



HOFSETH
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Hofseth BioCare

Financial Update Q2 2014

Highlights in the second quarter

- HBC raised NOK 90 million through a private placement of 20 million new shares
- Notice of Allowance from the Japanese Patent office for our Iron Absorption patent

Events after the quarter

- HBC opens a sales office in Chicago, USA
- Delivers fresh salmon oil capsules ND exclusivity agreement to a Finnish customer
- Received confirmation on listing of Salmon oil at ICA under HBCs own brand BioSalmaFresh
- Ole Arne Eiksund is appointed as new VP Global Sales, Karen Marie M. Hovland as Project Manager and Kai Morten Thuen as Marketing Manager
- HBC revealed a damage to the steam boiler, resulted in immediate stop in production and notice of temporarily layoffs of some employees at the plant on Midsund and Berkåk

Human Nutrition Business drivers

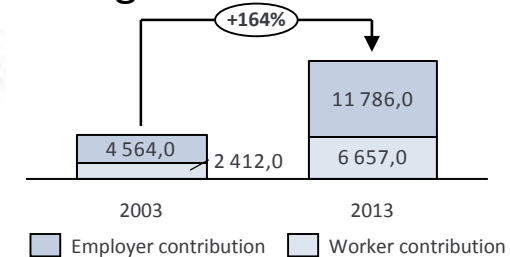


Growing world population

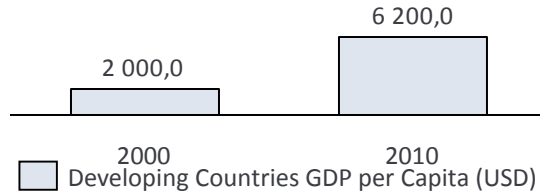
Billion people	5.3	6.1	6.8	7.2
Year	1990	2000	2010	2015e



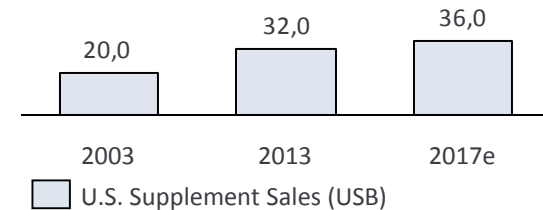
Rising healthcare costs in U.S.



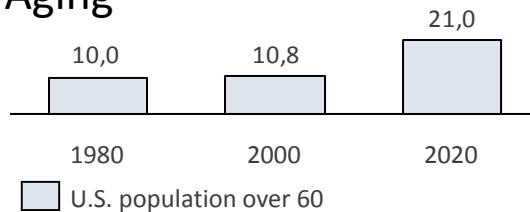
Increased standard of living



Interest in preventative health & awareness of nutritional benefits



Aging

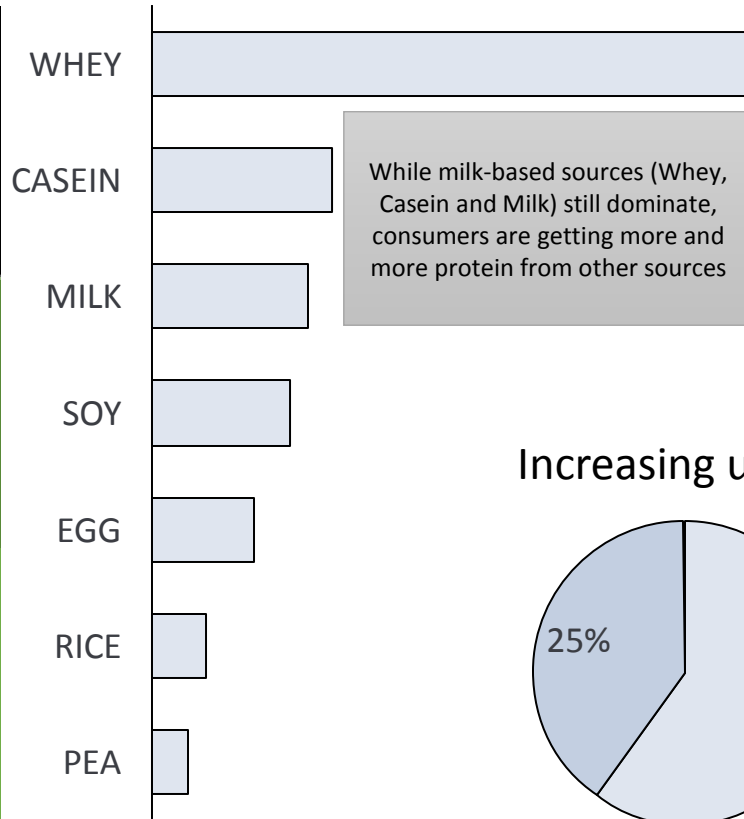


The Protein Market Explosion

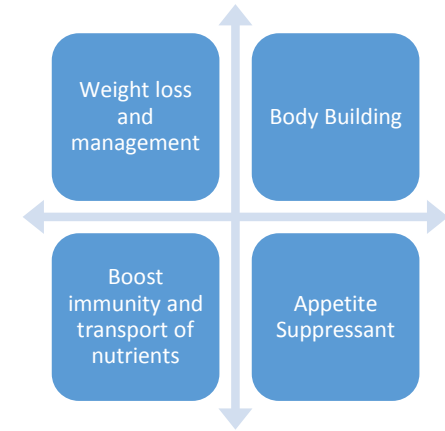
\$ 10
BILLION
Global Protein
market value

\$ 3.4
BILLION
US Sports Protein
powders

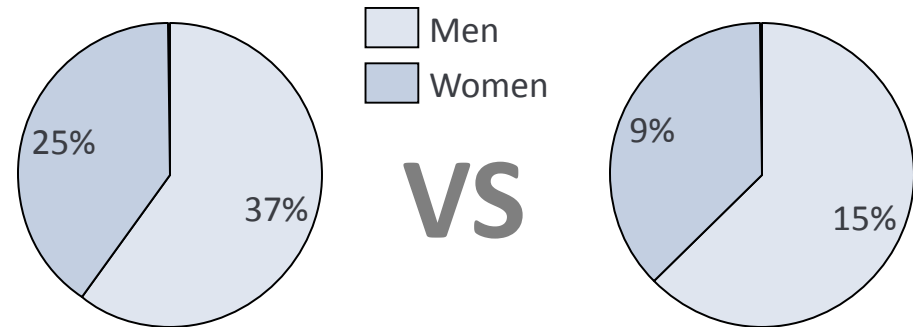
\$ 1.4
BILLION
US Whey
Protein alone



Protein is not only for body building



Increasing use of proteins for both men and women

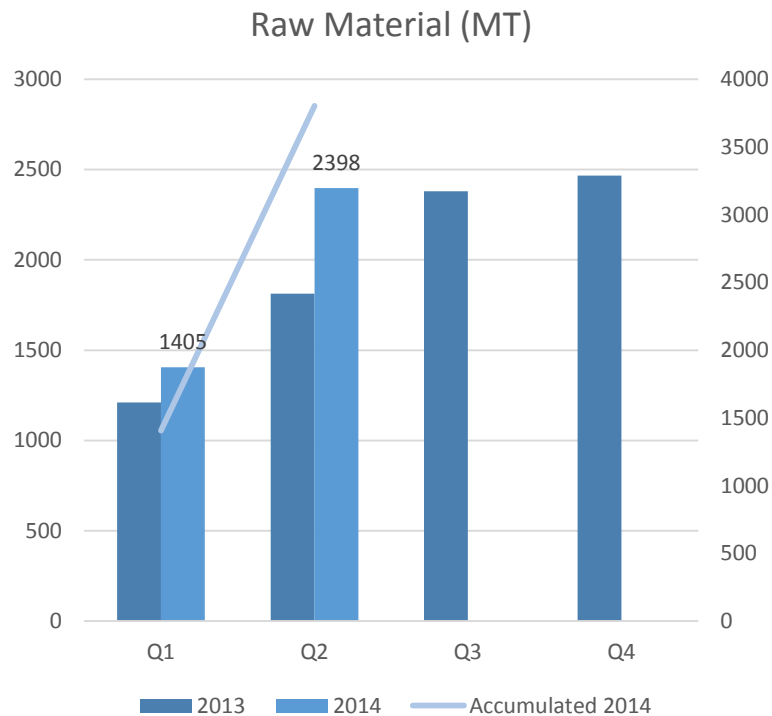


Protein used as a supplement for sports nutrition (taken 3x a week or more)

Protein supplement used as a meal replacement (3x a week or more)

40%
IN A SURVEY IN THE US OF 3,600 ADULTS, 40% SAID THAT THEY WERE INTERESTED IN ADDING PROTEIN TO THEIR DIET

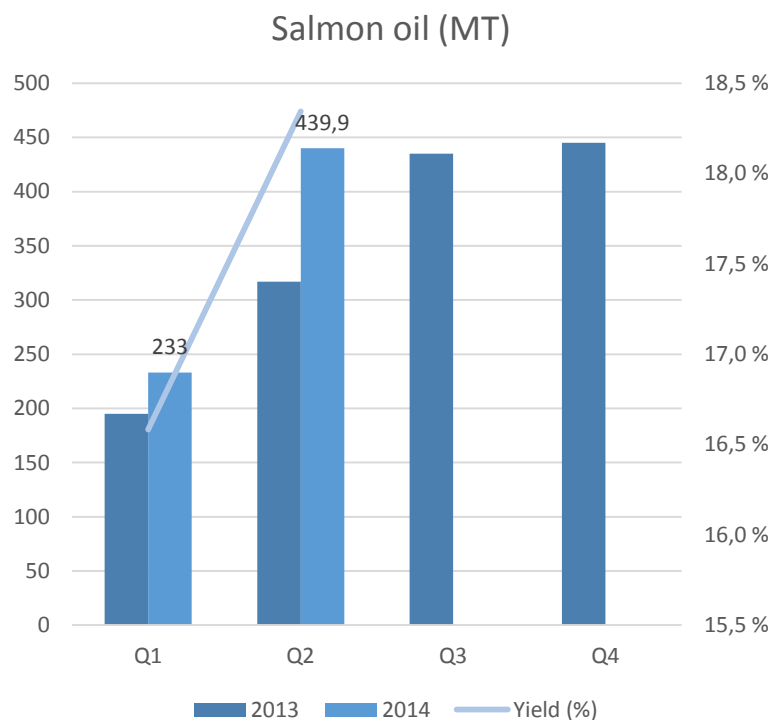
Production update



- HBC processed 2,400 tons of raw material during Q2 compared to 1,405 tons in Q1
- Supply of raw material during Q2 has been satisfactory
- Completed installation of a salt-water scrubber in June to clean process air
- Stop in production from August to November due to damaged steam boiler



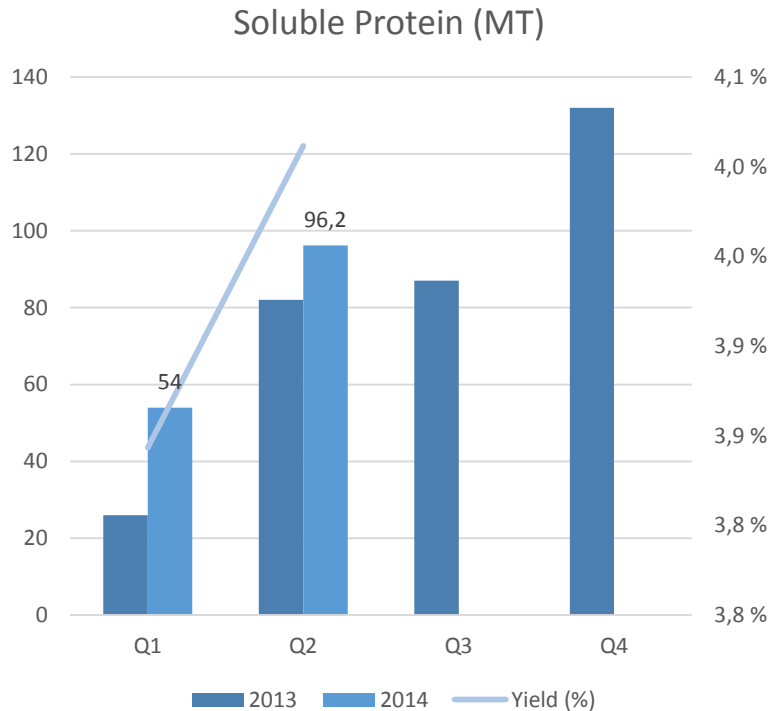
Salmon oil production



- During Q2, HBC produced 440 tons of salmon oil compared to 233 tons in 1Q 2014
- Salmon oil is stored for future shipments
- Significant order to UK in June



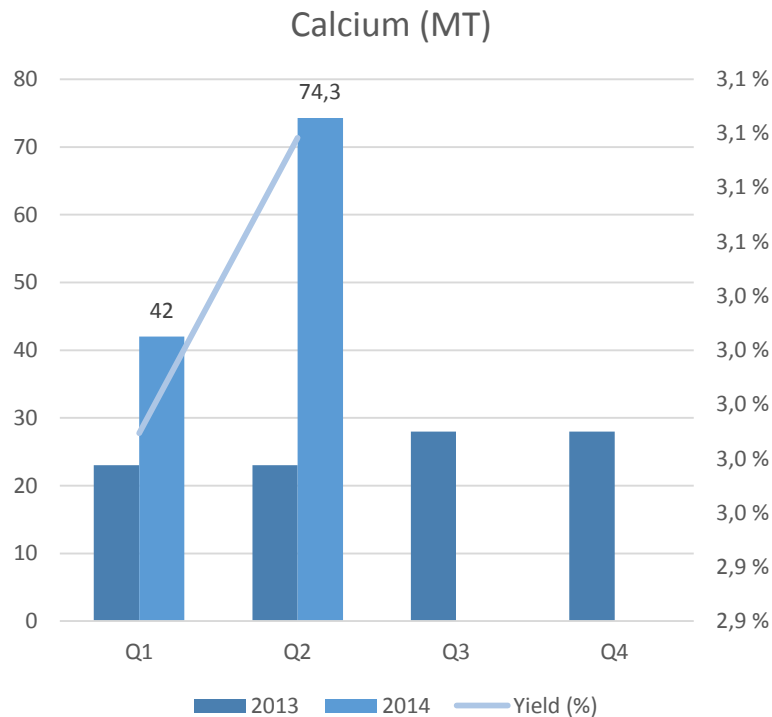
Soluble Protein production



- HBC produced 96 tons of soluble proteins (SPH) compared to 54 tons in Q1
- High quality in production and several test blends for finished products ongoing
- Actions taken to improve yield on the human quality protein



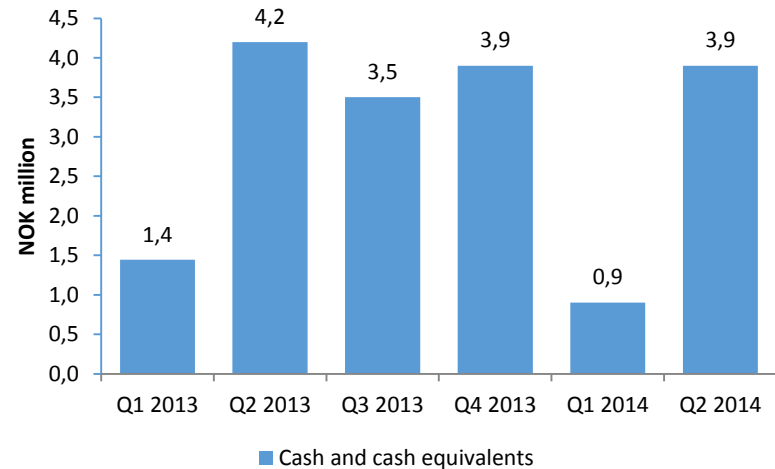
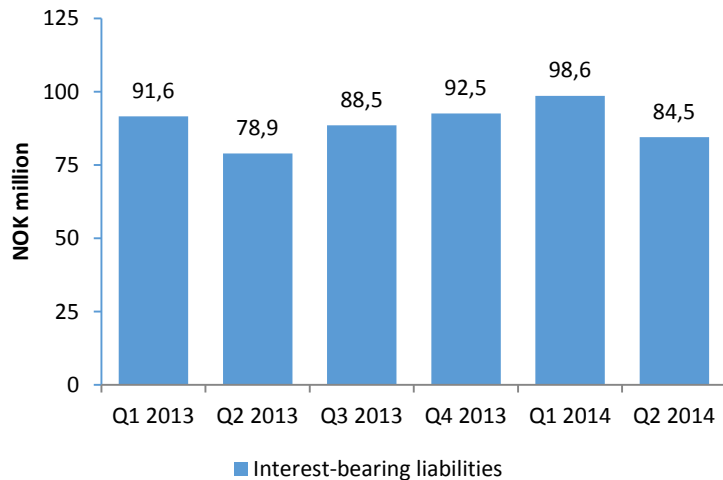
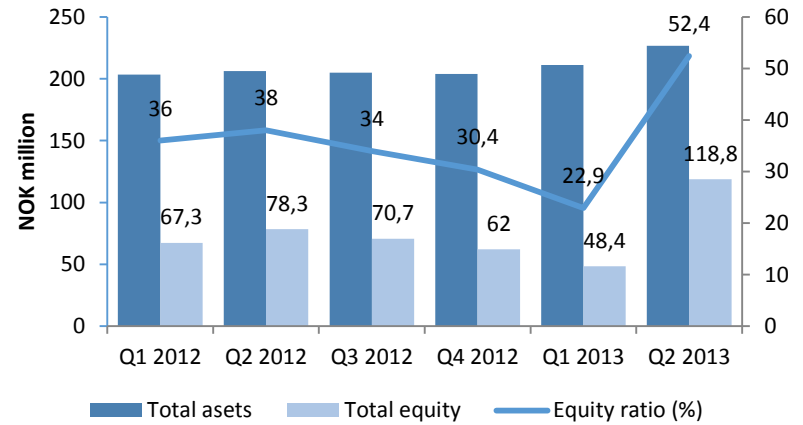
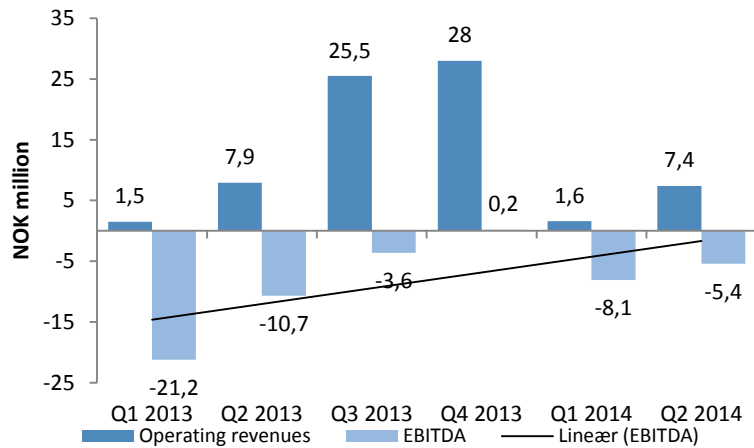
Marine calcium production



- During Q2, HBC produced 74 tons of calcium compared to 42 tons in Q1 2014
- New filter technology installed in 2013 works excellent, and the bone separation process works as designed
- Starting adjustments on drying and milling process during the fall



Operating revenues in Q2 2014 of MNOK 7.4 and EBITDA of MNOK – 5.4
 Significant reduction in cost base. Cash expected to increase in Q3 and Q4



- Biocat Enzyme Substitution for reducing cost of hydrolysis
- Use of Lipase Enzymes to increase PUFA content in our Salmon oil
- Use of ultrafiltration to improve organoleptic performance of SPH
- Expanding the diagnostic assay for OmeGo to the more commonly available and easily tested oxLDL biomarker
- Publication/Patent preparation on processing difference with OmeGo and Bioactivity
- TIM-1 study in the Journal of Functional Foods in Health and Disease
- Fractionating SPH at NSRL for Pharma leads
- New fermentation suitability experiments to prepare a new sell sheet and publication
- Initiated the Herring Hydrolysis project with SINTEF



- Production has improved quality and we have stored excellent products for future sales to customers around the world
- Commercialization is taken serious and we are building sales organization with implementation of new sales strategies
- Sales leads starts to show results and the future will show revenues and good margins
- Focus going forward:
 - Bring Sales organization to a higher level of performance and sustain that performance over time
 - Further work on brand building
 - Presence at trade shows this fall in Las Vegas, Chicago and Jakarta



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