred taxes. Current taxes payable are taxes payable or tax receivables related to taxable income or loss for the year, based on tax rates substantively enacted at the balance sheet date. Changes in calculated current taxes payable related to prior years are included in the amount.

Deferred tax/deferred tax assets are calculated on all temporary differences between carrying amounts and tax bases for all assets and liabilities on the balance sheet date.

Deferred taxes are calculated using the tax rate expected to be applicable at the time of reversal of the temporary differences.

Deferred tax assets are recognised to the extent the company is expected to have sufficient taxable income in future periods to utilize the tax benefit. The companies recognize previously unrecognized deferred tax assets to the extent it has become likely that the company may utilize the deferred tax benefit. Likewise, the company will reduce deferred tax assets to the extent the company no longer expects that it will be able to utilise the deferred tax benefit.

Deferred tax and deferred tax assets are measured at nominal values. Deferred tax liabilities are presented as provisions/ long term liabilities in the balance sheet, while deferred tax assets are presented as intangible assets.

Intangible assets

Intangible assets acquired separately are recognised at their cost price. The cost price for intangible assets acquired are recognised at fair value in the Group. Recognised intangible assets are accounted for at cost less any depreciation and impairment write-down.

Internally generated intangibe assets, except for recognised development costs, are not recognised, but expensed as incurred.

Intangible assets with finite useful life are depreciated over their useful lives and tested for impairment when impairment indicators are present. Depreciation methods and useful lives are assessed annually as a minimum. Changes to depreciation method and/or useful life are accounted for as estimate changes.

Patents and licences

Acquisition costs for patents and licences are recognised and depreciated over their estimated useful lives.

Development activities

Expenditures on research are recognised in the income statement as incurred. Expenditures on development activities, including product development (new or improved products) are recognized when all the following criteria are fullfilled:

- It is technically possible to complete the asset / product in such a way that the Group may use or sell the asset / product in the future
- It is management's intention to complete the asset / product, as well as to use or sell the asset / product
- It is possible to use the asset / sell the product
- How the asset / product will generate future revenues can be proven
- The Group has sufficient technological and financial resources available to complete the asset / development of the product
- The costs can be reliably measured

Recognised costs include cost of material, consultant fees and direct salary costs. Other development costs are recognized in the income statement as incurred. Previously expensed development costs are not subsequently capitalized. Recognised development costs are depreciated on a straight-line basis over the assets / products estimated useful lives.

Fixed assets

Fixed assets are measured at cost, less accumulated depreciations and impairment write- downs. Fixed assets are derecognized when sold or disposed of and any gains or losses are recognized in the income statement.

Acquisition cost for fixed assets is the cost price and costs directly associated wih getting the asset ready for its intended use.

Expenditures incurred after recognition of the fixed asset, such as day-to-day maintenance, are recognized in the income statement as incurred, while expenditures expected to generate future economic benefits are recognized in the carrying amount. Depreciation period, depreciation method and residual values are assessed annually.

Fixed assets are carried at cost until manufacturing or development has been completed. Fixed assets under construction are not depreciated until the assets are ready for their intended use.

When significant components of a property, plant and equipment are determined to have different useful lives, they are accounted for as separate components.

Each component of property, plant and equipment is depreciated on a straight-line basis over its estimated useful life, as this is considered to best represent the consumption of the future economic benefits of the assets. Land is not depreciated. Estimated useful life for the current period and depreciation periods are disclosed in note 11. Depreciation method, useful life and residual values are reassessed at the balance sheet date and adjusted if found necessary. When the carrying amount of a fixed asset or a cash-generating unit is higher than the recoverable amount, the asset is written-down to its recoverable amount. Recoverable amount is the higher of value in use and fair value less costs of disposal.

Investment in subsidiaries and associated companies

Investments in subsidiaries and associated companies are assessed according to the cost method in the company financial statements. Investments are valued at acquisition cost, unless impairment has been necessary. Write-downs have been made at fair value when impairment is due to reasons that cannot be expected to be temporary. Impairment losses are reversed when the basis for impairment is no longer present.

Dividends and other distributions are recognized as income when adopted at the general meeting of the subsidiaries. If dividends exceed the retained earnings after the acquisition, the excess part represents repayment of invested capital, and the dividends are deducted from the value of the investment in the balance sheet.

Leases

For contracts constituting or containing a lease, the company and the group separate lease components if the underlying asset may be used either on its own or together with other resources easily available to the company and the group, and the underlying asset is neither dependent nor interrelated on other underlying assets in the contract. The company and the group then account for each single lease component in the contract as one lease contract separately from the non-lease component in the contract.

At the time of commencement of a lease contract the company and the group recognize a lease liability and a corresponding right of use asset for all leases, except for the following excemptions elected under the standard:

- Short-term leases (lease term of 12 months or less)
- Low value assets

For such leases the company and the group recognize the lease payments as other operating expenses in the profit or loss when incurred.

Lease liabilities

The company and the group measure the lease liabilities at the present value of the lease payments to be made over the lease term at the commencement date. The lease term is the non-cancellable period of the lease, in addition to periods covered by options to extend or terminate the lease if it is reasonably certain that the group will (will not) exercise the option.

The lease payments included in the measurement of the lease liability consist of:

- Fixed lease payments (including in substance fixed payments), less any lease incentives receivable
- Variable lease payments which are dependant on an index or rate, measured for the first time using the index or rate applicable at the commencement date
- Amounts expected to be payable by the company and the group under residual value guarantees
- The exercise price for an option to purchase the asset, if it is reasonably certain that the company and the group will exercise this option
- Termination fee, if the lease term has been determined on the basis that the company and the group will exercise an option to terminate the lease

The lease liability is subsequently remeasured by increasing the carrying amount by an accretion amount on the lease liability, and reduce the carrying amount for lease payments made, as well as potential reassessments or changes to the lease agreement, or to reflect adjustments to lease payments as a result of a change in an index or a rate.

The company and the group do not include variable lease payments in the lease liability. Variable payments are recognized in the profit or loss as incurred. The company and the group presenter the lease liabilities in separate line items in the statement of financial position.

Right of use assets

The company and the group measures right of use assets at cost, less accumulated depreciations and impairment losses, adjusted for potential new measurements of the lease liability. Cost for the right of use assets comprise:

› The amount established at initial recognition of the lease liabiilty
› All lease payments made at or before the commencement date, less lease incentives received if any
› All direct expenditures incurred for the company and the group related to entering into the agreement

The group applies the depreciation provisions in IAS 16 Property, plant and equipment when depreciating the right of use asset, except for the fact that the right of use asset is depreciated from the date of commencement until the end of the lease period or the end of the asset's useful life, whichever is expected to take place first, unless there is an option to purchase the asset which has been determined to be exercised with reasonable certainty, in which case the right of use asset is depreciated over the expected economic life of the underlying asset.

The group applies IAS 36 «Impairment of assets» in order to determine whether the right of use asset has been impaired and, if this is the case, write it down for impairment.

Impairment of non-financial assets

Depreciable fixed assets and intangible assets are assessed for impairment when impairment indicators are identified. Impairment write-downs for the difference between the carrying amount and the recoverable amount are recognised in the income statement.

The recoverable amount for an asset or a cash generating unit is the higher of value in use and fair value less costs of disposal. When assessing value in use, estimated future cash flows are discounted to net present value using a pre-tax market-based discount rate. The discount rate includes the time value of money and asset specific risk. When testing for impairment, assets which are not tested individually are tested at a Group level representing the lowest level of identifiable cash flows which are independent of cash flows from other assets or Groups of assets (cash generating units or CGUs).

Impairment write-downs are recognised to the extent the carrying amount of an asset or cash generating unit exceed the estimated recoverable amount. When recognizing impairment write-downs related to cash generating units, any goodwill impairment is recognized first. Any remaining impairment amount is split pro-rata on other assets in the cash generating unit (Group of cash generating units). Impairments are presented in the line item depreciations and impairments.

For other assets an assessment as to whether there are indications that the impairment is no longer present or reduced is made on the balance sheet date (reporting date). Impairments are reversed if the estimates in the calculation have favourably changed the recoverable amount. Impairment reversals are limited to the carrying amounts being equal to what it would have been if no impairment had been recognised.

Financial assets

Financial assets are classified at initial recognition and are subsequently measured at amortized cost, at fair value through other comprehensive income (OCI) or at fair value through profit or loss.

The classification of financial assets on initial recognition depends on both the characteristics of the financial assets' contractual cash flows and the Group's business model for managing these. The Group's business model for managing financial assets refers to how the Group manages its financial assets to generate cash flows. The business model determines whether cash flows will arise by receiving contractual cash flows, or by selling the financial assets or both.

Accounts receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with IFRS 15, see the accounting policies in section on revenue from contracts with customers, and then measured at amortized cost.

Other long-term and short-term receivables, as well as cash and cash equivalents, are recognized at fair value on initial recognition and subsequently at amortized cost.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated at fair value through profit or loss, or financial assets that are required to measure at fair value. Financial assets are classified as held for trading if they are purchased for the purpose of being sold or repurchased within a short period of time. Derivatives are also classified as held for trading.

Financial assets at fair value through profit or loss are recognized in the balance sheet at fair value with net changes in fair value recognized in the income statement. The category includes derivative instruments (forward contracts in foreign currency) and long-term equity investments. Dividends on equity investments are recognized as financial income in the income statement when there is a right to payment of dividends.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or the Group has transferred its rights to receive cash flows from the assets.

The group and the parent company have entered into a factoring agreement with a credit institution but have kept the risks and rewards related to the established accounts receivables. When the factoring agreement with the credit institution does not entail transfer of control to the credit institution, accounts receivable and other receivables are still recognized as financial assets in the group's financial statements, and the advance payments received from the credit institution entails a financial liability classified as interest-bearing short-term debt.

Impairment of financial assets

For accounts receivables and contract assets, the Group uses a simplified approach to calculating expected credit losses (ECL). The Group therefore does not track changes in credit risk, but instead recognizes a loss provision based on expected credit losses over the life of the trade receivable and the contract asset on each reporting date. The Group has established a provision matrix that is based on historical losses, adjusted for future-oriented factors that are specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when it is more than 60 days overdue. In some cases, however, the Group may also consider that a financial asset is in default when internal or external information indicates that the Group is unable to receive the outstanding contract amounts in its entirety before taking into account any credit insurance that the Group has. A financial asset is recognized as a loss when there is no reasonable expectation of receiving contractual cash flows.

Further information on any impairment of financial assets is provided in notes 21, 22 and 23.

Inventory

Inventories are measured at the lower of cost and net realisable value. Net realisable value has been estimated as selling price in the ordinary course of business less the estimated costs of completion and the estimated costs for marketing and distribution. Cost is allocated using the FIFO-method and includes expenditures incurred in purchasing the goods, raw material, costs to bring the goods and the raw material to their current condition and location. Owned goods are valued at manufacturing cost and include raw material costs, as well as other variable and fixed production costs that can be allocated based on normal capacity utilization. See note 2 and 20 for more information.

Cash and cash equivalents

Cash includes cash in hand and bank deposits. Cash equivalents are short term highly liquid investments which can immediately be converted to a known amount of cash, and with a maximum duration of 3 months from the date of acquisition

Financial obligations

Financial liabilities are initially recognized as financial liabilities at fair value through profit or loss, subordinated loans, interest-bearing liabilities, lease liabilities, derivatives, trade payables, or other current liabilities.

Interest-bearing debt and other liabilities are recognized at fair value less transaction costs at the time of establishment. In subsequent periods, loans are recognized at amortized cost using the effective interest rate. For more information see notes 16 and 17.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading purposes and financial liabilities designated at initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading purposes if they are contractual for the purpose of being sold or repurchased within a short period of time. This category also includes derivative instruments (currency forward contracts). Gains or losses on liabilities held for trading are recognized in the income statement, see note 7.

Derivatives

The Group uses financial forward exchange contracts (derivatives) to hedge the Group's currency risk. The forward exchange contracts are recognized in the balance sheet at fair value at the time the contract is entered into with the credit institutions, and subsequently the portfolio of forward exchange contracts is adjusted continuously at fair value through profit or loss. The forward exchange contracts are capitalized as financial assets when fair value is positive and as financial liabilities when fair value is negative. See notes 7, 15 and 17.

The Group does not have forward exchange contracts or other derivatives that are considered hedging instruments in hedging terms as defined in IFRS 9.

Provisions

A provision is recognised when the company has an obligation (legal or constructive) as a result of a past event, it is likely (more likely than not) that payment will be made as a result of the liability and the amount can be measured reliably. If the effect is significant, the provision is measured at the discounted value of future cash outflows using a pre-tax discount rate reflecting the market's pricing of the time value of money and, if relevant, the risks specifically related to the liability.

A provision for a guarantee is recognised when the underlying products or services are sold. The provision is based on historical information about guarantees and a weighting of potential outcomes against their likelihood of occuring.

Provisions for onerous contracts are recognised when the company's expected revenues from a contract is lower than the unavoidable costs of meeting the obligations under the contract.

Contingent liabilities and contingent assets

Contingent liabilities for which it is not likely that the liability will incur are not recognized in the financial statements. Significant contingent liabilities are disclosed, except for contingent liabilities related to which it is remote that payment will have to be made.

Contingent assets are not recognised in the financial statements unless they are virtually certain. Other contingent assets are disclosed if it is likely that an economic benefit will be received by the Group.

Subsequent events

New information subsequent to the balance sheet date about the Group's and the parent company's financial position at the balance sheet date are taken into account in the financial statements. Events subsequent to the balance sheet date which do not influence the Group's or the parent company's financial position at the balance sheet date, but which will influence the Group's or the parent company's position in the future, have been disclosed in the notes if significant.

New accounting standards

Standards with changes that apply to the accounting period January 1, 2020 has not had any material impact for the financial year 2020. The group and the company have not implemented early standards released but not yet active.

Note 2: Accounting estimates and management judgement and assumptions

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:

- Allocation of production costs in manufactruring cost of finished product cost
- Transactions with related parties
- Recognition of intangible assets
- Going concern
- Depreciation, amortisation and impairment of fixed assets and intangible assets
- Deferred tax asset
- Share based payment to consultant
- Inventory - obsolescence
- Assessment of losses on accounts receivables

Allocation of production costs in manufactruring cost of finished product cost

Four types of finished products are produced from a common production process based on the same input factors. The value of the individual finished product is based on the allocation of production costs determined based on the finished product's relative share of production yield multiplied by the expected sales value. The same model has been used for allocating production costs over several years. The determination of expected sales value as a basis for allocating production costs has significant discretionary assessments and has a significant effect on the calculation of the cost of production of the various finished product products. The group and the parent company are still in a start-up and development phase, but management's judgment has based on agreed prices in historical sales transactions and expected sales value at the reporting date. See notes 4, 6 and 20.

Transactions with related parties

Transactions with related parties constitute a significant part of the Group's and the parent company's ordinary operating revenues and costs, and where the determination of arm's length pricing is largely based on judgment. The transactions also affect liquidity and financial carrying capacity for the Group's and the parent company's operations.

The most significant transactions with related parties are sale of finished goods, purchase of raw materials (fish trimmings), ongoing rental obligations related to production equipment and factory buildings Midsund and Berkåk, as well as agreements on short-term, long-term and subordinary loan financing.

Hofseth BioCare ASA has purchased raw material (fish off-cuts) from Hofseth Aalesund AS, Hofseth AS and Seafood Farmers of Norway AS, which are shareholders or related parties of shareholders. The raw material agreement started in 2019, is for 3 years and gives the parent company the exclusive right to get all the by-products from the production of Hofseth Sales AS's suppliers. Judgment has been applied when setting conditions for the purchase of raw materials. See notes 4 and 6.

Hofseth BioCare ASA has sold finished goods to related parties in 2019 and 2020. Prices are determined on the basis of current and historical transactions with independent parties in 2019 and 2020. Discretion has been used in determining conditions for the sale of finished goods, see notes 3 and 6.

Leases of production equipment, leases of factory facilities at Midsund and Berkåk, as well as agreements for long-term and subordinated loans. When agreeing financial terms in leases, agreements for long-term loans in 2019 and 2020 a subordinated loan in 2019, historical terms with third parties, achieved by the group and the parent company, have been referred to. Judgement has been applied when setting the financial terms. See notes 6, 12, 13, 16 and 19.

Recognition of intangible assets

The Group has come far in the development phase of establishing production at the targeted level and with the quality that the business model has been based on. The Group invests in research and development activities on an ongoing basis. Uncertainties exist relating to the timing of when the requirements for recognition of intangible assets have been met. The management's starting point is that research and development activities are capitalized when there is an identifiable asset or product that is controlled by the company that is expected to result in future economic benefits. Uncertainties also exist relating to the assessment and estimation of the cost price for the intangible assets, and mainly relating to the estimation of cost price for developing intangible assets and product development. Development activities that qualify for capitalization are capitalized both in the Group and parent company. See note 10.

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 annual report has been prepared under the assumption of continued operation.

New credit facility of 37 MNOK in February 2020 and private placement of 224 MNOK in December 2020, secures the group and the company sufficient liquidity. Furthermore, at the time of submitting the annual report, the board has authorized the general meeting on 25 May 2020 to issue up to approximately 5,3 million new shares. The authorizations are intended to be used if the parent company needs an additional supply of equity and liquidity.

The parent company fulfills all requirements in its loan agreements and is thus not in breach of the loan covenants as of

31.12.2020. The parent company still has negative results in the first two months of 2021 but is not in breach of the terms of any of the loans. eference is also made to note 16 for more information on the conditions relating to the group's and the company's interest-bearing debt, as well as note 19 for information on liquidity risk and maturity structure for the Group's liabilities.

Depreciation, amortisation and impairment of fixed assets and intangible assets
Estimated useful lives for the parent company's machinery and equipment (production equipment), in addition to intangible assets, have been impacted by the technological development. The useful lives for fixed assets and intangible assets are estimated to 5-10 years. There are uncertainties relating to the interval between 6 and 10 years, especially for intangible assets. See note 10 and note 11.

Deferred tax assets
There are uncertainties relating to future taxable income and a deferred tax asset has not been recognized in the financial statements. The unrecognized deferred tax assets amount to TNOK 170,505 for the Group and TNOK 165,043 for the company at 31 December 2020.

Share based payment arrangements for consultant
The company has entered into a share option scheme with a hired consultant, and the option program for the consultant is an arrangement with settlement in shares in the parent company. The method of recognition varies depending on whether the consultant is determined to be an employee or not. Judgement har been applied when determinig whether the consultant is an employee or not. Judgement has also been applied when setting the assumptions applied in valuing the consultant's share option program in 2019. See note 5.

Inventories
Goods in stock are valued at the lower of cost and selling price. It is used judgment in relation to quality and durability. The Group uses a model in which provision is made for obsolescence gradually if goods in stock approach the expiration of the shelf life. It is set aside for obsolescence, see note 20.

Assessment of loss relating to accounts receivables
At the end of 2020, the Group had no significant overdue accounts receivables. All significant accounts receivables are credit secured by Coface GK, limited to a maximum of MNOK 30 and with a coverage rate of 90%. When analyzing future information about the Group's customers and markets, future challenges are not listed today, which indicate that there will be a significant credit loss in the future. See notes 19 on credit risk and 21 on accounts receivables and other receivables.

Note 3: Segment information

The parent company's processing plants are located in Norway. The production is fine-tuned as needed, but overall the production is within the definition for human consumption. The Group has only one operating segment which is the production of salmon oil (OmeGo®), soluble protein (ProGo®), Calcium (CalGo®) and non-water-soluble protein (PetGo™). All products are manufactured at the plant in Midsund, but ProGo® is refined from concentrate into powder form at the plant in Berkåk.

Salmon oil

The raw material is produced fresh and the system for feeding the raw material is closed. This way the oil holds a very high quality, with low oxidation values. The storage tanks are filled with nitrogen before draining the oil. This ensures that the fresh, good quality is maintained throughout the process. Our oil production process is unique, in that the oil from the raw material is released with the enzymes. Hence, the product is not exposed to high temperatures and gives a fresh salmon oil with long durability to the consumers.

Water soluble protein

HBC produces a hydrolysed salmon protein. The product is the protein that has the fastest uptake in the body of comparable protein products on the market. It contains little fat and has good solubility in water. Adjustments to the manufacturing process have also been undertaken to increase the capacity and quality of the product in 2019 and 2020.

In 2021, the expansion of the Midsund factory will be completed and will then take over the drying of protein that until then has been carried out at Berkåk.

Calcium

In 2018, HBC installed a completely new and automated process line to produce calcium powder. This has resulted in increased yield and improved quality and reliability of this fraction in 2019 and 2020. The process is built so that the bone fraction of the salmon comes out as whole bones and legs before it is dried and milled to pure calcium powder.

Non-soluble protein

The PHP fraction, which is the fourth main product from the Midsund plant, is separated as a separate protein product and dried to a high-quality fishmeal. The yield on this fraction is good, but measures have been identified to further increase the yield.

The segment information is based on an overall performance reporting for all products as one segment. For information purposes, the revenue split for the different products is shown in the table below. The products are mainly produced in the same production process, and from the same raw material supply. Hence, the cost of sales is monitored by the management as total cost of sales, but split by product. The Production Manager manages production by monitoring the raw material into vs. output of finished goods for the 4 different product types in order to calculate the yield by product.

REVENUE PER PRODUCT	Group		Parent	
(Amounts in NOK 1000)	**2020**	**2019**	**2020**	**2019**
By product				
Salmon Oil (OmeGo®)	33 314	24 228	33 314	24 228
Soluble Protein Hydrolysate (ProGo®)	3 183	20 418	3 183	20 418
Calcium (CalGo®)	2 456	2 999	2 365	2 944
Non-soluble Protein (PetGo™)	12 719	9 963	12 719	9 963
By-products	1 394	1 372	947	946
Rental production (drying protein powder)	0	8 798	0	0
Sum revenue	52 954	67 778	51 898	58 499
Insurance	16 298	0	16 185	0
Total revenues	69 252	67 778	68 713	58 499
By region				
Norway	18 343	46 147	17 287	36 868
Asia	3 930	1 894	3 930	1 894
Europe excl Norway	10 617	12 856	10 617	12 856
North-Amerika	20 064	6 881	20 064	6 881
Total revenues	52 954	67 778	51 898	58 499

*the group has recieved TNOK 16 298 for calcium damaged in 2019.

In 2020 goods totaling TNOK 42 461 were sold to three customers, each of which accounted for more than 10 % of total turnover.The sales to each of these customers are TNOK 18 628, TNOK 16 966, og TNOK 6 867, respectively.

In 2019, goods totaling TNOK 49,517 were sold to four customers, each of which accounted for more than 10 % of total turnover. The sales to each of these customers are TNOK 23,918, TNOK 9,171, TNOK 8,798, and TNOK 7,629, respectively.

Note 4: Cost of sales and other operating expenses

COST OF SALES	Group		Parent	
(Amounts in NOK 1000)	2020	2019	2020	2019
Raw material	38 645	34 514	38 645	34 514
Freight	14 578	8 779	14 578	8 511
Purchased services	21 920	20 406	37 115	22 501
Obsolescence cost	5 353	10 410	5 353	10 410
Change in inventory	-40 965	-14 538	-40 978	-14 475
Total cost of sales	39 532	59 570	54 714	61 461

OTHER OPERATING EXPENSES	Group		Parent	
(Amounts in NOK 1000)	2020	2019	2020	2019
Leases of equipment	735	458	566	458
Leases of warehouses and factories	698	522	315	298
Travelling cost	1 576	2 990	1 572	2 940
Consultant fees and tax advisory	2 071	1 617	1 959	1 459
Lawyers	1 909	1 454	1 898	1 243
Consulting	13 989	4 312	12 883	3 223
Advertising	7 863	4 295	6 665	2 030
Insurance	704	637	549	462
R&D and patents	7 563	131	7 545	88
Repair and maintenance	10 988	12 779	8 743	11 164
Other operating expenses	4 238	1 919	3 147	1 209
Total	**52 334**	**31 114**	**45 842**	**24 574**

Note 5: Employment costs and expenses for employees and benefits for senior employees

SALARIES	Group		Parent	
(Amounts in NOK 1000)	2020	2019	2020	2019
Salaries	32 468	27 872	26 974	22 296
Social security costs	3 637	3 187	3 300	2 806
Pension costs	1 801	1 547	1 503	1 205
Share based payments and bonus costs consultant	7 811	1 721	7 811	1 721
Other employee benefits	603	256	522	318
Capitalized cost in associated with development	-3 678	-4 778	-3 678	-4 133
Public grants from Skattefunn	0	-593	0	-593
Total employee benefit expenses	**42 641**	**29 212**	**36 432**	**23 621**
Average number og FTE`s	49	43	40	33

2019 REMUNERATION TO EXECUTIVE MANAGEMENT TEAM AND THE BOARD

(Amounts in NOK 1000) - Group	Salary	Benefits	Pension cost	Other remuneration	Total remuneration
Executive management					
Roger Hofseth, CEO	0	0	0	0	0
Jon Olav Ødegård, CFO*	660	16	33	1 154	1 862
Dr. Bomi Framroze, CSO**	1 440	0	0	4 768	6 208
Karl Inge Slotsvik, COO	1 130	16	57	0	1 203
Angelika Florvaag, CQO from 01.02.21, QA Manager until 01.02.21	762	16	38	0	816
James Berger, CCO from 01.02.21. Head of Investor Relations&Strategy until 01.02.21	0	0	0	1 721	1 721
The Board of Directors					
Ola Holen, Chairman	138	0	0	0	138
Torill Standal Eliassen	116	0	0	0	116
Christoph Baldegger	96	0	0	0	96
Henriette Godø Heggdal***	842	17	37	0	896
Total	**5 184**	**65**	**165**	**7 643**	**13 057**

* Including remuneration as hired consultant. **Including fees for managing R&D. R&D share constituted TNOK 4 768. Fee for R&D are divided betweenoperating costs and capitalized development costs. *** Including salary as employee of the company

NUMBER OF SHARES HELD BY EXECUTIVE MANAGEMENT AND BOARD MEMBERS:

2019 SHAREHOLDERS	Shares	Held by related companies	Held by related parties	Total
Roger Hofseth	0	77 922 127	267 046	78 189 173
Jon Olav Ødegård	0	2 964 039	180 000	3 144 039
Dr. Bomi Framroze	886 630	860 000	0	1 746 630
Karl Inge Slotsvik	15 000	860 000	0	875 000
Angelika Florvaag	10 000	860 000	0	870 000
James Berger	2 132 835	0	0	2 132 835
Ola Holen	529 865	5 956 237	0	6 486 102
Christoph Baldegger	580 000	0	0	580 000
Torill Standal Eliassen	0	200 000	0	200 000
Henriette Godø Heggdal	0	570 000	0	570 000
Total	**1 996 495**	**190 402 613**	**180 000**	**181 234 476**

2020 REMUNERATION TO EXECUTIVE MANAGEMENT TEAM AND THE BOARD

(Amounts in NOK 1000) - Group	Salary	Benefits	Pension cost	Other remuneration	Total remuneration
Executive management					
Roger Hofseth, CEO	0	0	0	0	0
Jon Olav Ødegård, CFO*	695	11	35	960	1 701
Dr. Bomi Framroze, CSO**	1 876	0	0	19 858	21 734
Karl Inge Slotsvik, COO	1 133	11	57	0	1 200
Angelika Florvaag, CQO from 01.02.21, QA Manager until 01.02.21	772	11	39	0	822
James Berger, CCO from 01.02.21. Head of Investor Relations&Strategy until 01.02.21	0	0	0	7 811	7 811
The Board of Directors					
Ola Holen, Chairman	138	0	0	0	138
Torill Standal Eliassen	116	0	0	0	116
Christoph Baldegger	96	0	0	0	96
Henriette Godø Heggdal***	842	17	37	0	895
Kristin Fjellby Grung****	0	0	0	0	0
Total	**5 671**	**44**	**167**	**28 629**	**34 512**

* Including remuneration as hired consultant.
** Including fees for managing R&D. R&D share constituted TNOK. Fee for R&D are divided betweenoperating costs and capitalized development costs in 2020.
*** Including salary as employee of the company.
**** Elected to the Board in December 2020.

No loans or guarantees are granted to members of the management team, Board of Directors or other elected bodies.

NUMBER OF SHARES HELD BY EXECUTIVE MANAGEMENT AND BOARD MEMBERS:

2020 - SHAREHOLDERS	Shares	Held by related companies	Held by related parties	Total
Roger Hofseth	0	78 440 751	276 046	78 707 797
Jon Olav Ødegård	0	2 964 039	180 000	3 144 039
Dr. Bomi Framroze	886 630	4 113 370	0	5 000 000
Karl Inge Slotsvik	15 000	860 000	0	875 000
Angelika Florvaag	10 000	860 000	0	870 000
James Berger	2 132 835	1 135 120	0	3 267 995
Ola Holen	529 865	6 044 918	0	6 574 783
Christoph Baldegger	580 000	0	0	580 000
Torill Standal Eliassen	0	200 000	0	200 000
Henriette Godø Heggdal	0	570 000	0	570 000
Kristin Fjellby Grung	0	0	0	0
Total	**4 154 330**	**95 188 198**	**447 046**	**99 789 574**

Guidelines for the salaries and other remuneration of the CEO and executive management at Hofseth Biocare ASA 2020

Hofseth BioCare ASA's executive remuneration policy is to offer senior executives employment conditions which are competitive regarding salaries, fringe benefits, bonus and pension scheme. The Company shall offer salary levels that are comparable with similar companies and activities and considering the company's need for qualified staff at all levels.

The salary and other remuneration to senior executives shall at all times be determined in accordance with the above stated principle.

The bonus to the CEO is determined by the Chairman of the Board. Bonuses for other senior executives are determined by the CEO in consultation with the Chairman of the Board. No bonus payments have been made in 2020.

The Group has complied with the guidelines in 2020. For fiscal year 2021 no changes have been made to current guidelines.

In case Hofseth BioCare chooses to terminate the employment relationship with the CEO, no right to severance payment

In case Hofseth BioCare chooses to terminate the employment relationship with the CEO, no right to severance payment has been agreed. In the event employment of other senior executives is terminated by the company, there are no agreements entitling them to severance payments beyond salary during the notice period for the number of months as stipulated in the Norwegian employment act.

Defined contribution pension scheme

The parent company and the group have a statutory obligation to comply with the law on mandatory occupational pensions and have a pension scheme that satisfies the requirements of this Act. Contributions have been expensed in the Group by TNOK 1,801 in 2020 (2019: TNOK 1,547), in the parent company TNOK 1,503 has been expensed (TNOK 1,205 in 2019).

Fees to consultant with responsibility for the IR function of the group

On 17 October 2019 the company entered into a consultant agreement with James Berger (through his company Nevera AG). James Berger has a wide network among the largest investment banks and institutional investors in Europe and globally. In accordance with the consultant agreement he will assist the company with certain facilitation services such as establishing a broader base of international investors. James Berger and the company think that a broader investor base will facilitate a planned United States listing and a continued positive value creation. The company has, however, not made any decision as to actively pursuing a listing at a United States based stock exchange, nor the timing for such a potential listing. The consultant agreement has a duration of 36 months and defines the consultants role in the IR function of the company. The agreement has other terms determining him to be an employee for IFRS 2 purposes. The agreed compensation is:

- Offering of 6 486 400 share options in the company, for which the exercise price has been set equal to the nominal amount of the shares, but with a strike price of NOK 0.01. See below for more detailed information.
- Right to receive a cash remuneration of TUSD 500 at the time of a potential successful US listing. The company has calculated the net present value of this obligation to TNOK 817 per 31.12.2020 (TNOK 894 per 31.12.2019) under the assumption that the likelihood of a successful US listing is 15 % in 2021 and 20 % in 2022.

The share option program may be split in three main tranches

- 810 800 share options - the earliest of 9 months after entering into the agreement and a sucessful US listing
- 810 800 share options related to a sucessful US listing
- The remainig 4 862 800 shares are tied to a certain number of share options for redemption when the share price has exceeded defined intervals of average share price over a continuous period of 45 days. 5 levels of 324 320 share options with an average share price > NOK 8.0 > NOK 12.5, > NOK 16.50, > NOK 21.0 and > NOK 25.0, as well as 2 levels with 1 621 600 share options at an average share price of > NOK 42 og > NOK 55. The first level of 324 320 share options has been triggered in 2020, as the share price has been above NOK 8 for a continuous period of 45 days.

The fair values of the options have been calculated at the time of grant, 17 October 2019, and expensed over the vesting period of 36 months. TNOK 827 has been expensed in 2019 on the option program and the fair value of the program has been estimated to TNOK 12 342 in 2019. Fair value of the options has been estimated using the Black and Scholes option pricing model. Share options mentioned in bullet point number 3 above has several elements attached to it, we have therefore applied a Monte Carlo simulation when estiating fair value for this group.

James Berger has exercised 1 135 120 options in 2020 (trance 1 and part of trance 2), and a total of TNOK 7 857 is booked as cost in 2020. No shares options have been exercised in 2019.

Mr. Berger has prior to the signing of the agreement assisted the company with a share issue of NOK 118 million (see statement of changes in equity above) directed towards international private investors and institutional funds. Success fees of TNOK 3 000 have been charged directly to equity as share issue costs in 2019.

AUDITOR'S FEES	Group		Parent	
(Amounts in NOK 1000)	2020	2019	2020	2019
Audit fees	657	662	600	586
Tax advice	111	54	111	54
Audit related services	642	416	642	416
Other services and confirmations	278	93	272	93
Total	**1 688**	**1 225**	**1 625**	**1 149**

VAT is not included in the amounts above.

Note 6: Related party transactions

The Group's related parties include shareholders, board members and the senior management and their related parties. All companies in Hofseth Group, including Roger Hofseth AS, Hofseth International AS, Hofseth Logistics AS, Seafood Farmers of Norway AS, Hofseth AS, Hofseth Sales AS, Hofseth Aalesund AS, Hofseth North America, Hofseth Asia and Hofseth Aqua AS are considered to be related parties to Hofseth BioCare ASA. In these companies, CEO and shareholder in Hofseth Biocare ASA, Roger Hofseth, has significant influence through ownership interests, leading positions and board memberships. Chairman of the Board Ola Holen and his company Paso AS is a related party to the company. Further is shareholder Yokohama Reito Co., Ltd. and its subsidary Syvde Eiendom AS considered a related party.

All related party transactions have been made in the ordinary course of the business at the arms length principle. The main transactions made in 2019 and 2020:

› Purchase of raw materials from Roger Hofseth AS/Hofseth Sales AS. See further details in the agreement below.
› The Group rents logistics services from Hofseth Logistics AS to TNOK 360 per year.
› 13 of the company's lease agreement for production equipment that are active in 2020 have been entered into with Hofseth AS, Hofseth International AS and Roger Hofseth AS and subleased to Hofseth BioCare ASA with a mark-up of 5-10 % on monthly instalments.
› Other minor administration costs are invoiced from Hofseth International AS.
› A sales commission of Hofseth AS of between 5-10 % has been agreed for some sales, which Hofseth BioCare ASA does through Hofseth AS and Hofseth International AS's sales channels.
› Yokohama Reito Co. has a loan to the Group with balance of TNOK 4 760 as of 31.12.20 (TNOK 7 322 as of 31.12.19). The loan expires on 30.09.22 and has a fixed interest rate of 4 %.
› Yokohama Reito Co had a short term loan of TNOK 38 000 in 2020, with a fixed interest rate of 3 %. The loan was repaid in full 28.10.2020.
› Roger Hofseth AS and Hofseth Sales AS has purchased goods for a value of TNOK 4 209 i 2020 (TNOK 24 400 i 2019), and have paid storage rent of TNOK 688 in 2020 (TNOK 725 in 2019). Roger Hofseth AS was merged into Hofseth Sales AS in the end of 2020.
› RH Industri AS has provided a subordinated loan to the group with an outstanding amount of TNOK 21 346 as of 31.12.2020 (TNOK 20 000 as of 31.12.2019). The loan expires 30.09.2024 and carries an interest rate of Nibor + 4.5 %.
› Hofseth BioCare ASA has a agent agreement with Hofseth International AS, Hofseth Sales AS og Roger Hofseth AS recieved agent fees of total TNOK 95 for sale of goods stored at the companys storage.
› Hofseth North America has purchased goods worth TNOK 1 208 in 2020 (TNOK 0 in 2019).
› Yokohama Reito Co. has purchased goods worth TNOK 338 in 2020 (TNOK 0 in 2019).
› The Group rents factory buildings at Midsund and Berkåk as well as office premises in Ålesund from Syvde Eiendom AS at a cost of TNOK 7 915 in 2020 (TNOK 7 771 in 2019). Thee agreement runs in 15 up until 2032.
› In the share issue in 2019 Roger Hofseth AS participated trough the conversion of debt of TNOK 15 000.

The statement of profit and loss and the balance sheet include following transactions with shareholders and related parties to shareholders:

BALANCE SHEET ITEMS	Group		Parent	
(Amounts in NOK 1000)	2020	2019	2020	2019
Right of use assets	69 756	81 292	46 161	56 561
Trade receivables	2 566	1 207	2 566	1 207
Subordinated loan	-21 346	-20 000	-21 346	-20 000
Loan from shareholders	-4 760	-7 322	-4 760	-7 322
Leasing liabilities	-67 933	-79 307	-44 969	-54 568
Trade payables	-65 091	-10 450	-64 579	-10 330
Other current liabilities	0	-2 975	0	-2 975
Total	-86 808	-37 555	-86 927	-37 427

PROFIT AND LOSS ITEMS	Group		Parent	
(Amounts in NOK 1000)	2020	2019	2020	2019
Sales revenue	5 850	24 400	5 850	24 400
Total revenue	**5 850**	**24 400**	**5 850**	**24 400**
Cost of sales	41 515	37 989	59 199	37 989
Other operating expenses	6 365	4 242	6 365	4 242
Financial expenses	6 919	5 974	5 322	4 301
Total costs	**54 799**	**48 205**	**70 887**	**46 532**

Raw material agreements

In March 2019, Hofseth BioCare ASA entered into a new agreement on the purchase of raw materials (fish off-cuts) from Roger Hofseth AS, which is a shareholder. The raw material agreement started running in 2019, and runs over 3 years and gives the parent company the exclusive right to have all by-products from production delivered to Roger Hofseth AS's suppliers. In the second half of 2020, the agreement was transferred to Roger Hofseth AS's sister company Hofseth Sales AS. Roger Hofseth AS and Hofseth Sales AS were 100% owned by RH Investments AS at the time of the transfer.

Transactions and balances between parent companies and subsidiaries

The company has sold goods and services to subsidiaries Nøre Nutrition AS TNOK 0 and HBC Berkåk AS TNOK 0 in 2020.
The company has purchased goods and services from subsidiaries Nøre Nutrition AS TNOK 0 and HBC Berkåk AS TNOK 17 686 in 2020(TNOK 6 898 in 2019)
The company has agreed a loan with HBC Berkåk with a balance of TNOK 16 674 as of 31.12.2020 (TNOK 14 798 as of 31.12.2019), agreed interest terms Nibor + 3.0%. Balance with Nøre Nutrition AS for good TNOK 0 per 31.12.2020 (TNOK 0 per 31.12.2019)

Note 7: Financial income and expenses

FINANCIAL INCOME	Group		Parent	
(Amounts in NOK 1000)	2020	2019	2020	2019
Interest income	553	510	677	526
Gains and value changes on forward exchange contracts	381	3 060	381	3 060
Value adjustments on investment in equity instruments	0	4	0	4
Foreign exchange gains	2 430	1 574	2 430	1 574
Total	3 364	5 148	3 488	5 165

FINANCIAL EXPENSES	Group		Parent	
(Amounts in NOK 1000)	2020	2019	2020	2019
Interest expenses	9 215	8 574	8 101	7 554
Impairment of financial assets	0	0	4 884	5 053
Warranty provision	86	777	86	777
Losses and changes in value of forward exchange contracts	229	2 865	229	2 865
Foreign exchange losses	3 120	2 576	3 696	2 576
Total	**12 650**	**14 792**	**16 994**	**18 825**

Note 8: Income taxes

INCOME TAXES	Group		Parent	
(Amounts in NOK 1000)	2020	2019	2020	2019
Income tax expense				
Prior year taxes	0	0	0	0
Tax expense	0	0	0	0
Calculation of taxable income				
Loss before tax	-102 091	-89 218	-105 277	-89 586
Permanent differences	3 372	1 512	7 472	1 512
Change in temporary differences	4 935	13 008	2 883	4 763
Taxable result	-93 784	-74 698	-94 922	-83 311
Temporary differences				
Fixed assets	19 455	27 401	16 497	22 391
Loss carry forward	-782 379	-688 595	-754 598	-659 675
Other temporary differences	-12 097	-15 109	-12 097	-15 108
Total	-775 022	-676 303	-750 198	-652 392
Calculated deferred tax asset 22%	170 505	148 787	165 043	143 526

Deferred tax assets are not recognised in the balance sheet.

RECONCILITATION OF TAX EXPENSE	Group		Parent	
(Amounts in NOK 1000)	2020	2019	2020	2019
Loss before tax	-102 091	-89 218	-105 277	-89 586
Tax 22%	-22 460	-19 628	-23 161	- 19 709
Permanent differences	742	333	1 644	333
Deferred tax asset, not recognised	21 718	19 295	21 517	19 376
Total tax expense	0	0	0	0

Note 9: Earnings per share

The Group's earnings per share are calculated by dividing the profit for the year attributable to share holders by the weighted average number of shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit attributable to the share holders by the weighted average number of shares outstanding during the year.

EARNINGS PER SHARE	Group		Parent	
(Amounts in NOK 1000)	2020	2019	2020	2019
Profit attributable to share holders	-102 091	-89 218	-105 277	-89 586
Weighted average number of shares outstanding	333 650	306 228	333 650	306 228
Earnings per share				
-ordinary	-0,31	-0,29	-0,32	-0,29
-diluted	-0,31	-0,29	-0,32	-0,29

Note 10: Intangible asset

2019			Group and Parent		
(Amounts in NOK 1000)	R&D	IT-system and Web site*	Other	Other	Sum
Cost at 01.01.2019	25 573	0	3 671	2 599	31 843
Additions	0	1 866	0	0	1 866
Internally developed	7 889	0	0	0	7 889
Cost at 31.12.2019	33 462	1 866	3 671	2 599	41 598
Depreciation at 01.01.2019	9 586	0	2 607	2 375	14 568
Disposal	0	0	0	0	0
Depreciation charge of the year	2 302	0	367	14	2 684
Impairment					
Impairment and depreciation at 31.12.2019	11 888	0	2 974	2 389	17 252
Net book value at 31.12.2019	21 574	1 866	697	210	24 346
Economic life	10 years	5-10 years	10 years	5-10 years	5-10 years
Method of depreciaton	Straigt line depreciation		Straigt line depreciation	Straigt line depreciation	Straigt line depreciation

Included in the Group`s intangible assets is TNOK 170 for a webshop in the subsidary Nøre Nutrition AS per 31.12.2019

2020			Group and Parent		
(Amounts in NOK 1000)	R&D	IT-system and Web site*	Other	Other	Sum
Cost at 01.01.2020	33 462	1 866	3 671	2 599	41 598
Additions	0	1 572	0	28	1 600
Internally developed	20 281	0	0	0	20 281
Cost at 31.12.2020	53 743	3 438	3 671	2 627	63 480
Depreciation at 01.01.2020	11 888	0	2 974	2 389	17 251
Disposal	0	0	0	0	0
Depreciation charge of the year	2 955	452	367	20	3 795
Impairment	0	0	0	0	0
Impairment and depreciation at 31.12.2020	14 843	452	3 341	2 409	21 046
Net book value at 31.12.2020	38 900	2 986	330	218	42 434
Economic life	10 years	5-10 years	10 years	5-10 years	5-10 years
Method of depreciaton	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation

* IT system is under development.

Included in the group's intangible assets is a webshop developed in the subsidiary Nøre Nutrition AS, the carrying amount was TNOK 230 as of 31.12.2020 (TNOK 170 as of 31.12.2019)

During 2020, HBC R & D has continued to work on new development, further development, improvement and fine-tuning of the products and processes. Our research reveals more and more positive health effects in our ingredients and thus development is an important work that leads our existing and new customers to recognize the products as unique and differentiated from our competitors. Research, development and documentation are core activities in HBC's R & D work. In 2020, significant resources were also invested in documentation and testing of the ingredients in the products under the trademark groups ProGo®, CollaGo®, OmeGo® and CalGo®. The work is absolutely crucial for HBC to be able to show the effects and properties of the products in marketing and sales.

Research and development

The production of the company's products is an industrial process that requires advanced equipment that may be subject to downtime in the production and testing of new, more efficient solutions to increase dividends and reduce costs. Increased volumes of raw materials mean that the work of optimizing all stages of the production process is crucial. Throughout 2020, the company has focused on developing the products' bioactive health effects to a greater extent than ever before. More time has been spent in the laboratory and at the factory to test and study these effects, which has also meant that some of the health effects have been recognized by international health authorities. Furthermore, the group's operations and products are subject to environmental and health requirements, regulations, agreements and conventions. The realization of the goals and requirements has required extensive development activities. The company has had ongoing activities related to the development of methods for more efficient production, development of the products' effects for human use.

The R&D process is divided into five steps:
1. Further develop methods for enzymatic hydrolysis of salmon cutting to achieve unique products with proven health effects.
2. Optimizing and perfecting the procedures and processes to optimize the handling of raw materials and finished products in the value chain.
3. Develop technology to produce higher quality product fractions of protein, calcium and oil.
4. Identify, research and document bioactivity in the products.
5. Documenting biosafety, bioavailability and biological effects through «in-vitro» and «in-vivo» studies.

Total research and development costs for 2020 were TNOK 26,943 (2019 TNOK 11,294). Of this, TNOK 20,281 has been capitalized (2019: TNOK 7,889). The most significant development projects with related capitalized dvelopment expenditures were:

› Development of a new ProGo® product in anemia. The product has shown the ability to increase ferritin and hemoglobin levels in humans. We know that this is due to a small selection of peptides in our ProGo® ingredient and work is aimed at developing a new ingredient product that contains one concentrate of the relevant peptides. Capitalized development costs in 2020 are TNOK 5,546.
› Through a number of studies, OmeGo® has shown the ability to lower inflammation in humans. Clinical studies have been started and development work has been ongoing through 2020 to develop a new product that includes a higher concentrate of in OmeGo®, which can to a greater extent strengthen the airways and lung capacity with smaller doses. Capitalized development costs in 2020 are TNOK 5,414
› Like OmeGo®, ProGo® has proven to have anti-inflammatory effects and in collaboration with research and development environments internationally, several activities are underway to develop a new concentrate of peptides specifically aimed at intestinal health and the gastrointestinal system. Capitalized development costs in 2020 are TNOK 4,061. Other projects total TNOK 5,260.

Trademarks
The Group has registered its trademarks under the international Madrid Protocol. The trademarks are ProGo® and CollaGo for hydrolyzed protein, CalGo® for Calcium, PetGo™ for non-soluble protein and OmeGo® and Brilliant for salmon oil.

Note 11: Fixed assets

2019		Group			Parent	
(Amounts in NOK 1000)	Machinery and equipment	Fixtures and fittings	Total	Machinery and equipment	Fixtures and fittings	Total
Cost at 01.01.2019	158 768	8 828	167 596	150 741	8 758	159 499
Additions	10 493	0	10 493	8 932	0	8 932
Reclassification of lease assets 1.1.	-32 096	0	-32 096	-32 096	0	-32 096
Cost at 31.12.2019	137 165	8 828	145 993	127 577	8 758	136 335
Depreciations at 01.01.2019*	82 283	8 080	90 363	80 862	8 010	88 872
Depreciations for the year	16 971	568	17 539	16 306	568	16 874
Avgang	0	0	0	0	0	0
Depreciations at 31.12.2019	99 254	8 648	107 902	97 168	8 578	105 746
Book value 31.12.2019	37 910	180	38 090	30 409	180	30 589
Economic life	5-10 years	3-10 years		5-10 years	3-10 years	
Method of depreciation	Straigt line depreciation	Straigt line depreciation		Straigt line depreciation	Straigt line depreciation	

2020		Group			Parent	
(Amounts in NOK 1000)	Machinery and equipment	Fixtures and fittings	Total	Machinery and equipment	Fixtures and fittings	Total
Cost at 01.01.2020	137 165	8 828	145 993	127 577	8 758	136 335
Additions	31 732	841	32 573	27 899	801	30 700
Cost at 31.12.2020	168 897	9 669	178 566	157 476	9 559	167 035
Depreciations at 01.01.2020	99 254	8 648	107 902	97 168	8 578	105 746
Depreciations for the year	12 455	174	12 629	10 958	174	11 132
Depreciations at 31.12.2019	111 709	8 822	120 531	108 126	8 752	116 878
Book value 31.12.2019	57 188	847	58 035	49 350	807	50 157
Economic life	5-10 years	3-10 years		5-10 years	3-10 years	
Method of depreciation	Straigt line depreciation	Straigt line depreciation		Straigt line depreciation	Straigt line depreciation	

The company has pledged assets as collateral for loans. See note 16.

Note 12: Leases

The company and the group as lessee

The company and the group's right of use assets include manufacturing facilities, machinery and equipment and fixtures and fittings:

2019	Group				Parent			
(Amounts in NOK 1000)	Manu-facturing facilities	Machinery and equipment	Fixtures and fittings	Total	Land, manu-facturing facilities	Machinery and equipment	Fixtures and fittings	Total
Cost 01.01.2019	66 078	0	1 948	68 026	42 538	0	1 585	44 123
Transferred at transition from IAS 17	0	32 096	0	32 096	0	32 096	0	32 096
Additions		6 225	170	6 395	0	3 025	0	3 025
Disposals	0	0	0	0	0	0	0	0
Cost at 31.12.2019	66 078	38 321	2 118	106 517	42 538	35 121	1 585	79 294
Depreciations 01.01.2019	0	0	0	0	0	0	0	0
Transferred at transition from IAS 17	0	9 022	0	9 022	0	9 022	0	9 022
Depreciations for the year	4 987	1 789	457	7 233	3 210	1 556	446	5 212
Disposals	0	0	0	0	0	0	0	0
Depreciations 31.12.2019	4 987	10811	457	16 255	3 210	10578	446	14 234
Carrying amounts 31.12.2019	61 091	27 511	1 661	90 263	39 328	24 543	1 139	65 009
Shortest of lease term or economic life	15 years	5 years	3-5 years		15 years	5 years	3-5 years	
Remaining lease term	12.25 years	0 - 5 years	0 - 5 years		12.25 years	0 - 5 years	0 - 5 years	
Depreciation method	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation		Straigt line depreciation	Straigt line depreciation	Straigt line depreciation	

2020	Group				Parent			
(Amounts in NOK 1000)	Manu-facturing facilities	Machinery and equipment	Fixtures and fittings	Total	Land, manu-facturing facilities	Machinery and equipment	Fixtures and fittings	Total
Cost 01.01.2020	66 078	38 321	2 118	106 517	42 538	35 121	1 585	79 244
Additions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Costs at 31.12.2020	66 078	38 321	2 118	106 517	42 538	35 121	1 585	79 244
Depreciations 01.01.2020	4 987	10 811	457	16 255	3 210	10 578	446	14 234
Depreciations fot the year	5 050	5 292	0	10 342	3 657	4 913	0	8 569
Disposals	0	0	0	0	0	0	0	0
Depreciations per 31.12.2020	10 037	16 103	457	26 597	6 867	15 491	446	22 803
Carrying amounts 31.12.2020	56 041	22 218	1 661	79 920	35 671	19 630	1 139	56 441
Shortest of lease term or economic life	15 years	5 years	3-5 years		15 years	5 years	3-5 years	
Remaining lease term	11,25 years	0-5 years	0 - 5 years		11,25 years	0-5 years	0 - 5 years	
Depreciation method	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation		Straigt line depreciation	Straigt line depreciation	Straigt line depreciation	

Lease liabilities:

	Group		Parent	
(Amounts in NOK 1000)	**2020**	**2019**	**2020**	**2019**
Undiscounted lease liabilities and due dates for payments				
Less than 1 year	13 886	14 634	10 456	11 041
2-5 years	40 853	43 286	28 546	30 776
More than 5 years	36 743	41 334	20 139	26 588
Total undiscounted lease liabilities 31.12	**91 483**	**99 254**	**59 141**	**68 405**
Changes in lease liabilities				
Total lease liabilities 1.1	81 971	85 593	56 778	61 690
New/changed lease liabilities recognized in the period	0	6 610	0	3 240
Payment of principal amounts	9 666	10 231	7 781	8 151
Payment of interest amounts	3 796	4 458	2 169	2 909
Interest related to the lease liabilities	3 796	4 458	2 169	2 909
Total lease liabilities 31.12	**72 302**	**81 971**	**48 997**	**56 778**
Current lease liabilities 31.12 (note 16)	8 224	9 953	6 427	8 068
Non-current lease liabilities 31.12 (note 16)	64 078	72 018	42 570	48 710
Cash outflows for lease liabilities	13 462	14 689	9 950	11 060

The lease agreements do not restrict the parent company's and the group's dividend policy or financing opportunities. The parent company and the group do not have significant residual value guarantees in the lease agreements.
The parent company and the group's leases of machinery and equipment include, in addition to lease payments, a requirement to maintain and secure the assets (right of use assets). The terms in the lease agreements varies from 3-7 year, and several of the agreements include an option to extend the lease. At the expiry date of the main term of the lease, the lease og the machinery and equipment may be continued for a lease payment of 1/12 of the lease payments in the main lease period. The company may also request to purchase the equipment.
The company and the group's leases of manufacturing facilities (Midsund og Berkåk) have lease terms of 15 years, no extension options, and the leases expire 31 March 2032. When entering into an agreement the group assesses whether it is reasonably certain to exercise an option to purchase the assets. The leases of the manufacturing facilities have no options to purchase.
Leases of fixtures and fittings in the table above contain no extension or purchase options. The group's potential future lease payments which have not been included in the lease liabilities relating to purchase options were TNOK 0 as of 31 December 2019.

Applied practical expedients

The company and the group lease warehouses in which both the lessor and the company / group have the right to terminate the agreements on a 3-6 months notice period. For such agreements the company and the group do not recognize lease liabilities and related right of use assets. Such lease payments are expensed when incurred.
Lease payments for the abovementioned leases amount to TNOK 735 (TNOK 458 i 2019) for fixture and fittings for the Group and TNOK 698 (TNOK 522 i 2019) for storage and for the parent TNOK 566 (TNOK 458 i 2019) for lfixture and fittings TNOK 315 (TNOK 299 i 2019) for storage (see note 4). Cash flow from these lease obligations is approximately equal to the amount expensed and is included in net cash flow from operating activities.

Note 13: Changes in liabilities from financial activities

GROUP

(Amounts in NOK 1000)	1.1.2020	Downpayment	Withdrawals	New leases	Other adjustments	31.12.2020
Short-term interest-bearing liabilities(excl. posts below)	19 003	-56 560	39 021	0	1 964	3 428
Short-term leasing obligations	9 953	-9 666	0	0	7 937	8 224
Long-term interest-bearing debt (excl. posts below)	11 492	-4 414	0	0	-3 310	3 768
Long-term leasing obligation	72 018	0	0	0	-7 940	64 078
Subordinary loan	20 000	0	0	0	1 346	21 346
Total	132 466	-70 640	39 021	0	-3	100 844

PARENT

(Amounts in NOK 1000)	1.1.2020	Downpayment	Withdrawals	New leases	Other adjustments	31.12.2020
Short-term interest-bearing liabilities(excl. posts below)	18 442	-56 003	39 021	0	1 424	2 884
Short-term leasing obligations	8 068	-7 781	0	0	6 140	6 427
Long-term interest-bearing debt (excl. posts below)	9 059	-4 414	0	0	-2 770	1 875
Long-term leasing obligation	48 710	0	0	0	-6 140	42 570
Subordinary loan	20 000	0	0	0	1 346	21 346
Total	104 279	-68 198	39 021	0	0	75 102

Note 14: Fair value measurement

The following tables provide fair value measurement hierarchy of the Group's financial assets and liabilities

ASSETS MEASURED AT FAIR VALUE, GROUP

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Equity investments (not listed)					
HFS Alliance Inc Japan	31.12.19	477	0	0	477
Derivatives financial assets					
Foreign exchange forward contracts Euro	31.12.19	135	0	135	0

Fair value of other financial assets has not been included in the table as it is assumed that fair value approximates the carrying amounts.

LIABILITIES MEASURED AT FAIR VALUE, GROUP

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Obligations in which fair value is stated in note 18:					
Interest-bearing loans					
Interest-bearing loans floating interest rate	31.12.19	35 817	0	0	35 817
Interest-bearing loans fixed interest rate	31.12.19	14 679	0	0	14 679

ASSETS MEASURED AT FAIR VALUE, PARENT COMPANY

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Equity investments (not listed)					
HFS Alliance Inc. Japan	31.12.19	477	0	0	477
Derivatives financial assets					
Foreign exchange forward contracts Euro	31.12.19	135	0	135	0

Fair value of other financial assets has not been included in the table as it is assumed that fair value approximates the carrying amounts.

LIABILITIES MEASURED AT FAIR VALUE, PARENT COMPANY

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Obligations in which fair value is stated in note 18:					
Interest-bearing loans					
Interest-bearing loans floating interest rate	31.12.19	32 822	0	0	32 822
Interest-bearing loans fixed interest rate	31.12.19	14 679	0	0	14 679
Interest-bearing loans floating interest rate from subsidiaries	31.12.19	14 798	0	0	14 798

ASSETS MEASURED AT FAIR VALUE, GROUP

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Equity investments (not listed)					
HFS Alliance Inc Japan	31.12.20	477	0	0	477

LIABILITIES MEASURED AT FAIR VALUE, GROUP

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Liabilities of which the fair value has been provided in note 18:					
Interes-bearing loan					
Interest-bearing loan floating interest rates	31.12.20	23 783	0	0	23 783
Interest-bearing loan fixed interest rates	31.12.20	4 759	0	0	4 759

ASSETS MEASURED AT FAIR VALUE, PARENT COMPANY

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Equity investments (not listed)					
HFS Alliance Inc Japan	31.12.20	477	0	0	477

Fair value of other financial assets has not been included in the table as it is assumed that fair value approximates the carrying amounts.

LIABILITIES MEASURED AT FAIR VALUE, PARENT COMPANY

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Liabilities of which the fair value has been provided in note 18:					
Interes-bearing loan					
Interest-bearing loan floating interest rates	31.12.20	21 346	0	0	21 346
Interest-bearing loan fixed interest rates	31.12.20	4 759	0	0	4 759
Interest-bearing loan from subsidiary floating interest rates	31.12.20	16 674	0	0	16 674

Note 15: Financial assets

FINANCIAL ASSETS	Group		Parent	
(Amounts in NOK 1000)	**2020**	**2019**	**2020**	**2019**
Financial assets at fair value through profit or loss				
Equity investments (not listed)	477	477	477	477
Derivatives not designated as hedging instruments				
Foreign exchange forward contracts Euro	0	135	0	135
Total financial assets at fair value	**477**	**612**	**477**	**612**
Amortized cost receivables:				
Accounts receivable	14 267	5 542	13 996	5 446
Receipt of value added tax and grants	6 816	1 493	6 816	1 493
Financial loans to subsidiaries	0	0	70	70
Other financial loans	1 011	1 842	1 011	1 842
Total financial assets	**22 094**	**8 877**	**21 893**	**8 851**
Total current financial assets	**21 083**	**7 054**	**20 882**	**7 028**
Total non-current financial assets	**1 011**	**1 823**	**1 011**	**1 823**

NON-CURRENT RECEIVABLES AND INVESTMENTS	Group		Parent	
(Amounts in NOK 1000)	**2020**	**2019**	**2020**	**2019**
Equity investments (not listed)	477	477	477	477
Foreign exchange forward contracts Euro	0	135	0	135
Other receivables and financial debt to others	1 011	1 848	1 011	1 848
Total non-current receivables and investments	**1 488**	**2 460**	**1 488**	**2 460**

Derivatives that are not classified as hedging reflect changes in the fair value of the forward exchange contracts that have not been assigned to a documented hedging relationship, but nevertheless intend to reduce the risk associated with foreign exchange risk on sales revenues.

Financial assets measured at fair value through profit or loss include the company's investment in HFS Alliance Inc. in Japan (see note 23), where fair value corresponds to the calculated net asset value of the ownership interest in the company. The operating year 2020 resulted in an estimated value reduction of TNOK 0 per 31. desember 2020, and 2019 has an estimated value increase of TNOK 4 per 31. December 2019. HFS Alliance Inc. has been liquidated in 2021, and the company expects to receive a amount equal to their book value at termination.

IFRS 9 requires the Group's to recognize a provision for expected credit losses for all debt instruments that are not held at fair value through profit or loss, and for contract assets. The company and the group have a high degree of collateral for credit insurance on all accounts receivables and collaterals on other receivables and loans and, hence, no significant provisions have been made in relation to these - see note 21.

Note 16: Interest-bearing debt and borrowings

NON-CURRENT DEBT			Group		Parent	
(Amounts in NOK 1000)	Effective interest rate	Maturity	2020	2019	2020	2019
Bank borrowing, IN1	5,0%	2022-	0	2 689	0	2 689
Bank borrowing, IN2	5,0%	2022-	0	1 725	0	1 725
Rennebu kommune	NIBOR+2,0%	2022-	1 892	2 433	0	0
Loan from shareholder	4,0%	2022-	1 875	4 645	1 875	4 645
Subordinary loan	NIBOR+4,5%	2022-	21 346	20 000	21 346	20 000
Lease liability	6% - 8%	2022-	64 078	72 018	42 570	48 710
Total			**89 191**	**103 510**	**65 791**	**77 769**

CURRENT DEBT			Group		Parent	
(Amounts in NOK 1000)	Effective interest rate	Maturity	2020	2019	2020	2019
Bank borrowing, IN1	5,0%	2021	0	1 793	0	1 793
Bank borrowing, IN2	5,0%	2021	0	1 150	0	1 150
Rennebu kommune	NIBOR+2,0%	2021	541	541	0	0
Loan from shareholder*	4,0%	2021	2 884	2 677	2 884	2 677
Factoring liability	6,6%	2021	3	12 843	0	12 823
Lease liability	6% - 8%	2021	8 224	9 953	6 427	8 068
Total			**11 652**	**28 956**	**9 311**	**26 510**
Total interest-bearing debt			**100 843**	**132 466**	**75 102**	**104 279**

* Loans are issued in JPY - unrealized losses calculated at TNOK 4 per 31.12.2020 (TNOK 811 per 31.12.2019)

** Loan from IN was paid in full in 2020, in connection with new credit facility in bank.

The parent company has a credit facility in bank with a frame of TNOK 37 000. The frame was unused per 31.12.2020.

In addition to the above, the parent company has current interest-bearing liabilities towards the subsidiary HBC Berkåk AS amounting to TNOK 16 674 per 31.12.2020 (TNOK 14 798 per 31.12.2019). The interest rate has been agreed to NIBOR + 3 %.

Collaterals

The loans from Innovasjon Norge are secured by the parent company's assets.

(Amounts in NOK 1000)	2020	2019
Fixed assets	0	30 589
Trade receivable	13 996	5 446
Inventory	72 225	33 358
Total	**86 221**	**69 393**

The Group insures significant receivables against credit risk. The insurance is limited to a maximum of MNOK 30 and a coverage rate of 90%.

Financial covenants

Credit facility Sparebank1 Nordvest

Booked value of equity in Hofseth BioCare ASA shall at any time be at least 25 % of book value of its assets. The company had a equity of 58.84 % and was thus not in breach of covenants in Sparebank1 per 31.12.2020.

Note 17: Other financial obligations

OTHER FINANCIAL OBLIGATIONS	Group		Parent	
(Amounts in NOK 1000)	**2020**	**2019**	**2020**	**2019**
Other liabilities at amortized cost:				
Accounts payable	84 956	29 712	83 238	26 553
Public taxes	4 201	4 494	2 861	3 913
Financial loans from related parties	0	3 213	0	2 975
Total other financial liabilities	**89 157**	**37 419**	**86 099**	**33 441**
Total other short-term financial liabilities	**89 157**	**37 419**	**86 009**	**33 441**
Total other long-term financial liabilities	**0**	**0**	**0**	**0**

Other debt liabilities measured at amortized cost include trade payables, government fees, and loans to related parties and subsidiaries.

Note 18: Financial assets and liabilities by category

	Group		Parent	
(Amounts in NOK 1000)	2020	2019	2020	2019
Financial assets at fair value through profit or loss:				
Equity investments (not listed)	477	477	477	477
Derivatives not designated as hedging instruments				
Foreign exchange forward contracts Euro	0	135	0	135
Total financial assets at fair value through profit or loss	**477**	**612**	**477**	**612**
Financial assets at amortized cost:				
Long-term financial lending and deposit	1 011	1 823	1 011	1 823
Accounts receivable	14 267	5 542	13 996	5 446
Other financial loans (see note 15)	6 816	1 512	6 886	1 582
Total financial assets amortized cost	**22 094**	**8 877**	**21 893**	**8 851**
Total financial assets	**22 571**	**9 489**	**22 370**	**9 463**

Fair value is equal to carrying amount.

Financial liabilities at amortized cost:				
Interest-bearing short-term debt	3 428	19 003	2 884	18 442
Accounts payable	84 956	29 712	83 238	26 553
Interest-bearing short-term debt subsidiaries	0	0	16 674	14 798
Other short-term debt (note 24)	9 571	13 084	8 011	11 298
Non-current interest-bearing debt	25 114	31 492	23 221	29 059
Non-current leasing obligations	72 302	81 972	48 997	56 778
Total financial liabilities amortized cost	**195 370**	**175 263**	**183 025**	**156 928**

Fair value equals carrying amount except for current and non-current interest-bearing liabilities.

LEVEL 3, GROUP	2020		2019	
(Amounts in NOK 1000)	Booked value	Fair value	Booked value	Fair value
Current interest-bearing liabilities	11 652	11 625	28 956	28 909
Non-current interest-bearing liabilities	89 191	90 189	103 510	103 690

LEVEL 3, PARENT COMPANY	2020		2019	
(Amounts in NOK 1000)	Booked value	Fair value	Booked value	Fair value
Interest-bearing short-term debt	9 311	9 284	26 510	26 463
Interest-bearing long-term debt	65 791	66 789	77 769	77 949
Interest-bearing short-term debt of subsidiaries	16 674	16 357	14 798	14 369

Presentation of fair value measurements by level in the fair value hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Valuation based on other observable factors either directly (price) or indirectly (derived from price) than the quoted price (used in level 1) for the asset or liability

Level 3: Valuation based on factors not obtained from observable market data (unobservable conditions)

The fair value of interest-bearing current and long-term fixed rate debt (level 3) is calculated by comparing the Group and parent company's conditions with market terms for debt with similar maturity and credit risk.

The company has no other financial instruments measured at fair value, except for forward exchange contracts. The carrying value of cash and cash equivalents, short-term receivables, and short-term payables approximates fair value as these instruments have short maturities, and «ordinary» conditions.

Note 19: Financial risk management

Financial risk

Through its activities, the Group is exposed to various types of financial risks: market risk, credit risk and liquidity risk. Management monitors these risks continuously and establishes guidelines for their management. The Group normally does not use financial instruments, including derivatives, in their commercial transactions. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the Group's financial results.

The Group may use financial derivatives to hedge against certain risks. The company has loans from credit institutions and financial leasing arrangements with the purpose of obtaining capital for investments in the Groups operations. In addition, the company has financial instruments such as accounts receivable and accounts payable, etc., which are directly related to the daily operational activities.

Interest rate risk

Since the company and the group have no significant interest-bearing assets, the exposure to interest rate risk is through their financing activities. The company's and the group's interest rate risk is related to non-current interest-bearing loans, current interest-bearing loans and lease liabilities. Loans with floating interest rates lead to interest rate risk for the company's and the Group's cash flow. See note 18 for the book value and fair value of the financing activities and note 16 for interest rate terms relating to interest-bearing financing obligations as of 31 december 2020.

For the company's and the Group's loan portfolios that have floating interest rates, this means that the company is affected by changes in the interest rate level. Loans from shareholders and Innovasjon Norge are at fixed prices. The loans are recognized at amortized cost.

The following table shows the Group's sensitivity to interest rate fluctuations. The calculation includes all interest-bearing instruments and financial interest rate derivatives to the extent that they are present.

Interest rate – sensitivity year	Effect on interest rate – basis-point	Effect on profit – before tax (Amounts in NOK 1000)
2019	+100	-1 178
	-100	1 178
2020	+100	-723
	-100	723

Average interest rates on financial instruments were as follows:

Average interest rate in %	2020	2019
Factoring	i/a	7,85
Loan from shareholders	3,11	4,19
Secured debt	4,90	6,49
Lease liabilities	4,72	4,52

The following table shows the parent company's sensitivity to interest rate fluctuations. The calculation includes all interest-bearing instruments and financial interest rate derivatives to the extent that they are present.

Interest rate – sensitivity year	Effect on interest rate – basis-point	Effect on profit – before tax (Amounts in NOK 1000)
2019	+100	-896
	-100	896
2020	+100	-490
	-100	490

Foreign exchange risk

The parent company and the group have a foreign exchange loan in JPY and a large part of their operating income in foreign currency and, to a lesser extent, the purchase of input factors in foreign currency, and are therefore exposed to currency risk. Foreign exchange risk may also arise for future commercial transactions and capitalized assets and liabilities. Management has monitored movements in the foreign exchange market and has assessed hedging strategies in 2020 based on the parent company's and the group's contractual and predictable income streams. The parent company and the group therefore entered into forward exchange contracts both in 2019 and in 2020 in order to secure the Group's budgeted future sales in foreign currency (Euro and USD), but have not used hedge accounting.

The parent company and the group had none positions per 31.12.2020.

The parent company and the group had the following positions per 31.12.2019:

- Sales 250 000 EUR exchange 10,16663 due 11.03.2020
- Slaes 250 000 EUR exchange 10,02226 due 07.05.2020

The market values of the positions was calculated to unrealized gains of TNOK 135 at 31 December 2019 for both the company and the Group.

The following table demonstrates the sensitivity of possible changes in EUR, USD and JPY when all other variables are constant. The effect on the parent company's and the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities, including forward exchange contracts.

Change in currency	Change in NOK	Effect on profit before tax			Effect on balance		
(Amounts in NOK 1000)	to foreign currency	EUR	USD	JPY	USD	EUR	JPY
2019	+10%	-377	69	-644	i/a	493	644
	-10 %	377	-69	644	i/a	-493	-644
2020	+10%	2 380	2 103	-24	i/a	i/a	476
	-10 %	-2 380	-2 103	24	i/a	i/a	-476

Credit risk

The parent company and the Group are exposed to credit risk primarily related to accounts receivable, non-current financial loans, current financial loans, as well as other financial activities including cash and cash equivalents (bank deposits).

The Group limits its exposure to credit risk through a credit rating of its customers before credit is given. The Group has credit insurance for all its significant accounts receivable through Coface GK (see note 21 for further information on credit exposure and maturity analyzes on accounts receivable).

The maximum risk exposure of trade receivables for the group as of 31.12.2020 is TNOK 14 267 (TNOK 5 542 pr 31.12.2019), and for parent company TNOK 13 996 (TNOK 5 446 per 31.12.2019). The risk of loss on accounts receivable is considered low and there has been no need to provide for losses. See note 21 for further information.

Maximum risk exposure financial loans was TNOK 12 131 pr. 31.12.2020 (TNOK 5 754 pr. 31.12.2019) for the group, and TNOK 11 987 (TNOK 5 571 pr. 31.12.2019) for parent company. Mainly consisting of receivable value added taxes, subsidy funds, deposits and prepaid expenditures, where there is no credit risk. Financial loans consists of value foreign exchange contracts TNOK 0 (TNOK 135 in 2019) and for the parent company, loan to subsidary of TNOK 70 (TNOK 70 in 2019), where credit risk is considered low. (see note 14, 18 og 21 for further information on financial loans and other current receivables).

Credit risk for cash and cash equivalents, including bank deposits, is managed by the Group's management. The Group's surplus liquidity is invested by bank deposits with a financial counterparty with low credit risk. The Group has no investments in excess liquidity in debt or equity instruments.

The Group has not provided any guarantees for third-party debt.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to liquidity management is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation. Cash flows are regularly monitored by the finance department to ensure that the parent company has sufficient cash to meet operational commitments, and at any time to maintain sufficient flexibility in the form of credit facilities so that it does not violate limits or covenants for any of the loans. The parent company and the Group aims to have sufficient cash, cash equivalents or credit opportunities in the medium term to cover interest and principal payments in the short term.

As of 31 December 2020 the group had MNOK 172,8 in cash, of which MNOK 2,1 were restricted cash Per 31 Devcember 2019 the group has MNOK 94,5 in cash, of which MNOK 1,3 were restricted cash.

The group expects to have a stable production level with stable quality which satisfies the requirements for human quality. The activities to increase sales to existing customers, as well as the expectation of increased sales of oil, water-soluble protein, non-soluble protein and calcium could result in significant improvement in the company’s cash flows. Expected cash flows are subject to uncertainties related to achieved sales prices and volume.

Risk factors should be considered in conjunction with the risk factors described in note 2 accounting estimates.

The table below shows the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, classified according to maturity structure, that is, taken into account contracts with fixed maturity dates.

When the counterparty can make an election of when an amount is to be paid, the liability is included in the basis covering the earliest date on which the entity can be required to pay. Financial liabilities that may be required to be paid on demand are included in the «within 1-3 months» column.

2019					Group					
(Amounts in NOK 1000)	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**2021**	**2022**	**2023**	**2024**	**> 5 years**	**Totalt**
Interest bearing debt to financial institutions	766	1 133	809	1 111	3 718	2 092	577	561	274	11 043
Loan and subordinated loan from shareholders	307	307	900	893	22 681	2 499	1 394	0	0	28 983
Factoring debt	12 843	0	0	0	0	0	0	0	0	12 843
Lease libilities	3 659	3 659	3 661	3 655	13 842	11 662	10 465	7 317	41 334	99 254
Trade payables	29 712	0	0	0	0	0	0	0	0	29 712
Other current liabilities	10 167	2 918	0	0	0	0	0	0	0	13 085
Total	**57 454**	**8 018**	**5 369**	**5 659**	**40 242**	**16 253**	**12 437**	**7 878**	**41 608**	**194 920**

2020					Group					
(Amounts in NOK 1000)	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**2021**	**2022**	**2023**	**2024**	**> 5 years**	**Totalt**
Interest bearing debt to financial institutions	0	307	0	303	593	577	561	274	0	2 615
Loan and subordinated loan from shareholders	886	880	873	866	3 398	21 427	0	0	0	28 330
Factoring debt	4	0	0	0	0	0	0	0	0	0
Lease libilities	3 457	3 458	3 459	3 454	12 867	8 704	7 260	6 590	39 648	88 896
Trade payables	84 956	0	0	0	0	0	0	0	0	84 956
Other current liabilities	6 076	3 495	0	0	0	0	0	0	0	9 571
Total	**95 375**	**8 139**	**4 332**	**4 623**	**16 858**	**30 708**	**7 821**	**6 864**	**39 648**	**214 368**

2019					Parent					
(Amounts in NOK 1000)	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**2021**	**2022**	**2023**	**2024**	**> 5 years**	**Totalt**
Interest bearing debt to financial institutions	766	818	809	800	3 108	1 499	0	0	0	7 802
Loan and subordinated loan from shareholders	307	307	900	893	22 681	2 499	1 394	0	0	28 983
Factoring debt	12 823	0	0	0	0	0	0	0	0	12 823
Lease libilities	2 757	2 760	2 763	2 761	10 379	8 326	7 257	4 813	26 588	68 405
Trade payables	26 553	0	0	0	0	0	0	0	0	26 553
Other current liabilities	8 978	2 321	0	14 798	0	0	0	0	0	26 097
Total	**52 184**	**6 207**	**4 473**	**19 253**	**36 169**	**12 324**	**8 651**	**4 813**	**26 588**	**170 663**

2020					Parent					
(Amounts in NOK 1000)	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**2021**	**2022**	**2023**	**2024**	**> 5 years**	**Total**
Interest bearing debt to financial institutions	0	0	0	0	0	0	0	0	0	0
Loan and subordinated loan from shareholders	886	880	873	866	3 398	21 427	0	0	0	28 330
Factoring debt	0	0	0	0	0	0	0	0	0	0
Lease libilities	2 617	2 621	2 624	2 622	9 642	5 597	4 344	4 204	25 517	59 788
Trade payables	83 238	0	0	0	0	0	0	0	0	83 238
Other current liabilities	5 110	2 901	0	16 674	0	0	0	0	0	24 685
Total	**91 851**	**6 401**	**3 497**	**20 162**	**13 040**	**27 024**	**4 344**	**4 204**	**25 517**	**196 040**

The group ant the parent company signed in February 2020 a new credit facility for up until TNOK 37 000 with SpareBank 1 Nordvest for working capital need related to future sales contracts. In addition to the available cash and cash equivalents as of 31 December 2020, this secures the group and the company sufficient liquidity for 2021.
See note 16 on interest-bearing debt for further information.
In the future, the management and the board will continue to prioritize the work on an appropriate and long-term financing of Hofseth BioCare ASA.

Capital structure and equity

The group and the parent company's objectives with respect to capital management is to ensure the continuation as a going concern, to provide returns to shareholders and other stakeholders, and to maintain an optimal capital structure to reduce capital costs. By ensuring sound ratios between equity and debt the group and the parent company will support its operations, thus maximizing the value of its shares.
The parent company manages its capital structure and makes necessary changes to it on the basis of an ongoing assessment of the financial conditions under which the business is run, and the prospects seen in the short and medium term, including any adjustment of dividend shares, buyback of own shares, reduction of share capital or issuance of new shares. There has been no change in the policy in this area in 2020. The Group's equity ratio was 57,5% pr 31.12.20 and (40,2% pr 31.12.19). The parent company's equity ratio was 58,8% pr 31.12.20 (43,1% pr 31.12.19).

Note 20: Inventory

INVENTORY	Group		Parent	
(Amounts in NOK 1000)	2020	2019	2020	2019
Salmon oil	503	77	503	77
Soulible protein	22 086	3 931	22 086	3 931
Calcium	38 802	26 741	38 802	26 741
Non-soluble protein and other	3 779	0	3 779	0
Webshop products	2 146	955	2 096	891
Total finished goods	**67 316**	**31 704**	**67 265**	**31 640**
Packaging and auxiliary materials	5 986	2 282	4 960	1 718
Total inventory	**73 302**	**33 986**	**72 225**	**33 358**

Obsolescence provisions is reduced from TNOK 13 089 per 31.12.2019 to TNOK 10 208 per 31.12.2020. The income statement effect of changes in obsolescence provisions, included in cost of goods sold, was TNOK -2 881 in 2020 (TNOK 10 410 i 2019). See notes 2, 3 and 4 for more information.
The Group has, on behalf of customers, stored water-soluble protein, non-soluble protein, calcium and oil capsules pr 31. December 2020. The contracted sales value amounts to TNOK 64 035 and has been recognized as revenue in 2017, 2018 and 2019, as and when the customers are taking over the risk and control of the goods. Of an incoming stock of 1 785 tonnes, 648 tonnes were taken out of stock during 2020. It has not been sales through 2020 that have increased the stock.

Note 21: Trade receivables and other current receivables

TRADE RECEIVABLES	Group		Parent	
(Amounts in NOK 1000)	2020	2019	2020	2019
Trade receivables	14 267	5 542	13 996	5 446
Provision for expected credit losses	0	0	0	0

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 210 million.

AGING OF TRADE RECEIVABLES - Group						
(Amounts in NOK 1000)	Total	Not due	<30d	30-60d	60-90d	>90d
2020						
Accounts receivables	14 267	12 105	1 286	827	49	0
Credit-secured share	11 338	9 813	1 207	318	0	0
Expected credit loss	0	0	0	0	0	0
2019						
Accounts receivables	5 542	2 512	2 356	0	0	674
Credit-secured share	4 221	2 257	1 310	0	0	654
Expected credit loss	0	0	0	0	0	0

AGING OF TRADE RECEIVABLES - PARENT						
(Amounts in NOK 1000)	Total	Not due	<30d	30-60d	60-90d	>90d
2020						
Accounts receivables	13 996	11 834	1 286	827	49	0
Credit-secured share	11 338	9 813	1 207	318	0	0
Expected credit loss	0	0	0	0	0	0
2019						
Accounts receivables	5 446	2 489	2 283	0	0	674
Credit-secured share	4 221	2 257	1 310	0	0	654
Expected credit loss	0	0	0	0	0	0

The Group has established a model in which the Group calculates provisions for credit losses by multiplying the expected credit losses by the proportion of non-credit-secured accounts receivable. The Group uses an increasing factor for expected credit losses according to maturity analyzes above. When analyzing future information about the Group's customers and markets, no future challenges are listed today which indicate that there will be a significant credit loss in the future (see and note 19 on credit risk). The Group and the parent company have NOK 0 million in provisions for losses on accounts receivable both in 2019 and 2020.

OTHER CURRENT RECEIVABLES	Group		Parent	
(Amounts in NOK 1000)	2020	2019	2020	2019
Prepayments	4 249	2 258	4 035	2 005
VAT receivable	6 816	0	6 816	0
Intercompany Group	0	0	70	70
Benefit funds	0	1 493	0	1 493
Other	0	19	0	19
Total	**11 066**	**3 771**	**10 922**	**3 588**

Note 22: Cash and cash equivalents

Deposits with a credit institution totaled TNOK 172 835 pr 31. desember 2020 and TNOK 94 553 at 31 December 2019 and the Group earns interest income according to agreed floating interest rate terms.

At 31 December 2020, restricted funds for the Group amounted to TNOK 2,123 which derives from the employees' tax deductions. As of 31 December 2019, this amounted to TNOK 1 324.

Note 23: Equity investments

Subsidiaries	Country	Head office	Share capital	Owner-ship	Voting share	Earnings 2019	Equity 31.12.2019
Hofseth BioCare Rørvik AS	Norge	Rørvik	100	51%	51%	-3	-1 405
HBC Berkåk AS	Norge	Rennebu	100	100%	100%	59	18 924
Nøre Nutrition AS	Norge	Ålesund	2 000	100%	100%	-1 549	310

Current liabilities to subsidiaries amount to TNOK 16 674 per 31.12.2020 (current liabilities TNOK 14 798 i 2019). The parent company has expensed accumulated group contributions denominated in TNOK 4 884 to the subsidiary Nøre Nutrition AS in 2020.

Company	Country	Head office	Share capital	Ownership	Voting share
HFS Alliance Inc.	Japan	Tokyo	JPY 50 000 000	15%	15%
Atlantic Delights Ltd.	Hong Kong	Hong Kong	HKD 6 163 630	34%	34%

HFS Alliance Inc.

Equity investment in HFS Alliance Inc. is valued at fair value through profit or loss both in the parent company's financial statements and for the group, see notes 14, 15 and 18. The parent company and the group use the net asset value method to calculate the fair value of the equity of the company. The assets of the company are mainly bank deposits, accounts receivable, interest-bearing liabilities and other interest-free debt obligations. All items are valued at face value. Value of the share equal to the ownership interest multiplied by value--adjusted equity in HFS Alliance Inc, calculated at TNOK 477 31.12.2020 (TNOK 477 31.12.2019). Cost was TNOK 513.

Atlantic Delights ltd

The parent company and the group acquired 34% of Atlantic Delights Ltd Hong Kong on 27.08.2020, through a share issue with a nominal value of TNOK 6,517 in the company. Estimated surplus value related to customer base amounts to TNOK 4,868 calculated at the time of acquisition, and which is depreciated on a straight-line basis over 5 years. Profit share from the company in the ownership period is included after tax expense and amortization of surplus value.

INVESTEMET IN ASSOCIATED COMPANY ATLANTIC DELIGHTS LTD	Group and Parent	
(Amounts in NOK 1000)	2020	2019
Net asset 1.1.	0	0
Access	6 517	0
Amitization added value	-325	0
Profit share after tax	-460	0
Dividend	0	0
Net asset 31.12.	**5 733**	**0**

NOTES TO THE ACCOUNTS

Note 24: Accounts payable and other short-term liabilities

ACCOUNTS PAYABLE	Group		Parent	
(Amounts in NOK 1000)	**2020**	**2019**	**2020**	**2019**
Accounts payable	19 865	19 262	18 659	16 223
Accounts payable related companies	65 091	10 450	64 579	10 330
Total	**84 956**	**29 712**	**83 238**	**26 553**

Accounts payable are not interest-bearing and normal maturity is from 0 to 60 days. For settlement and terms for accounts payable with related parties see information in note 6.

OTHER SHORT-TERM LIABILITIES	Group		Parent	
(Amounts in NOK 1000)	**2020**	**2019**	**2020**	**2019**
Public duties payable	4 201	4 494	2 861	3 913
Accrued holiday pay	3 495	2 918	2 901	2 321
Other accrued costs	1 875	2 698	2 249	2 089
Short-term debt to group companies	0	0	16 674	14 798
Short-term debt related company	0	2 975	0	2 975
Total	**9 571**	**13 085**	**24 685**	**26 097**

Note 25: Share capital, shareholders and dividends

As of 31 December 2020, Hofseth BioCare ASA had NOK 3,578,310 in share capital, divided into 357,831,030 shares, each with a nominal value of NOK 0.01. All shares are fully paid.

There is only one class of shares and all shares have equal voting rights and equal rights to dividends. The 20 largest shareholders of Hofseth BioCare ASA as of 31 December 2020 are:

Largest shareholders	# of shares	% share
SIX SIS AG	78 149 331	21,84
HOFSETH INTERNATIONAL AS	58 881 778	16,46
ROGER HOFSETH AS	51 439 998	14,38
Yokohama Reito Co. Ltd	40 951 333	11,44
Credit Suisse (Switzerland) Ltd.	11 832 269	3,31
BRILLIANT INVEST AS	11 000 000	3,07
Goldman Sachs & Co. LLC	8 326 830	2,33
Citibank, N.A.	6 292 683	1,76
INITIA AB	4 601 000	1,29
UBS AG	4 549 804	1,27
JPMorgan Chase Bank, N.A., London	3 486 960	0,97
BOMI FRAMROZE HOLDING AS	3 253 370	0,91
The Northern Trust Comp, London Br	3 174 397	0,89
Swelandia International AB	3 147 000	0,88
CLEARSTREAM BANKING S.A.	2 967 210	0,83
UBS Switzerland AG	2 806 994	0,78
Euroclear Bank S.A./N.V.	2 620 064	0,73
Interactive Brokers LLC	2 578 796	0,72
Saxo Bank A/S	2 575 692	0,72
Bank Julius Bär & Co. AG	2 301 318	0,64
In total, the 20 largest shareholders	**304 936 827**	**85,22 %**
Total others	52 894 203	14,78%
Total number of shareholders	**357 831 030**	**100,00 %**

Total no. of shareholders: 1 385

Note 26: New accounting standards with future effective date

The standards and interpretations that have been adopted up to the time of presentation of the consolidated financial statements, but where the date of entry into force is forthcoming, are stated below.

The Group's intention is to implement the relevant changes at the date of entry into force, provided that the EU approves the changes before the presentation of the consolidated financial statements.

Note 27: Subsequent events

2020 has also been a special year for all of us. The Covid-19 pandemic has had a significant impact on society and companies around the world. At Hofseth BioCare, the health and safety of our employees, their families and our business partners is extremely important.

Fortunately, the pandemic has had a limited impact on our business, despite significant restrictions on physical sales and marketing activities. In the past year, we have initiated clinical studies to assess whether the fat-soluble components in our salmon oil can contribute to improving the daily lives of corona patients. This has been an important and exciting project for us who will continue in the time to come.

Although the pandemic will continue into 2021, we believe that it will have a limited effect on us as a company. 2020 has taught us to work effectively, even with social distance. Production is not directly affected and sales and marketing activities now take place digitally.

Declaration of the Board of Directors and CEO in Hofseth BioCare ASA

We confirm that the financial statements for the period 1 January to 31 December 2020 to the best of our knowledge, have been prepared in accordance with IFRS as adopted by the EU / applicable accounting standards and that the financial statements give a true and fair view of the Group's assets, liabilities, financial position and results of operations, and that the annual report gives a fair view of the financial performance and position of the Group, together with a description of the main risks and uncertainties faced by the Group.

Hofseth BioCare ASA Board of Directors,
Ålesund, 19 March 2021

Ola Holen
Chariman of the board

Henriette G. Heggdal
Board member

Christoph Baldegger
Board member

Kristin Fjellby Grung
Board member

Torill Standal Eliassen
Board member

Roger Hofseth
CEO

Auditors report

CHAPTER 4

Building a better
working world

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Hofseth BioCare ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hofseth BioCare ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, the statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2020 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Allocation of production costs as part of manufacturing cost of finished products

The Hofseth BioCare Group had inventory of TNOK 73 302 and the parent company had inventory of TNOK 72 225 per 31 December 2020. Four types of finished goods are produced from a common production process based on the same input factors. Allocation of production costs is calculated on the basis of the expected sales values of the individual finished products multiplied with the relative share of the production yield. As the allocation of production costs is determined by significant judgement on assessments of expected sales values, this was a key audit matter.

We evaluated the management`s sales values in the model, by comparing the sales values against representative prices achieved through sales in 2020. We tested the production yield in the model against reported numbers from factory, and production costs in the model against actual costs. We tested the model for allocation of production costs being mathematically correct.

We refer to note 2 Accounting estimates and management judgement and assumptions, note 3 Segment information and revenue, note 6 Related party transactions and note 20 Inventory.

Transactions with related parties

Transactions with related parties form a significant part of the group`s and the company`s ordinary business and financing, where the determination of arm`s length pricing is to a large extent based on judgement. The material transactions with related parties are sales of finished goods, purchase of raw materials (fish trimmings), lease obligations and financing agreements. The prices of finished goods and raw material is determined on the basis of transactions with independent parties. As the amount of transactions with related parties is significant, and terms and conditions involve judgement, this was a key audit matter.

We inquired management, read minutes from board meetings and performed procedures on the company`s booked transactions to identify transactions with related parties. Vi compared agreed upon sales prices for finished goods and raw materials from related parties with prices agreed with independent parties in 2020 and evaluated compliance with agreements. Further on we assessed financial terms in new debt agreements with historical terms and conditions with independent parties, considered the group’s financial position and possibilities for alternative financing at the point of establishment of the agreement.

We refer to note 2 Accounting estimates and management judgement and assumptions and note 6 Transactions with related parties.

Recognition of intangible assets

The Group`s recognized intangible assets was TOK 42 434 and for the parent company TNOK 42 203 per 31 December 2020, where additions related to capitalized development costs in 2020 were TNOK 20 281 in group and TNOK 20 221 in parent. Management exercises judgement in determining when the recognition criteria for the intangible assets is met. The group start to capitalize when there is an identifiable intangible asset or product, which is in the group`s control, and probable future economic benefits is expected. Management also exercises judgement in determining the cost of the product development to be capitalized. Based on the size of this year`s additions and the recognition of developed intangible assets is based on management`s judgment and assumptions, this was a key audit matter.

Vi assessed management`s principles and assumptions for recognition of development cost with criteria in IAS 38, especially the criteria for recognition and the transition from research to development. We evaluated this year’s development projects against available information about the progress of the development of the product. We compared the management's assessments of the projects against the company's strategy and plans. Further on we tested a sample of all recognized development cost against underlying documentation and evaluated if the criteria for recognition was met.

We refer to note 2 Accounting estimates and management judgement and assumptions and note 10 Intangible assets.

Other information

Other information consists of the information included in the Company’s annual report other than the financial statements and our auditor’s report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than* Audits *or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Aalesund, 19 March 2021
ERNST & YOUNG AS

Ivar-André Norvik
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Sustainability, ESG report

CHAPTER 5

CHAPTER 5

Sustainability, ESG report

CEO Letter

2020 has been a special year for all of us. The Covid-19 pandemic has had a significant impact on society and businesses worldwide. At Hofseth BioCare, we have and will continue to put the health and well-being of our employees, their families and our business partners at the heart of everything we do. As CEO of Hofseth BioCare, I am immensely proud of the dedication shown by our employees, despite going through challenging times.

Thankfully, the pandemic has had a limited impact on our business despite significant restrictions of physical sales and marketing activities. Our company has even initiated clinical trials to assess whether fat-soluble components in our salmon oil can help save lives among Covid-19 patients. This has been an important and exciting project for us, which will continue in the time to come.

2020 has certainly been an eventful year for us in many ways. Our research shows close to 20 indications of nutrition and health benefits from our products, which means that there is tremendous potential to contribute to people's health and wellbeing. We have also received approval from Health Canada for Qualified Health Claims for our Salmon Protein Hydrolysate, which means that we now have support in saying that the bioactive peptides in our products have positive effects on anemia and iron deficiency. We will continue to cooperate with a range of medical research institutions and universities to map out and understand the pharmaceutical potential in our products.

Hofseth BioCare's mission is to develop the nutrition and medicine of tomorrow, based on the purest raw materials from the west coast of Norway. Our core business idea is to contribute to efficient use of marine resources by upcycling what others consider waste, transforming it into high quality products and thus suitable for human and animal nutrition. Through innovative production technology and logistics, we preserve the quality of protein, calcium and oil extracted from fish.

Increasing our sustainability efforts remains a priority area for us as our company has an economic, social and environmental impact on our surroundings. This impact comes with great responsibility and requires that we keep an ongoing dialogue with stakeholders, constantly strive to deliver quality products while at the same time fulfil our commitment to ethics and responsible operations.

Last year we presented our first sustainability report in accordance with the GRI Standards Core option. This year, we have taken another step on our journey towards sustainable growth. The report is based on valuable input from our stakeholders, reporting on material topics including **responsible business operations, environmental and climate impact as well as working environment.**

I am proud to present our 2020 sustainability report and hope it will make for interesting reading.

Roger Hofseth, Hofseth BioCare CEO

About

This report

For information about this report and its content, please contact Hofseth BioCare ASA and CFO Jon Olav Ødegård or COO Karl Inge Slotsvik.

This report is prepared for Hofseth BioCare ASA in accordance with GRI Standards Core version. For GRI matrix, visit Hofseth BioCare's homepage or the GRI Database.

The Hofseth BioCare sustainability report has been reviewed and approved by the Board of Directors.

The claims and data in this report has not been audited by a third party.

Hofseth BioCare

Hofseth BioCare is a Norwegian biomarine company with roots back to year 2000. Our proprietary technology is based upon a new method for fully controlled residual raw material refinement up to high-end products. After 12 years of R&D, testing and documentation, the company's proprietary enzymatic hydrolysis process converts residual raw material to sustainable value added products. Hofseth BioCare's products are sustainable and traceable.

There is a growing demand for proteins in the world and providing sustainable high-quality products to the market is the main goal for Hofseth BioCare. The company's key objective is to provide high value added biomarine ingredients for human applications. Through innovative production technology and logistics, we preserve the quality of protein, calcium and oil extracted from fish, and this technology is proprietary to our company. Raw materials that previously could only be used for animal feed can now be made suitable for human consumption and pharmaceuticals, and we are thus contributing to efficient use of marine resources.

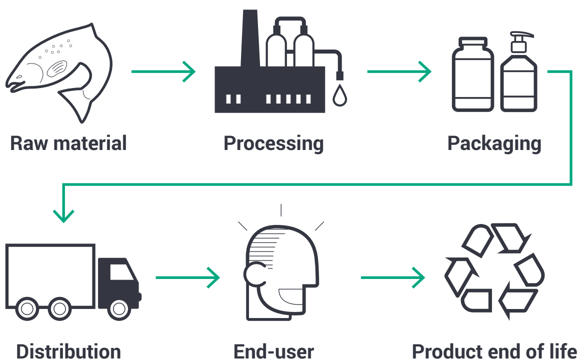


Figure 1: Hofseth BioCare's supply chain

REVENUE 2020

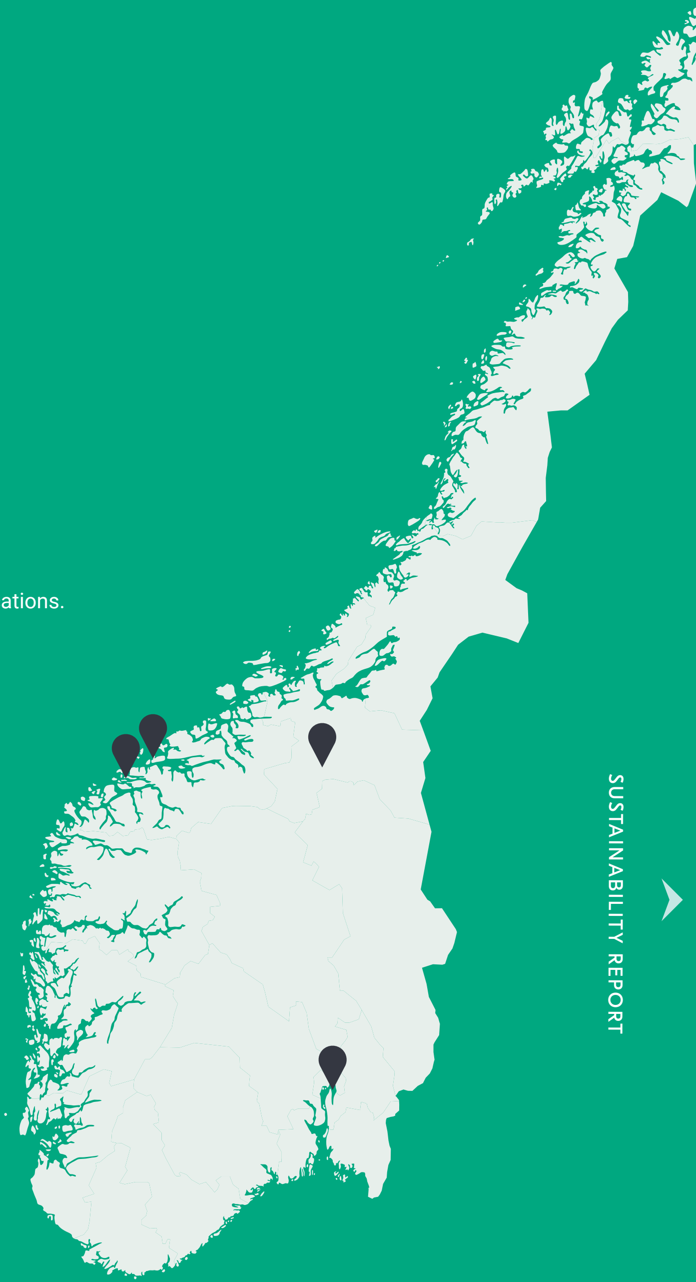
TNOK 69 252

PROFIT (EBIT)

TNOK -92 021

EQUITY RATIO

57.4 %



Locations and employees

Hofseth BioCare had 49 employees in 2020 distributed across multiple locations.
Midsund: 29 Berkåk: 9 Ålesund: 10 Oslo: 1

Economic impact and tax information

In addition to creating value for our shareholders, our goal is to have a positive economic impact on the area in which we operate, both directly and indirectly. We use Norwegian raw material, strive to employ local labour, and contribute to local value creation by purchasing goods and services and by paying taxes.

Payroll and social security expenses
See annual report

Procurement of goods and services
See annual report

Tax
See annual report

TICKER HBC

Hofseth BioCare is an ASA company listed on the Oslo Stock Exchange. (pr. 21.01.21 and one year back)

Hofseth BioCare's approach to sustainability

This report covers sustainability topics that are of importance to Hofseth BioCare and the company's stakeholders. Hofseth BioCare's approach to sustainability reporting is based on the materiality assessment undertaken in January and February 2020. Hofseth BioCare shall comply with applicable laws and regulations, respect human rights and act in a socially responsible manner.

Corporate governance

Hofseth BioCare's business activities and internal operations are conducted with a high level of integrity and with a clear ambition to be a responsible company acting ethically and lawfully in all aspects of our value chain. Hofseth BioCare's corporate governance structure shall ensure a systematic approach to our corporate social responsibility.

Management Approach

Hofseth BioCare's general system for governance is linked to the Norwegian Code of Practice for Corporate Governance.

Annual General Meeting (AGM)

The Annual General Meeting (AGM) is Hofseth BioCare's supreme governing body and where shareholders can influence how sustainability is practiced.

The Board of Directors

The Group Board of Directors bears the ultimate responsibility for Hofseth BioCare's sustainability approach and the sustainability report is discussed and approved by the Board.

Corporate Executive Management

Corporate Executive Management bears the responsibility for the Group's strategy, development and day to day work. This means Corporate Executive Management is responsible for compliance with legislation, regulations and our Human Resource's Handbook, as well as for the implementation of appropriate and effective initiatives to ensure that we reach our goals.

The sites

The business areas are responsible for follow up and compliance with policy, strategy, targets and governance documents related to sustainability. The day to day work with corporate social and environmental responsibility is usually handled by the sites together with the Quality Manager and with support from the Corporate Executive Management.

Hofseth BioCare's stakeholders

The prioritisation of Hofseth BioCare's stakeholders as well as the stakeholder dialogue was undertaken by an interdisciplinary working group consisting of Hofseth BioCare's employees representing Finance, Operations and Quality Management together with Corporate Communications.

Figure 2: Hofseth BioCare's stakeholder groups

Owners

Hofseth BioCare's investors and owners are primary stakeholders and directly affects the company's priorities and strategic direction.

Employees

Hofseth BioCare's employees are directly affected by the company's internal policies and activities.

Suppliers

Hofseth BioCare's suppliers are economically affected by the company and their responsibility is indirectly affected by Hofseth BioCare's focus on responsible practices and the expectations placed on them by the company.

Customers

Hofseth BioCare's customers directly affect the company economically and customer expectations is part of driving Hofseth BioCare's sustainability priorities.

Civil Society

Civil society including governments and regulatory authorities affect Hofseth BioCare and the company's operating conditions directly and indirectly. Local communities are indirectly socially, environmentally and economically affected by Hofseth BioCare's activities, in terms of job creation, contribution to local value creation and environmental impacts.

Stakeholder group	Expected of HBC	Arena for dialogue
Owners	· High rating · Good external perception · See process and progress	· ISS reports · Meetings (board membership) · E-mail
Employees	· Following Norwegian laws in terms of worker's rights, human rights and anti-corruption	· Townhall meetings · Courses/training · Written documentation (newsletters, boards, posters etc.)
Suppliers	· Following Norwegian laws in terms of worker's rights, human rights and anti-corruption	· Web page · E-mail · Meetings
Customers	· High quality · Low waste / responsible operations · Fish welfare, including food and low use of medicines such as antibiotics · Not overpopulate the area · Following Norwegian laws in terms of worker's rights, human rights and anti-corruption · Employment (districts) Certificates	· Web page · Meetings · Written documentation (brochures, dossiers etc.) · Newsletter · Certificates · Sustainability report
Civil Society	· Production and operations in line with regulations · Following Norwegian/European laws	· Written documentation · Meetings (inspections/observation) · Web page

Table 1: Stakeholder groups and arena for dialogue

Stakeholder dialogue

To ensure a strategic approach to sustainability reporting and to adhere to the intent of the GRI Standards Management Approach Hofseth BioCare has together with Corporate Communications undertaken systematic stakeholder dialogue in January and February 2020 and keeps an ongoing dialogue with key stakeholder groups.

For Hofseth BioCare to be in ongoing conversation with its most relevant stakeholders strengthens the company's relationship with the society in which it operates. The stakeholder dialogue also benefits the company by allowing Hofseth BioCare to detect, investigate and manage potential risks arising in its immediate surroundings.

In January and February 2020, Hofseth BioCare and Corporate Communications invited key stakeholders to give their opinion on how they perceive Hofseth BioCare and relevant sustainability topics. This was done through semistructured interviews with owners, employees, suppliers, customers and civil society. The findings from the stakeholder dialogue were gathered and structured for discussion with Hofseth BioCare's Management Group and used as a basis for the materiality assessment.

The stakeholder dialogue is both a means and an end in itself, as ongoing systematic stakeholder dialogue is a key objective in the Euronext ESG guidelines and GRI Standards. The findings from the stakeholder dialogue guided Hofseth BioCare's priorities in the materiality assessment.

Materiality assessment

The materiality assessment was established in February 2020 by the Executive Management Group and Corporate Communications based on the stakeholder dialogue and information gathering. The main goal of the materiality assessment is to establish key reporting topics for Hofseth BioCare, reflecting the risks and opportunities associated with Hofseth BioCare's business activities. Furthermore, these topics are included in Hofseth BioCare's sustainability report, describing how the most important topics are included in general risk management and strategy process, and the measures Hofseth BioCare is taking to reduce risks associated with material issues and how these are integrated into operational management and corporate governance.

Based on stakeholder input and priorities and an assessment of the company's business impact, the materiality assessment concluded with the following three material topics for Hofseth BioCare's report to focus on:

› **Responsible business operations**, including value creation, quality, job creation and anti-corruption.

› **Environmental and climate impact**, including waste and pollution prevention, energy use and transportation.

› **Working environment**: including worker's rights, HSE, diversity and non-discrimination.

The results are presented in the below materiality matrix, with topics considered material for Hofseth BioCare in the upper right section.

Importance to stakeholders

	Low	Moderate	Significant	Major
Major				Health, safety and environment • Quality • Product • Productiuon process Value creation for owners
Significant		Fish welfare in aquaculture • Antibiotics and GMO • Feed • Lice	Transportation	Anti-coruption Job-creation Midsund Waste and polution prevention energy use
Moderate		Human rights	Diversity and non-discrimination	Worker's rights
			Job-creation Berkåk	Contribution to local value creation
Low				Emissions to air and water

HBC business impact

Figure 3: Materiality matrix

Reporting on material topics

In the next chapter, each of the suggested overarching sustainability topics and their relevance to Hofseth BioCare are developed in detail. This includes an explanation of why the topic is considered material to the company, the direct and indirect impact on the company and its stakeholders as well as the significance of its business impact on the company and on the assessment and decisions of stakeholders. This chapter includes reporting according to GRI 205 Anti-corruption, GRI 305 Emissions and GRI 403 Occupational Health and Safety.

Responsible business operations

The use of high quality raw material, upcycled through a technologically advanced process, creating safe and high quality end-products for human and animal consumption is core to Hofseth BioCare's value creation. By processing and producing in rural areas of Norway, the company achieves both the goal of preserving the freshness and quality of its raw material while also contributing to job creation and value creation in central and local communities. Hofseth BioCare's high quality products and processes are a prerequisite for the company's contribution to value creation for owners and society, and for future growth.

The company relies on access to high quality raw material and refines these raw materials through a safe, secure and quality assured process, creating a healthy, predictable and effective product providing the desired effects for distributors and end-users. The company has direct impact on and is also directly impacted by the competence and quality delivered by its employees, as well as the access to competent labour. The same applies to internal quality and food safety processes, which is controlled by the company and which also directly impacts the company and its stakeholders.

Hofseth BioCare is directly and indirectly exposed to risks and opportunities in its business relations with other companies in its supply chain, such as delivery risks, product and process risk, as well as the risk of being exposed to potential corruption or unethical business practices. As an integral part of the Hofseth Group value chain, it is also directly affected by and affects other Hofseth Group companies.

Local value creation

Hofseth BioCare's goal is to positively impact the area in which we operate, both directly and indirectly. The company strive to employ local labour, contribute to local value creation, and maintain an open and honest dialogue with stakeholders.

Our contribution to local job creation in the community which we operate is important to us. In 2020, 9 of the company's employees were located at our factory in Berkåk, 36 employees were located at the Midsund factory, 13 were hired at the headquarter in Ålesund, 1 in Oslo and 6 abroad (UK, US and Switzerland). Equally important for the company's economic contribution is to buy goods and services locally in order to contribute to local value creation and pay taxes to local authorities.

High quality products

Hofseth BioCare's key objective is to provide high value added biomarine ingredients for human and animal applications. Through innovative production technology and logistics, we preserve the quality of protein, calcium and oil extracted from fish, and this technology is proprietary to our company.

Hofseth BioCare's products have no additives and are not subject to any destructive processing techniques. We use a gentle, low temperature, production process which preserves all the best qualities of fresh Norwegian Atlantic salmon.

The company's plants and products are certified for production of food and feed and approved by Norwegian authorities. Our low oxidation salmon oil has a natural red colour and has shown excellent results when compared to generic fish oil. Our research shows close to 20 indications of nutrition and health benefits from our products, which means that there is tremendous potential to contribute to people's health and wellbeing.

In 2020, Hofseth BioCare has initiated clinical trials to assess whether fat-soluble components in our salmon oil can help save lives among Covid-19 patients with breathing difficulties. We have also received approval from Health Canada for Qualified Health Claims for our Salmon Protein Hydrolysate, which means that we now have support in saying that the bioactive peptides in our products have positive effects on anemia and iron deficiency.

Business ethics and corruption prevention

How Hofseth BioCare achieves its results is important. In all our actions, we focus on activities that reflect an ethical and honest behaviour.

> Our goal is to run an organisation with high integrity, which maintains the highest standards for professionals and individuals.

Our ethical guidelines are set out in the Human Resources Handbook, as well as the company's Code of Conduct, both of which were reviewed in 2020. Our ethical guidelines are also mentioned in our contracts with customers and suppliers, which are expected to operate within a risk based governance and compliance framework at all times, as well as complying with regulations, codes, governmental orders or other requirements or rules of law. Risk assessments are typically conducted when entering into business arrangements in a new country with a heightened risk of corruption.

Hofseth BioCare has a zero tolerance for any form of corruption, which is also clearly stated in the company's anti-corruption policy, Code of Conduct and Human Resources Handbook, and employees are required to familiarise themselves with these document's content and guidelines. In order to minimise risks, there are thresholds for approvals and roles in the company's internal systems.

Our anti-corruption policy is also outlined in all of our contracts and communicated to customers, distributors, partners and owners, and all new business partners are required to sign contracts where our anti-corruption policies are stated.

All employees are responsible for understanding and identifying possible conflicts of interest and have been informed about their responsibility in such cases. Employees are to resolve and report such cases by themselves and when unsure, consult our legal experts. Both the Board of Directors and the Management Group have undergone anti-corruption training, new employees undergo anti-corruption training upon hiring, and all employees undergo such training annually.

Two of our goals for 2020 was to ensure that all employees are up to date on guidelines concerning ethics and anti-corruption, as well as making sure that ethics and anti-corruption training was documented as part of the onboarding process. The Covid-19 pandemic has significantly restricted our in-person meetings in 2020, but we are continuously developing and optimising alternative ways to conduct such training in 2021.

At the moment, Hofseth BioCare does not participate in any collaborative partnerships concerning anti-corruption, but the company is continuously monitoring changes in regulations in this area. In 2019, Hofseth BioCare internally reviewed its Financial Department for corruption risks and prevention and the company is continuously evaluating the Management Group and employees that are in contact with distributors and in charge of contracts.

Hofseth BioCare regularly sponsor and donate gifts to local and voluntary organisations, including local sports clubs. In 2020, such gifts and donations amounted to NOK 435,900, and the largest donation (NOK 350,000) was made out to FlytFart / Hofseth Runners. In terms of gift giving or receiving, employees can find information on how to act if offered gifts by customers or our collaborative partners in the Human Resources Handbook to which all employees have been onboarded.

All conditions, which give raise to ethical issues or matters that could involve a breach of law and which may cause legal liability, loss of value or reputation for Hofseth BioCare should be reported to the relevant leader. Examples of concerns related to Hofseth BioCare's business practices that may be reported include allegations such as:

- Violations of Hofseth BioCare's Human Resources Handbook, Code of Conduct or anti-corruption policy
- Violation of corruption laws
- Conflicts of interest
- Health and safety breaches

In 2020, the company established an external and anonymous whistleblowing channel through Adviso: varslinghbc@adviso.no.

There were no identified incidents of corruption in 2020.

The following goals were set for responsible business operations in 2020:

Goal	Comment	Status
Review and update our Human Resources Handbook so that its content is clear and easy to understand for every-one working at Hofseth BioCare.	The Human Resources Handbook was reviewed and updated in 2020.	Completed
Make sure that all current employees are up to date on guidelines concerning ethics and anti-corruption.	Training in ethics and anti-corruption will resume as soon as the Covid-19 pandemic allows for meetings. The company is also looking into the possibility of arranging online courses/training.	Started
Document ethics and anti-corruption training as part of the onboarding process of new employees.	As part of the onboarding process, new employees sign a document stating that they have gone through training and familiarised themselves with the company's Code of Conduct and anti-corruption policy.	Started
Establish a whistleblowing channel for reporting irregularities.	An external whistleblowing channel was established through Adviso in 2020.	Completed

Hofseth BioCare has set the following goals for responsible business operations in 2021:

Goal	Comment	Status
Make sure that all current employees are up to date on guidelines concerning ethics and anti-corruption.	Training in ethics and anti-corruption will resume as soon as the Covid-19 pandemic allows for meetings. The company is also looking into the possibility of arranging online traning/courses.	Started
Document ethics and anti-corruption training for all employees.	Get both new and excisting employees to sign a document stating that they have read and understood the company's Code of Conduct and anti-corruption policy.	Started

Environment and climate impact

As a manufacturing business, Hofseth BioCare's production has both direct and indirect environmental impact. Hofseth BioCare's business operations has direct environmental impact in the form of water use, emissions to air and water, as well as waste generation.

The use of process water leads to wastewater emissions which needs to be accounted for and kept within the limits approved by the county governor. Hofseth BioCare's direct emissions to air is through steam generation, which was previously a cause of concern due to smell pollution. Today, Midsund uses an open loop scrubber, while Berkåk uses a closed loop scrubber to ensure minimal negative impact on local communities near Hofseth BioCare's sites, but air emissions still need to be accounted for and reported to the Environmental Authorities. The company has not received any complaints concerning smell pollution after scrubbers were installed.

As an energy intensive business, the company also generates direct and indirect emissions from energy use in operations, direct emissions from the installation of boilers onsite as well and indirect emissions from purchased electricity. Hofseth BioCare also generates indirect environmental and climate impacts through its supply chain and business activities, the main sources assumed to be transportation, employee business travel, purchased goods and services. The company has seen a large reduction in employee business travel in 2020 as a result of the Covid-19 pandemic, which in turn has lowered the company's indirect emissions.

	Midsund		Berkåk	
	2020	2019	2020	2019
Energy use (MWh)	5,008 MWh	4,573 MWh	4,202.39 MWh	6,337 MWh
Diesel (t)	499 tonnes	523 tonnes	0	0
Fish oil used as fuel (t)	108 tonnes	117 tonnes	0	0
Water use	92,589 m^3	75,105 m^3	5,791 m^3	11,499 m^3
Emissions to water (m^3)	51,831 m^3	50,064 m^3/year	0	0
Waste (t)	403.9 tonnes	340 tonnes	23.7 tonnes	18.1 tonnes

Table 2: Environmental impacts

In addition to the need to minimise negative environmental and climate impacts from Hofseth BioCare's business operations, the company can be said to have a positive impact through avoided emissions and the use of products that would otherwise be considered waste. By using off-cuts from aquaculture, waste is minimised, and the company contributes to upcycling and efficient use of resources. In 2020 the company disposed of 403.9 tonnes of waste and minimising waste will be a priority area for the company going forward. An increase in the amount of waste from 2019 to 2020 is linked to the building/expansion of Hofseth BioCare's production facilities.

	Tonnes CO_2-equivalents					
	Scope 1		Scope 2 location based		Sum	
Location	2020	2019	2020	2019	2020	2019
Midsund	1,619.6	1,544.9	37.9	41.6	1,657.5	1,586.5
Berkåk	0.0	0.0	52.5	34.9	52.5	34.9
Group total	1,619.6	1,544.9	90.4	76.5	1,710.0	1,621.4

Table 3: GHG emissions per location in CO_2-equivalents

Direct emissions from onsite combustion, mainly of diesel in the Midsund factory, is the company's main source of GHG emissions. Due to insufficient power supply from the electricity grid to the island of Midsund, a diesel generator is used for power supply today. The company has made LPG available at the Midsund factory, but the diesel burner has yet to be switched to an LPG and salmon oil burner, and when this is done, the diesel tank will be removed. Indirect emissions from purchased electricity is the second largest source of GHG emissions.

Hofseth BioCare is also taking steps to avoid unnecessary GHG emissions by using process heating inside factories and focusing on heat and energy recovery. To improve energy efficiency, Hofseth BioCare has in 2020 installed an economiser in the Midsund factory. The economiser uses excess heat recovered from flue gases to supply the factory's hydronic heating system with energy. In addition to the economiser, the company installed heat recovery systems on both the spray dryer line and the ventilation system. According to an energy consumption calculation conducted by Itek AS, the power saved due to these measures is estimated to be 1.5 million kWh per year.

Hofseth BioCare's long term goal is to become climate neutral and the company will continue to work systematically to reduce energy consumption and GHG emissions, focusing especially on energy consumption, effective communication and transportation. In 2020, the company has started a process of considering initiatives such as purchasing green certificates or guarantees of origin to lower GHG emissions and this work will continue in 2021.

Hofseth BioCare's CO_2 emissions have been calculated in accordance with the «Greenhouse Gas Protocol» published by the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI). The above data on greenhouse gas emissions includes the following sources of CO_2 emissions:

› **Scope 1 direct emissions**: emissions from fuel combustion onsite and onsite generation of electricity, heat or steam. All emission factors for Scope 1 emissions are from DEFRA 2018.
› **Scope 2 indirect emissions** from electricity purchased: emissions from the consumption of electricity purchased. CO_2 emission factors used for electricity are location based and calculated using IEA emission factors.

The following goals were set for environment and climate impact in 2020:

Goal	Comment	Status
Review and make plan for energy efficiency in our operations.	The company has in 2020 installed an economiser as well as installing heat recovery systems on both the spray dryer line and the ventilation system. Improving energy use and efficiency will be a continuous focus area for the company going forward.	Completed
Consider offsetting or purchasing guarantees of origin to lower GHG emissions.	The company has started exploring alternatives to reduce GHG emissions.	Started
Switch from diesel supply to LPG for peak power generation at Midsund.	LPG is made available at the Midsund factory, but the diesel burner has yet to be switched to an LPG and salmon oil burner. When this is done, the diesel tank will be removed.	Started

Hofseth BioCare has set the following goals for environment and climate impact in 2021:

Goal	Comment	Status
Consider offsetting or purchasing guarantees of origin to lower GHG emissions.	The company has started exploring alternatives to reduce GHG emissions.	Started
Switch from diesel supply to LPG for peak power generation at Midsund.	LPG is made available at the Midsund factory, but the diesel burner has yet to be switched to an LPG and salmon oil burner. When this is done, the diesel tank will be removed.	Started
Further minimise waste and look at alternative ways of disposing waste, including process waste (grakse).	The company is looking into alternative ways of reducing and disposing waste from the Midsund factory.	Started

Working environment

Employees are a key stakeholder group being directly affected by and have a high impact on Hofseth BioCare's operations and business success. The ability to attract and retain skilled workers as well as maintaining a safe and healthy working environment are key interests of both the company and its stakeholders. The company can directly impact the working environment through its policies and agreements, as well as indirectly through dialogue with employee representatives and unions.

As for any production environment, the company and its employees are exposed to risks of accidents and incidents affecting employee safety and security, as well as the direct and indirect ability and responsibility to affect such risk through policies, processes and by maintaining a proactive approach to health and safety risks in the physical and psychological working environment. There is also an opportunity represented by engaged employees, helping to maintain a safe and effective working environment through safety culture.

Worker's rights, diversity and non-discrimination
Hofseth BioCare operates in accordance with the Norwegian Working Environment Act. All employees are committed to a set of values and are expected to act in line with these values.

Our values are:

- **Honest**: we are not afraid to speak up and we always deliver what we promise to. We do not 'cut lines' or otherwise behave in an unethical way.
- **Innovative**: we should build on our expertise and seek new knowledge. We should use our competence to find new and innovative solutions.
- **Collaborative**: we see, hear, gain and share knowledge internally and if necessary, seek new solutions externally.

Hofseth BioCare aims to have an inclusive and open working environment that encourages employees to share their opinions and ideas. The company opposes discrimination in any form, whether it is based on political views, membership in workers' organisations, sexual orientation, disability and/or age. The company follows the Anti-Discrimination Act, which protects against discrimination on the grounds of ethnicity, religion or the like, and the company also has its own Human Rights Policy which is outlined in our Human Resources Handbook and Code of Conduct.

Hofseth BioCare also operates in accordance with the Gender Equality Act, which aims to protect against discrimination based on gender. Making sure that men and women are given equal employment opportunities is important to the company, both in terms of job descriptions, promotions and earnings. In 2020, women's amount of men's pay was on average 99.1 per cent.

Hofseth BioCare's company structure can be described as 'egalitarian' and employees are encouraged to actively contribute with their opinions on how the working environment can be improved. The company conducts talks with all employees annually on their wellbeing and other work related questions. In 2020, the company conducted an anonymous survey on the working environment at the Berkåk facility with assistance from AktiMed Norge AS. All employees at Berkåk took part in the survey, and the results were summarised in a report to the Management Group in August 2020. The report asked about topics such as workload, social support, responsibility, management and communication. All respondents expressed a high degree of satisfaction on each of these topics, albeit with some room for improvement regarding workload, which can be seen in light of the current shift arrangement at Midsund. This arrangement has been reviewed by the Management Group in 2020 and will change from 1 January 2021.

For questions regarding the working environment employees are encouraged to contact the relevant leader, as well as reporting incidents. The company does not have a Work Environment Committee (AMU) as of today, but the HSE Group and the Quality Manager handles most of the questions that the AMU would be responsible for. Employees at Berkåk do not have union membership today, but the employees at Midsund are members of Industri Energi, which is the Norwegian trade union for those who work in the industry and energy sectors.

Occupational health and safety
Health and safety in the working environment (HSE) is very important to Hofseth BioCare. The company aims to provide a safe, healthy and satisfactory workplace and has implemented an occupational health and safety management system which builds on the Norwegian Working Environment Act as well as regulations relating to systematic health, environmental and safety activities in enterprises (internal control regulations).

One of the main objectives of the Working Environment Act is to ensure that the employees themselves participate in and influence the design of their own working environment. At each of the company's factories, both a safety delegate and a fire chief has been appointed. At Berkåk, the HSE Group is led by the Quality Manager, who has the highest responsibility for HSE at Hofseth BioCare's sites. For Berkåk, the HSE Group consist of the Plant Manager, the Production Manager, the Technical Manager, the safety delegate and the fire chief.

Midsund established a HSE Group in May 2020. The Group consist of the Quality Manager, Process Manager, Production Manager, Lab Manager, one person from the technical department as well as the safety delegate, in addition to the Fire Chief who participates at meetings when fire safety is being discussed. Hofseth BioCare conducts annual risk assessments to identify potential incidents that may occur at our premises. This work has been given extra priority in 2020 and will be further prioritised in 2021.

Hofseth BioCare has also developed a quality system where internal control for HSE is integrated into a comprehensive system. Internal HSE control will be subject to revisions through the Norwegian Labor Inspection Authority, the county administrator and fire and rescue services. All HSE targets are set out in the HSE Policy that apply to all company divisions and locations. The HSE Policy is updated at least annually and shared with all employees. The HSE activities are also mentioned in the company's Annual Calendar of activities and followed up at scheduled HSE meetings. The meetings also discuss feedback from internal audits, safety inspections and regulatory authorities, as well as changes in regulations, reports from occupational health services and input from employees, etc.

In 2020, the HSE group reviewed the company's HSE policy to make it more relevant and to introduce measurable KPIs. An overall objective was to make the new and improved HSE Policy easier to understand for all employees as well as better highlight the company's progress in this area. The group has also reviewed the fire safety policies at Midsund. For 2020, the HSE and Management Group has had a dedicated focus on Covid-19 and the company has implemented routines based on government recommendations and established guidelines for the handling of absence, illness or causalities among employees or close family members. The company has also conducted risk assessments, implemented documented training for all employees as well as ensured additional information on infection and disease control.

Previously, several employees at Berkåk have reported hearing deficiencies, but it's been difficult to say whether this has been work-related as some employees have leisure activities that can also cause hearing damage if hearing protection is not used. In 2020, the company conducted a noise measurement at Berkåk through AktiMed Norge AS. The results indicate that employees are not exposed to noise above the regulated action or limit values, nor are they exposed to noise above the pulse noise limit. Although the report concluded that employees are not subject to any hearing deficiency risks, the company has nevertheless made an effort to make sure that employees use protective hearing equipment whenever necessary.

The company has previously discussed the possible risk of respiratory disease when working with powder production. Hofseth BioCare is not familiar with any such cases and have implemented measures to reduce the risk to an acceptable level. A dust measurement was carried out by AktiMed Norge AS at Berkåk in June 2020 which concluded that the dust measured in the factory was very low and well below the recommendations from the Norwegian Labour Inspection Authority. The report also added that hydrolised fish protein is a very clean product which does not contain any traces of allergens and is thus not considered to pose any health risk to employees.

Work at Berkåk and Midsund could involve health and safety risks to the employees, first and foremost in the manual processing and where chemical liquids and the like are used. There is also a long-term risk associated with the fulfilment of repetitive tasks. While the ambition of the company is to have zero incidents, loss or damage to people, material and/or the environment, it is of critical importance to have full overview of any adverse event at Hofseth BioCare's sites in order to be able to work on prevention and ensure a healthy and safe workplace. Injuries and work-related incidents are registered at site level. Employees also have access to health checks so that possible injuries are detected at the earliest possible time.

Seven work incidents were reported at Midsund in 2020. None of these lead to permanent damage:

› Two of the incidents related to work with hot water/steam and led to mild burn damage
› Two incidents related to the use of chemicals/liquids
› One fall incident
› One minor cut incident
› One pallet/truck incident that resulted in a broken toe (the employee in question was wearing safety boots)

In addition to this, two work incidents were reported at Berkåk in 2020. Both of these related to work with hot water/steam and led to minor burn damage. In 2020, the technical working group has started preparing a more comprehensive checklist for safe use of hot water/steam.

The HSE Group has in 2020 had a dedicated focus on improving the safety relating to the use of chemicals. The company has conducted training on the use of chemicals with all employees and extensive training beyond the legal requirements is in planning but has been postponed due to the Covid-19 pandemic. The company is following up on this in 2021. As a measure to further improve the security relating to the use of chemicals, the company has in 2020 compiled a new manual describing the correct use of chemical products and mandatory protective equipment – this in addition to the existing safety data sheet. Also, labelling of products is a constant focus area for the company and is controlled regularly.

At Midsund, working long shifts has for some time been a concern as this is likely to increase both the number of incidents on site as well as having a negative impact on the percentage of employees on sick leave. In 2020, the company has reviewed its practices in this area, both as a precautionary measure and a measure to improve the general wellbeing of employees. A risk assessment was carried out in 2019 and completed in 2020, and the company has decided to reduce the length of the longest shifts from 1 January 2021.

	2019		2020	
	Berkåk (factory)	Midsund (factory)	Berkåk (factory)	Midsund (factory)
Injury rate*	0	2,941	22,222	19,444.44
Work injuries (total number)	0	1	2	7
LTI (lost time injuries, number of injuries that have led to sick leave)	0	0	0	1
Deaths caused by work injuries	0	0	0	0
Absence due to illness	1.01%	5.39%	1.28%	11.25%

*Injury rate is calculated as the number of new cases of injury during the calendar year divided by the number of workers in the reference group during the year, multiplied by 100,000.

Table 4: Number of injuries in 2019 divided by locations

In 2020, the absence due to illness was 1,28% at Berkåk and 11.25% at Midsund. An increase in the sick leave from 2019 to 2020 can in part be explained with the Covid-19 pandemic and precautionary measures implemented by the company. Although the sick leave is very low compared to industry peers and even in a national context, Hofseth BioCare has in 2020 further strengthened its focus on measures that can help reduce the sick leave at the Midsund factory.

A good working environment and the possibility to learn and develop are important factors to keep the absence due to illness at low levels. Equally important is it that employees feel appreciated and involved in the day-to-day work. Hofseth BioCare has continued its work with an external consultant in order to further strengthen the corporate culture.

The following goals were set for HSE and the working environment in 2020:

Goal	Comment	Status
Establish a Code of Conduct which can be shared with external stakeholder groups.	A Code of Conduct has been established but remains to be shared with external stakeholder groups.	Started
Adapt HSE best practice from Berkåk to the Midsund facility.	Completed	Completed
Increased focus on guidelines for use of protective eyewear when working with high risk products such as enzymes.	Extensive training on the use of chemicals and protective workwear (beyond the legal requirements) is in planning. The company has in 2020 compiled a manual describing correct use of chemicals and protective equipment. Labelling of products is a constant focus area and is controlled regularly.	Completed
Increased focus on guidelines for the use of protective hearing devices when working with noisy equipment and/or in a noisy environment.	The company has introduced annual testing/control of protective hearing equipment. The HSE group has also completed inspection of the Midsund factory, making sure that product/equipment is labelled correctly.	Completed

Hofseth BioCare has set the following goals for HSE and the working environment in 2021:

Goal	Comment	Status
Establish /implement HSE routines at Midsund (new building/factory).	Started but not fully implemented as the new building/factory is still under construction.	Started
Conduct noise and dust measurement at Midsund (new building/factory).	Already in contact with Medi3 about this.	Started
Conduct annual working environment survey at Midsund and Berkåk.	Started for Berkåk, will be implemented at Midsund as soon as the new building/factory is completed.	Started
Consider alternatives to shift work at Midsund.	The company will implement new routines from 1 January 2021 which will be reviewed and followed up.	Started
Conduct extensive training on the use of chemicals (beyond legal requirements).	In planning but has been postponed due to the Covid-19 pandemic.	Started
Review HSE routines and improve guidelines for employees working with hot water / steam.	The technical working group has started preparing a checklist for work with hot water/steam. This work is being followed up on in regular HSE meetings.	Started

GRI Content Index

GRI STANDARD	DISCLOSURE	Page number(s) and/or URL(s)
GRI 101: FOUNDATION 2016		
GENERAL DISCLOSURES		
GRI 102: General Disclosures 2016	**Organizational profile**	
	102-1 Name of the organization	4
	102-2 Activities, brands, products, and services	4
	102-3 Location of headquarters	5
	102-4 Location of operations	5
	102-5 Ownership and legal form	5
	102-6 Markets served	5
	102-7 Scale of the organization	5
	102-8 Information on employees and other workers	5
	102-9 Supply chain	4
	102-10 Significant changes to the organization and its supply chain	4
	102-11 Precautionary Principle or approach	6
	102-12 External initiatives	6
	102-13 Membership of associations	6
	Strategy	
	102-14 Statement from senior decision-maker	3
	Ethics and integrity	
	102-16 Values, principles, standards, and norms of behavior	15
	102-17 Mechanisms for advice and concerns about ethics	10
	Governance	
	102-18 Governance structure	6
	102-20 Executive-level responsibility for economic, environmental, and social topics	6
	102-21 Consulting stakeholders on economic, environmental, and social topics	6,7
	102-22 Composition of the highest governance body and its committees	6
	102-29 Identifying and managing economic, environmental, and social impacts	6,7
	Stakeholder engagement	
	102-40 List of stakeholder groups	6
	102-41 Collective bargaining agreements	15
	102-42 Identifying and selecting stakeholders	7
	102-43 Approach to stakeholder engagement	7
	102-44 Key topics and concerns raised	7,8
	Reporting practice	
	102-45 Entities included in the consolidated financial statements	5
	102-46 Defining report content and topic Boundaries	7,8
	102-47 List of material topics	8
	102-48 Restatements of information	N/A
	102-49 Changes in reporting	N/A
	102-50 Reporting period	2020
	102-51 Date of most recent report	2019
	102-52 Reporting cycle	Annually
	102-53 Contact point for questions regarding the report	4
	102-54 Claims of reporting in accordance with the GRI Standards	4
	102-55 GRI content index	https://hofsethbiocare.com
	102-56 External assurance	4

GRI STANDARD	DISCLOSURE	Page number(s) and/or URL(s)
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200 SERIES (ECONOMIC TOPICS)		
Anti-corruption		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	9
	103-2 The management approach and its components	9
	103-3 Evaluation of the management approach	9
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	9
	205-2 Communication and training about anti-corruption policies and procedures	10
	205-3 Confirmed incidents of corruption and actions taken	10
300 SERIES (ENVIRONMENTAL TOPICS)		
Emissions		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	12
	103-2 The management approach and its components	12
	103-3 Evaluation of the management approach	12
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	12,13
	305-2 Energy indirect (Scope 2) GHG emissions	12,13
400 SERIES (SOCIAL TOPICS)		
Occupational Health and Safety		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	14
	103-2 The management approach and its components	14
	103-3 Evaluation of the management approach	14
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management–worker health and safety committees	15
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	16,17
	403-3 Workers with high incidence or high risk of diseases related to their occupation	16
	403-4 Health and safety topics covered in formal agreements with trade unions	15

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