



First Quarter 2022 Financial Report

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06.05.2022



CEO Statement

New customer interest and projects from APAC and the US will significantly improve profits and gross margins of new business in both the global ingredients and the consumer and pet health divisions.



Q1 2022 started the year as strongly as expected given the record order book that had built at the end of 2021 resulting in group revenues growing +84 % year on year to NOK 30.5m vs NOK 16.6m for the same period the previous year.

The global environment for business has clearly been affected by the terrible lack of confidence due to supply chain disruptions from the tragedy unfolding in the Ukraine and our thoughts are with all those affected by the war. Commodity price inflation has been severely impacted, but this has given us a significant pricing tail wind as HBC continues to benefit from improving ingredients pricing.

Sustainability, traceability, and circular economy benefits continue to be at the forefront of all major customers and that means that we continue to open new business opportunities as the company fulfills all these major prerequisites for business development.

Our R&D studies this quarter and next have been very commercially targeted and we expect them to be warmly received from customers and new business partners. Focus on the unique health benefits of our products, discovery science and ongoing collaboration with Stanford School of Medicine continues to be a real differentiator. We continue to see this as a hugely undervalued part of our business that will become more important with time.

Outlook

New customer interest and a growing significant project pipeline from APAC on human ingredients and the US with Brilliant Salmon Oil will continue to improve the revenues and gross margins as all new business develops in more lucrative chan-

nels in both the global ingredients and the consumer and pet health divisions. Furthermore, our attendance and full schedule with customers at Vitafoods in May is expected to drive new demand for our products. All these indications have resulted in the order book growing further record NOK 40m as of at the end of Q1.

Finally, it's worth noting that notwithstanding that Norwegian salmon prices have doubled over the last 3 months, given our long-term fixed contract with Hofseth International, the price increases have not impacted our own raw material costs. The tight market is however leading to temporary lower production of salmon processing and lower volumes of offcuts will be available for processing at HBC in Q2. We have sufficient residual ingredients inventory to sell out and buffer this short term slow down as production normalises again soon.

Roger Hofseth, CEO

Key Figures & Highlights

	Q1 2022	Q1 2021	2022	2021
Gross operating revenue	30 784	16 835	30 784	87 616
EBITDA	-26 207	-18 811	-26 207	-89 214
Operating profit/loss	-33 468	-25 033	-33 468	-25 033
Net cash flow	-28 527	-37 773	-28 527	-122 915
Equity ratio	27.1%	53.6%	27.1%	53.6%

HIGHLIGHTS IN THE FIRST QUARTER

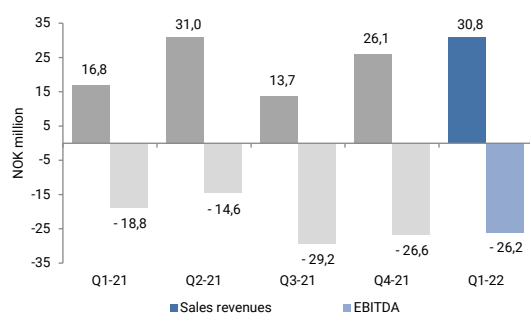
- › The first quarter started with a growth in sales in the ingredient business of 93.5 %, compared to the same period last year and record order book.
- › Our first preclinical assay work of SPH peptides in prostate cancer was published in the journal Marine Drugs this quarter. This work demonstrated that, in combination with androgen deprivation therapy, the SPH peptides enhance anti-tumour activity.
- › Our first clinical trial for CalGo®, demonstrating the enhanced absorbability of CalGo® compared to calcium carbonate in post-menopausal women has been accepted for publication in the Biomedical Journal of Scientific and Technical Research.
- › We have identified 8 structurally similar peptides which drive the FTH1 actions of SPH. These peptides have previously unknown structures with novel composition of matter claim potential. This will lead to a broader IP claim set for HBC.

Financial Review

Figures for the corresponding periods in 2021 are given in brackets.

P&L First Quarter 2022

HBC had gross operating revenues of NOK 30.8m (16.8m) in the first quarter. Cost of sales (CoGS) amounted to NOK 22.1m (8.4m) in the quarter. Operating profit (EBITDA) for the quarter was NOK -26.2m (-18.8m) and Operating loss (EBIT) amounted to NOK 33.5m (25.0m) in the first quarter. Adjusting for one-off bulk sales of ProGo inventory and R&D costs associated with the build-up of the Clinical Trial Unit (CTU) but not to be recognized as intangible assets, gives an adjusted EBITDA of NOK -18.2m in the first quarter.



Cash flow

Cash flow from operations during the first quarter was NOK -8.8m, compared to NOK -17.9m in first quarter last year. Net cash flow from investment activities was NOK -4.6m in the first quarter, compared to NOK -11.5m in the corresponding quarter last year. Cash flow from financing activities amounted to NOK -5.9m in the first quarter, compared to NOK -4.9m in the first quarter in 2021.

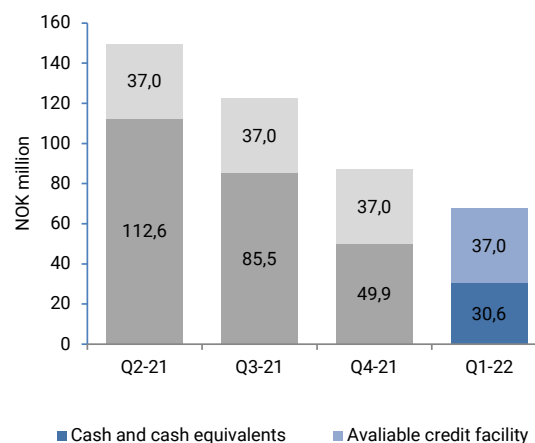
Cash and cash equivalents decreased by NOK 19.3m during the quarter, leaving total holding of cash and cash equivalents at NOK 30.6m by the end of the period, compared to NOK 138.5m by the end of the first quarter 2021. Including credit facilities, HBC had NOK 67.6m in free liquidity by the end of the first quarter 2022.

Financial position

Total assets for HBC were NOK 397.9m at the end of first quarter of 2022 (443.3m). Deferred tax asset of NOK 205.1m is not recognized in the statement of financial position.

Total equity amounted to NOK 108.0m (237.7m) correspond-

ing to an equity ratio of 27.1 % (53.6 %) for the group.



Sales & marketing

Global Ingredients

The first quarter started with a growth in sales in the ingredient business of 93.5 % vs the previous period last year. The quarter ended with a sales of NOK 31m compared to NOK 17m in Q1 of 2021. This is in line with the strong order book which was created in Q4 of 2021 and indicated in the previous quarterly report.

The increase is coming from a significant improvement of sales prices throughout all ingredients and a shift into higher value application like super premium pet food, human nutrition, and nutritional supplements. This conversion from feed and basic pet food is expected to continue in the remaining quarters of 2022 and will contribute not only to the top line, but also to the bottom line.

The new business was mainly created in APAC and in Europe via the network of specialized ingredient distributors. The pipeline of new projects and product launches continues to grow as awareness of our ingredients grow in the marketplace.

The average sales price of OmeGo® will continue to increase meaningfully with new business in the super premium pet food, food flavouring and food fortification channels, as well as increase the in nutritional supplements demand. For ProGo® new concepts for sports nutrition, skin beauty products and medical nutrition will launch throughout the year. This is

a result of the significant improvement of the organoleptic properties of the product after the investment into a new spray drying facility could be finished in the second half of last year.

For CalGo® a new clinical study was completed which demonstrated the superior absorbability of CalGo® compared to Calcium Carbonate. The paper shows CalGo® is six times more absorbable than Calcium Carbonate. This data will help to further enhance the interest of this ingredient and we currently have approx. 60 active projects which are already in an advanced formulation stage. The next launch of a commercial product is expected in May for the Vietnamese market. Next to classical supplement formats our customers are also working on various formats of functional foods and beverages, like powdered drink formats fortified with CalGo®.

Most markets are normalising, and companies begin to participate in trade shows again allowing personal customer meetings pick up again. This is giving us the great opportunity to present the library of formulation prototypes which are jointly developed by HBC and the distributor network.

Only in Mainland China covid is currently still a concern, but despite the lockdown in many cities we see so far, no decline in the interest in our products and we are still confident that we will also reach our growth targets for 2022 in Mainland China.

For the next quarter we will focus on using the data from the newly published studies, continuing in the development of formulation concepts and combine physical meetings with a social media strategy and webinars or hybrid meetings.

From a regulatory perspective we will focus on adding additional new and unique structure-function claims to ProGo® and OmeGo®. We expect exciting new development on this front as soon as Q2.

Consumer and Pet Health

Our Pet Health business will be the major focus for investment, product pipeline and revenue growth during 2022, with the continued expansion of Brilliant® as a major global Pet Health brand covering multiple unique need states, and planned new product launches the result of extensive market expansion and product development work that has undertaken by HBC during the previous 12 months.

Q1 delivered revenue growth of 47 %, driven by new retail listings as well as organic volume growth despite supply chain constraints, and with a record confirmed order pipeline expectations are for continued acceleration during the rest of the year.

Base profitability continues to move upwards, driven by both revenue growth pricing strategies on product mix and the impact of trade cost increases on volume yield. With the re-

launch of our Brilliant® label design, pack size options and the US launch of our new Professional Black Label range during Q1, we anticipate market share and sales growth to increase further this year as we more effectively communicate the unique benefits of our oil to consumers; for example, introducing a QR code on pack that enables consumers to track each and every bottle of salmon oil back to its source.

Our Q1 Amazon UK launch delivered record monthly volume consumption, and Brilliant® Salmon Oil grew to a Number 2 market share position with outstanding customer review scores. Our US launch is now planned for May 2022, with the expectation that this will become our single largest customer account driving both significant recurring revenues and margin profitability

Multi-channel retail expansion continues apace with agreements to launch Brilliant® in 2 major European Pet Chains, a major South American distribution agreement, as well as a landmark national distribution partnership with Animal Health in the US that will increase our Pet Specialty channel reach and sales volume by close to 100 %.

Q1 also saw some of our planned product pipeline nearing completion, with successful base production and phase 1 consumer testing of innovative new products showcasing the other key ingredients from our unique production process. Further consumer and initial production runs on these products will take place during Q2 and if successful we hope to be able to exhibit these as part of our Brilliant® Pet Health stand the Interzoo International Pet Trade Fair in Nuremburg between May 24-27.

We delivered a successful launch of Cardio® Salmon Oil on Amazon UK as we look execute an e-commerce focused channel strategy to provide key market learnings for a future launch of a major consumer health brand. Cardio® will also launch in both Amazon US and Amazon Germany during 2022 and we have now received confirmed large quantity orders from Brazil and China for this range.

R&D Update

In the first quarter of 2022, HBC R&D delivered the following:

- i. Our first preclinical assay work of SPH peptides in prostate cancer was published in the journal *Marine Drugs* this quarter. This work demonstrated that, in combination with androgen deprivation therapy, the SPH peptides enhance anti-tumour activity. Intellectual protection (IP) of the FTH1 activity of the peptides for the treatment of cancer has been put in place by our US attorneys.
- ii. Process optimisation to manufacture the FTH1 peptides has progressed well, and we now have sufficient peptides to commence preclinical work.
- iii. Our collaborators at Stanford University have completed the preclinical profiling of SPH in protecting the gut from intestinal injuries in the classical TNBS-induced inflammatory bowel disease (IBD) model. Clinical trial work, led by Stanford University, is expected to commence during H2 2022. Prior to this, the preclinical work will be published in a peer-reviewed journal during 2022.
- iv. Our study of OmeGo[®] in the management of hospitalised patients with Covid 19 has recruited strongly during Q1 2022 and results are expected later in 2022. This will provide a raft of data on the impact of OmeGo[®] in supporting and improving immune health.
- v. The results from the final House Dust Mite (HDM) allergy preclinical trial with orally administered OmeGo[®] confirm the differentiated and broad anti-inflammatory profile of OmeGo[®], important for optimising health. The results will be published in a peer review journal in 2022. Prior

work in animal models of allergic inflammation has been accepted for publication in the *Journal of Biotechnology and Applied Biochemistry* and publication will occur in Q2 2022.

- vi. Manufacturing optimisation of the lead eosinophilia modulating lipopeptide MA-022 continues. Preclinical trial work, targeting eosinophilic esophagitis, will commence once this is complete.
- vii. Our first clinical trial for CalGo[®], demonstrating the enhanced absorbability of CalGo[®] compared to calcium carbonate in post-menopausal women has been accepted for publication in the *Biomedical Journal of Scientific and Technical Research* and publication will occur in Q2 2022.

HBC Research

OmeGo[®] softgels for respiratory health

The analysis of the final preclinical animal study "*Eosinophil modulating properties of Orally Administered OmeGo[®] Salmon oil (OmeGo[®] softgels) in House Dust Mite extract (HDM)-*



Research Pipeline

Product	Product Fraction	IP	Discovery (≈1y)	Pre-Clinical (≈2y)	Clinical (≈2-3y)	Reg.appr. (≈1y)
Salmon Protein Hydrolysate (SPH) ProGo	SPH-FTH1	F	Iron Deficiency Anemia Treatment			
	SPH-CollaGo	F	Hair, Nail, Skin Health Treatment & Antioxidant			
	SPH-HO1	F	Gastrointestinal Health			
	SPH-ProGo	N	Healthy Weight loss			
	SPH-X1	P	Sarcopenia ¹⁾			
	SPH-X2	P	Pre-Diabetic Co-treatment			
	SPH-X3	P	Rheumatoid Arthritis ²⁾			
Salmon Oil (SO) OmeGo	SO	F	Improved AREDS Formulations for AMD Treatment			
	SO-LP	F	Asthma Co-treatment			
	SO-LP	P	Acne treatment			
	SO-OxLDL-Gp1	F	Cardiovascular Health			
	SO-CoV19	P	COVID-19 Co-Treatment			
Salmon Bone Powder (SBP) CalGo	SBP-X1	P	Osteoarthritis			
	SBP-CalGo	P	Osteoporosis Treatment			

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

induced murine asthma model” has completed and the data will be submitted for publication in a peer-review journal. The results build on the prior animal model work in allergic inflammation and elucidates further the broad anti-inflammatory action of OmeGo®. The data will be submitted for publication in a peer-reviewed journal during 2022. We plan to initiate a clinical trial of OmeGo® in combination with best standard of care in mild to moderate asthma. The study will be run at our Clinical Trial Unit (CTU) in Ålesund. A study in COPD / “smokers lung” will commence 1-2 months after the asthma study.

Planning is underway for a study to assess the impact of OmeGo® softgels on reducing pollution-induced coughing. The inflammation-resolving profile of OmeGo®, as demonstrated by our prior research, is expected to help reduce lung irritation with an improvement in lung function and quality of life. The trial is planned to be run in Southeast Asia where particulate matter pollution is a particular problem and passporting of claims between neighbouring countries can be achieved in a timely manner. A decision on when to undertake the trial will be concluded during Q2 2022.



OmeGo® softgels for immune health

This quarter has seen steady recruitment to our study of OmeGo® in the management of patients hospitalised with Covid-19, in combination with best standard of care. OmeGo® is the only marine oil that contains components that have been shown to reduce eosinophil effector function and increase eosinophil apoptosis in invitro and animal assays. Uncontrolled eosinophil production in lung epithelial cells may play a critical role in the destruction of the respiratory epithelium in SARS-CoV-2 patients. We believe this targeted mechanism of action of

OmeGo®, along with its broad inflammatory-resolving effects, will help speed the recovery of patients hospitalised with mild to moderate COVID-19. Results from the study are expected in 2022. These will include measures of time to recovery, blood markers of inflammation and immune function as well as changes in gene expression markers related to immune function.

ProGo® peptides for weight management

Regulatory feedback in North America has confirmed that we can attain label claims around supporting weight loss and the maintenance of a healthy weight if we undertake one more weight management trial. We already have two datasets which have assessed the pro-metabolic, fat burning qualities of ProGo®, one with weight reduction as the primary endpoint and the other as a secondary endpoint. This information will greatly help with the design of this study and greatly reduce the risks associated with clinical trial work. Planning for this BMI study is underway and a decision on when to undertake the trial will be concluded during Q2 2022.

ProGo® peptides for Gastro-Intestinal (GI) health

The preclinical GI work led by Stanford University has completed and all data will be published by Stanford in a peer reviewed journal which we anticipate will occur by mid-2022. This data shows that SPH provides excellent protection against GI tract inflammation in standard models of inflammatory bowel disease (including the TNBS damaged mouse model) with the mode of action an upregulation of the anti-inflammatory gene system, HMOX1. Discussions on next steps, including funding, for a POC clinical trial in IBS patients at Stanford has begun with trial start-up expected in H2 2022. We anticipate that this work will enable the granting of health claims for SPH as a medical food in the management of IBS and the protection of gut health.

CalGo® for bone and joint health

Our osteoporosis and osteoarthritis clinical trials have been

HBC Pharmaceutical Leads Pipeline

Pharmaceutical Lead	Target	IP	Discovery (≈1y)	Pre-Clinical (≈2y)	Clinical (≈2-3y)	Reg.appr. (≈1y)
Lipopeptide Analog MA-022	Eosinophil Effector Function	F	▶			
FTH1 Peptides	Iron Deficiency Anemia	F	▶			
HMOX1 Peptides	Inflammatory Bowel Disease	F	▶			

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

initiated and are being conducted by the HBC Clinical Trial Unit (CTU) in Ålesund. Each proof-of-concept trial will recruit 100 patients. The bone health trial will assess whether CalGo® prevents a decrease in Bone Mass Density in osteopenic woman over 50 years of age. Our joint health trial is randomising patients with mild to moderate osteoarthritis to three groups: (1) hydrolysed Collagen from CalGo®, (2) non-hydrolysed CalGo®, and (3) placebo to assess the potential to improve pain and joint function.

Novel anti-eosinophilic therapeutic

Our efforts at developing a pharmaceutical lead program around eosinophilia inflammation control is on-going. Our lead analog, MA-022, has shown a clinically significant and enhanced level of eosinophil control in in-vitro. Initial development will focus on eosinophilic esophagitis, an orphan condition that causes pain and difficulty in swallowing. Work for the scaling up of MA-022 synthesis is ongoing and once complete preclinical invitro and in vivo work will commence. Synthesis of a back-up analog, which has similar anti-eosinophilic activity to MA-022, is also being undertaken. We anticipate that the work on up scaling of analog synthesis will conclude during H1 2022.

FTH1 modulation with bioactive peptides derived from SPH

We have identified 8 structurally similar peptides which drive the FTH1 actions of SPH. These peptides have previously unknown structures with novel composition of matter claim potential. This will lead to a broader IP claim set. We have completed the synthesis of the 8 peptides during Q1 2022 to enable invitro assay work for SAR (structure activity relationship) development. In Q2 2022 we will undertake multiple in vitro tests and select the best candidate for scale up synthesis. Animal model testing for Restless Leg Syndrome is ex-

pected to start during H2 2022.

Our first preclinical assay work of our SPH peptides in prostate cancer was published in the journal Marine Drugs this quarter. This work demonstrated that, in combination with androgen deprivation therapy, the SPH peptides enhance anti-tumour activity of bicalutamide. The mode of action is the upregulation of the FTH1 gene system which encodes the heavy subunit of ferritin. As well as an increase in ferritin there is an associated decrease in transferrin which deprives the tumour cells of iron and potentiates the anti-tumour activity of antiandrogen therapy. A second prostate cancer cell line study is planned in combination with the market leading antiandrogen enzalutamide (Xtandi).

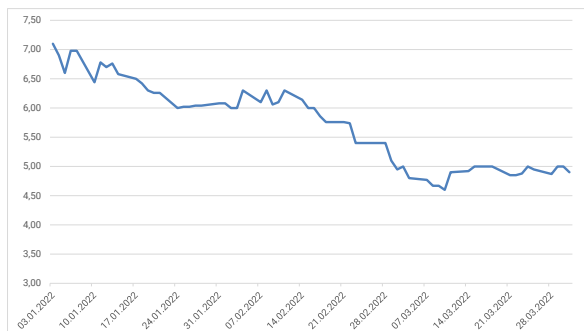
Other indications

Preclinical work for a) SPH peptides for islet cell protection to retard the progression of pre-diabetes to type II diabetes, b) chronic fatigue syndrome continue to progress with encouraging results being followed-up, c) prevention of sarcopenia with SPH peptides through myostatin inhibition, d) SPH in preclinical acne models, e) further profiling the health benefits of different peptide fractions in SPH including anti-diabetic in combination with Nofima, with publication of the results expected H2 2022.



Share information

HBC shares were traded between NOK 4.60 and 7.10 per share in the first quarter and the last closing price on 31 March 2022 was NOK 4.90.



Based on 357,831,030 outstanding shares, this values HBC's

equity at approximately NOK 1,753m. As of 31 March 2022, HBC had 1,383 shareholders. The 20 largest shareholders controlled 85.19 per cent of the shares.

Related party transactions

All related party transactions are being made in the ordinary course of the business at arm's length principle. There were no significant new types of transactions with related parties during the first quarter 2022.

Hofseth BioCare ASA Board of Directors
Ålesund, 6 May 2022

Kristin Fjellby Grung
Chair of the board

Torill Standal Eliassen
Board member

Crawford Currie
Board Member

Christoph Baldegger
Board member

Amy Novogratz
Board member

Roger Hofseth
CEO

Glossary

Acne - A skin condition that occurs when hair follicles plug with oil and dead skin cells causing "pimples" in the skin. These often become infected causing swelling, redness and a discharge of pus. Healing may result in scarring. Acne is most common in teenagers and young adults.

Analog (structural) - a chemical analogue or simply an analogue, is a compound having a structure similar to that of another compound but differing from it in respect to a certain component. This will give the analog a modified profile, including therapeutic effect or duration of activity.

Assay - An assay is an investigative procedure in laboratory medicine, mining, pharmacology, environmental biology, and molecular biology for qualitatively assessing or quantitatively measuring the presence, amount, or functional activity of a target entity.

Asthma - is an inflammatory condition of the lung airways. The airways are narrowed and produce extra mucus, causing wheezing and difficulty in breathing. Asthma can interfere with daily activities and in some cases, it may even result in a life-threatening attack.

Bioactivity (biological activity) - In pharmacology, biological activity describes the beneficial or adverse effects of a drug on living matter.

CalGo - Commercial name for HBC'S Calcium Collagen Complex ingredient derived from the bones of freshly harvested Norwegian Atlantic salmon.

COPD - A group of lung diseases - emphysema and chronic bronchitis - that result from uncontrolled inflammation typically the consequence of long-term smoking. The inflammation results in progressive destruction of the lungs with difficulty in breathing the end result. Treatments centres around inhaled steroids and aims to reduce the symptoms and perhaps the speed of decline of lung function.

Co-treatment - Treatment with two or more agents simultaneously

CRO - Contract Research Organisation - is a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis.

DKSH - Also known as DiethelmKellerSiberHegner, is a Swiss holding company specialising in market expansion services whose main focus is Asia.

Enzymatic hydrolysis - is a process in which enzymes facil-

itate the cleavage of bonds in molecules with the addition of the elements of water. It plays an important role in the digestion of food, for instance peptidases to break protein into smaller peptides.

Eosinophils (Eosinophilic inflammation) - Eosinophils are a type of disease-fighting white blood cell. However, eosinophils can also over-react to external stimuli such as pollen, animal fur, house dust mite etc and produce allergic-type inflammation. Eosinophilic airway inflammation is seen commonly in asthma and COPD and a number of other associated conditions.

Fractionation - Fractionation is a separation process in which a certain quantity of a mixture is divided during a phase transition, into a number of smaller quantities in which the composition varies according to a gradient.

FTH1 gene - is the gene that encodes the heavy chain of ferritin, the protein that stores iron in a soluble, non-toxic, readily available form. Important for the production of hemoglobin and energy metabolism.

Gene Regulation - Gene regulation refers to the mechanisms that act to induce or repress the expression of a gene.

HDM study - House Dust-mite study - House dust mites are tiny creatures related to ticks, chiggers, and spiders and a common trigger for allergic asthma. This is the most commonly used preclinical model to assess asthma treatments

IBD - Inflammatory bowel disease (IBD) is an umbrella term used to describe disorders that involve chronic inflammation of the digestive tract. Types of IBD include: 1) Ulcerative colitis - This condition involves inflammation and sores (ulcers) along the superficial lining of the large intestine (colon) and rectum. 2) Crohn's disease. This type of IBD is characterized by inflammation that can affect any part of the digestive tract (from mouth to anus). It can involve the deeper layers of the digestive tract.

IDA - Iron Deficiency Anemia occurs when one has a decreased level of hemoglobin in red blood cells (RBCs). Hemoglobin is the protein in the RBCs that is responsible for carrying oxygen to the tissues for energy metabolism. IDA is the most common type of anemia, and it occurs when the body doesn't have enough of the mineral iron or is losing blood faster than it can be replaced. The body needs iron to make hemoglobin. Fatigue is the most common symptom.

IMCD - A global leader in the formulation, sales and distribution of speciality chemicals and ingredients.

IP - Intellectual Property

Lipo-peptides - is a molecule consisting of a lipid connect-

ed to a peptide. They are able to self-assemble into different structures.

MA-022 – HBC’s analog derived from a unique lipo-peptide found in OmeGo.

Molecule - a group of two or more atoms that form the smallest identifiable unit into which a pure substance can be divided and still retain the composition and chemical properties of that substance.

Nf- λ B - is an important inflammatory signalling pathway that results in the release of drivers of inflammation including TNF- α . It is an important pathway in numerous inflammatory diseases including inflammatory bowel disease, rheumatoid arthritis, asthma and COPD as well as atherosclerosis (furring of the arteries). It has also been implicated in the development of some cancers such as colorectal cancer.

NOFIMA - Norway’s leading food research institute and engage in applied research and development within the fields of aquaculture, fisheries and the food industry.

Nutraceutical v Pharmaceutical ingredients - pharmaceuticals are the result of clinical trials aimed at treating specific diseases. Nutraceuticals are food-based substances, used for the prevention of diseases. Depending on what ails you, both may be able to relevant to enhance health. Examples of nutraceutical ingredients used in the dry form are vitamins, amino acids, prebiotic & probiotic premixes, proteins, and some minerals such as zinc and folic acid.

OmeGo – HBC’s proprietary fresh, unrefined Salmon Oil.

Osteoarthritis - Osteoarthritis is the most common form of arthritis, affecting millions of people worldwide. It occurs when the protective cartilage that cushions the ends of the bones wears down over time. Although osteoarthritis can damage any joint, the disorder most commonly affects joints in your hands, knees, hips and spine. Most common symptoms are pain, stiffness and aching joints.

Osteoporosis - Osteoporosis results from a progressive loss of bone mass, weakening the bones, making them fragile and more likely to break. It develops slowly over a number of years and is often only diagnosed when a fall or sudden impact causes a bone to break (fracture).

OxLDL-GP1 - Oxidized low Density Lipoprotein is a highly inflammatory form of “bad cholesterol” and an independent risk factor for cardiovascular disease such as heart attack, stroke and angina.

Peptides - Peptides are short chains of amino acids linked by peptide bonds. Chains of fewer than ten or fifteen amino acids are called oligopeptides, and include dipeptides, tripeptides,

and tetrapeptides. Peptides are the commonest way that the body sends signals to control different aspects of bodily functions such as a number of hormones, enzymes and neurotransmitters.

PetGo – is HBC’s commercial name for PHP

PHP – Partially hydrolysed protein. This is the non-soluble protein fraction produced at HBC also referred to at PetGo Salmon Meal.

ProGo - is HBC’S commercial name for the “Bioactive Peptides” or salmon protein hydrolysate produced with HBC’s proprietary enzymatic hydrolysis process.

QSAR model - Quantitative structure–activity relationship models are regression or classification models used in the chemical and biological sciences and engineering. QSAR models first summarize a supposed relationship between chemical structures and biological activity in a dataset of chemicals.

Sarcopenia - Sarcopenia is a syndrome characterized by progressive and generalized loss of skeletal muscle mass and strength, greater than would be expected for the age of the individual. It is strongly correlated with physical disability, poor quality of life and death

SO – Salmon Oil (or OmeGo)

SPH – Salmon Protein Hydrolysate also known as ProGo or Bioactive Peptides.

Synthesis - the production of a substance by the union of chemical elements, groups, or simpler compounds or by the degradation of a complex compound.

TNBS/DDS induced model – TNBS / trinitrobenzene sulfonic acid is commonly used in animal models to induce gut inflammation with similar properties to inflammatory bowel disease. DDS / dextran sulphate sodium is toxic to colonic epithelial cells and also induces inflammation of the bowel akin to inflammatory bowel disease.

TNF- α - Tumour necrosis factor (TNF)-alpha inhibitors. TNF inhibitors suppress the immune system by blocking the activity of TNF, a substance in the body that can cause inflammation and lead to immune-system diseases, such as Crohn’s disease, ulcerative colitis, rheumatoid arthritis, ankylosing spondylitis, psoriatic arthritis and plaque psoriasis.

US/PCT patent filing - The Patent Cooperation Treaty (PCT) assists applicants in seeking patent protection internationally for their inventions, helps patent offices with their patent granting decisions, and facilitates public access to a wealth of technical information relating to those inventions.

Interim Financial Statements

Consolidated



Consolidated statement of comprehensive income

(figures in NOK 1 000, except EPS)	Q1 2022	Q1 2021	2022	2021	Notes
Sales revenue	30 215	16 726	30 215	76 878	8
Other revenue	568	110	568	10 738	
Gross operating revenue	30 784	16 835	30 784	87 616	
Cost of sales	22 088	8 391	22 088	64 517	9
Salaries and other payroll costs	14 791	11 710	14 791	44 713	11
Other operating expenses	20 112	15 546	20 112	67 600	
EBITDA	-26 207	-18 811	-26 207	-89 214	
Depreciation and Write-down	7 261	6 222	7 261	29 350	
Operating profit/loss (EBIT)	-33 468	-25 033	-33 468	-118 565	
Financial income	261	425	261	3 678	13
Financial expenses	2 459	2 236	2 459	11 577	13
Net financial items	-2 199	-1 811	-2 199	-7 899	13
Profit/loss before taxes	-35 666	-26 844	-35 666	-126 464	
Tax expense	0	0	0	0	
Profit for the period	-35 666	-26 844	-35 666	-126 464	
Total comprehensive income for the period attributable to:					
Non-controlling interests	0	0	0	-1	
Shareholders in HBC (majority)	-35 666	-26 844	-35 666	-126 463	
Total	-35 666	-26 844	-35 666	-126 463	
Earnings per share (EPS)	-0.10	-0.08	-0.10	-0.35	
Basic earnings per share (NOK)	-0.10	-0.08	-0.10	-0.35	

The interim financial information has not been subject to audit.

Consolidated condensed statement of financial position

(figures in NOK 1 000)	Q1 2022	Q1 2021	2022	2021	Notes
Research, patents etc.	52 739	44 020	52 739	53 055	5
Property, plant and equipment	183 457	141 643	183 457	183 551	6
Financial assets	6 804	7 333	6 804	9 057	7
Total non-current assets	243 000	192 996	243 000	245 663	
Inventories	92 714	85 285	92 714	90 813	10
Trade receivables	18 639	16 957	18 639	10 089	12
Other current assets	12 992	9 566	12 992	19 488	
Cash and cash equivalents	30 572	138 535	30 572	49 921	
Total current assets	154 918	250 343	154 918	170 310	
Total assets	397 917	443 339	397 917	415 973	
Share capital	3 578	3 578	3 578	3 578	14
Other Paid in equity (+) Uncovered losses (-)	105 118	234 820	105 118	137 485	
Non-controlling interests	-685	-684	-685	-685	
Total equity	108 011	237 715	108 011	140 378	
Non-current liabilities interest bearing	120 988	86 047	120 988	124 662	
Total non-current liabilities	120 988	86 047	120 988	124 662	
Other Interest-bearing loans, leasing and borrowings	14 617	11 652	14 617	14 519	
Trade payables	142 917	93 338	142 917	124 165	
Other current liabilities	11 384	9 588	11 384	12 249	
Total current liabilities	168 918	119 578	168 918	150 933	
Total equity and liabilities	397 917	443 339	397 917	415 973	

The interim financial information has not been subject to audit.

Consolidated condensed statement of changes in equity

(figures in NOK 1 000)	Q1 2022	Q1 2021	2022	2021	Notes
Equity at start of period	140 378	263 764	140 378	263 764	
Share based payment program costs	506	1 270	506	3 487	
Other changes in equity					
Profit/loss for the period	-35 666	-26 844	-35 666	-126 464	
Other comprehensive income/expenses	0	0	0	0	
Total comprehensive income	-35 666	-26 844	-35 666	-126 464	
Equity at the end of period	108 011	237 715	108 011	237 715	

Earnings per share

(figures in NOK 1 000, except EPS)	Q1 2022	Q1 2021	2022	2021
Number of shares end of period	357 831	357 831	357 831	357 831
Weighted average number of shares	357 831	357 831	357 831	357 831
Effect of employee stock options and warrants	5 521	5 349	5 521	5 521
Weighted average number of shares diluted	363 352	363 180	363 352	363 352
Basic earnings per share (NOK)	-0.10	-0.08	-0.10	-0.08
Diluted earnings per share (NOK)	-0.10	-0.08	-0.10	-0.08

Consolidated condensed cash flow statement

(figures in NOK 1 000)	Q1 2022	Q1 2021	2022	2021
Cash flow from operational activities				
Profit before taxes	-35 666	-26 844	-35 666	-35 666
Depreciation and write-off	7 261	6 222	7 261	29 350
Changes in Inventory	-1 901	-11 983	-1 901	-17 511
Changes in trade debtors	-8 550	-2 690	-8 550	4 178
Changes in trade creditors	18 752	13 382	18 752	39 209
Changes in other current bal. sheet items	9 179	2 252	9 179	65
Classified as financial activities	2 093	1 804	2 093	9 394
Net cash flow from operational activities	-8 833	-17 856	-8 833	-61 779
Cash flow from investment activities				
Investments in tangible assets	-3 569	-8 542	-3 569	-22 924
Investments in intangible assets	-1 002	-2 954	-1 002	-14 827
Other investments	0	0	0	-188
Net cash flow from investment activities	-4 571	-11 496	-4 571	-37 939
Cash flow from financing activities				
Issuance of share capital				
Transaction cost on issue of shares				
Payment of interest	-2 093	-1 804	-2 093	-9 394
Proceeds from borrowings	0	0	0	1 087
Repayment of borrowings	-3 852	-3 144	-3 852	-14 890
Net cash flow from financing activities	-5 945	-4 948	-5 945	-23 197
Net change in cash and cash equivalents	-19 349	-34 301	-19 349	-122 915
Cash and cash equivalents at the beginning of the period	49 920	172 835	49 920	172 835
Cash and cash equivalents at the end of the period	30 572	138 535	30 572	49 920
Available unused credit facility	37 000	37 000	37 000	37 000
Total cash and unused credit facility	67 572	175 535	67 572	86 920

Selected notes to the condensed financial statements

1. General information and basis for preparation

This report has been prepared in accordance with IAS 34 Interim Financial Statements. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as of 31 December 2021.

2. Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make judgments when choosing and applying accounting principles. Further, IFRS requires the management to make estimates based on judgments, and that estimates, and assumptions are realistic. All estimates are considered to be the most likely outcome based on the management's best knowledge.

The Group's most significant accounting estimates and areas of judgment are the following: a) Going concern, b) Allocation of production costs in manufacturing cost of finished product cost, c) Transactions with related parties, d) Recognition of intangible assets, e) Depreciation, amortization and impairment of fixed assets and intangible assets, f) Deferred tax asset, g) Inventory – obsolescence and h) Assessment of losses on accounts receivables

5. Intangible assets

(figures in NOK 1 000)	R&D	Systems	Patents	Other	Total
Book value at 31.12.2021	48 172	3 666	1 292	0	52 952
Additions	316	686	0	0	1 002
Depreciations for the period	967	177	70	0	1 214
Book value at 31.03.2022	47 521	4 175	1 222	0	52 740
Economic life	10 years	5 years	5-10 years	10 years	

6. Property, plant and equipment

(figures in NOK 1 000)	Machines and Equipment	Fixtures and fittings	Total
Book value at 31.12.2021	63 209	2 281	72 052
Additions	3 569	0	3 569
Depreciations for the period	2 621	150	2 771
Book value at 31.03.2022	64 157	2 131	72 850
Economic life	5-10 years	3-10 years	
Method of depreciation	straight line	straight line	

Going Concern

In accordance with section 3-3a of the Accounting Act, it is confirmed that the assumptions regarding continued operations are present and that the interim report has been prepared under the assumption of continued operation.

It is emphasized that in general there is uncertainty associated with continuing operations, considering the Group's ability to sell the products with sufficiently high margins, and have sufficient cash available. The company has established several contracts that secure large sales volumes, but at a lower price than the long-term objective. However, most of the contracts have been renegotiated during the quarter and the Board expect higher margins going forward. The Board of Directors is continuously reviewing the cash balance and equity of the Company and plan to implement appropriate measures in form of loans or equity, if needed, to ensure continuous operations and sufficient cash to execute on planned activities to generate positive cash flow and profitability.

3. Taxes

Deferred tax assets are not been recognized in the financial statements. Estimated value is NOK 205.1m.

4. Transactions with related parties

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

Leased objects

(figures in NOK 1 000)	Rented buildings	Machinery and equipment	Other rentals	Total
Book value at 31.12.2021	83 604	35 151	1 586	120 686
Additions	0	0	0	0
Depreciations for the period	2 083	1 174	19	3 276
Book value at 31.03.2022	81 521	33 977	1 567	117 410
Economic life	13 years	5-10 years	3-5 years	
Method of depreciation	straight line	straight line	straight line	

7. Financial assets

(figures in NOK 1 000)	Q1 2022	Q1 2021	2021
HFS Alliance Inc.	0	477	0
Atlantic Delights Limited	6 517	6 517	6 517
Investments in other companies	25	25	25
Other	261	314	261
Total Financial Assets	6 803	7 333	6 803

8. Segments

(figures in NOK 1 000)	Q1 2022	Q1 2021	2022	2021
Per product				
Salmon oil	16 329	9 058	16 329	43 081
Protein	6 085	705	6 085	9 503
Calcium	997	1 486	997	2 716
PHP	6 510	5 401	6 510	20 920
By-product/other	863	186	863	6 048
Insurance settlement	0	0	0	5 348
Total revenues	30 784	16 836	30 784	87 616

9. Cost of sales

(figures in NOK 1 000)	Q1 2022	Q1 2021	2022	2021
Cost of goods sold	21 314	10 355	21 314	64 075
Net obsolete cost	774	-1 965	774	399
Net cost of sales	22 088	8 391	22 088	64 474

10. Inventory

(figures in NOK 1 000)	Q1 2022	Q1 2021	2021
Per product			
Raw material	5 963	3 110	5 146
Finished goods	84 516	79 656	83 474
Spare parts equipment	2 236	2 519	2 236
Total inventory	92 715	85 285	90 856

11. Salaries and other payroll costs

(figures in NOK 1 000)	Q1 2022	Q1 2021	2022	2021
Salaries incl social security and pension	14 785	11 613	14 785	46 649
Share based payment	506	1 270	506	3 487
Activated costs	-500	-1 173	-500	-3 569
Salaries and other payroll costs	14 791	11 710	14 791	46 566

12. Trade receivables

(figures in NOK 1 000)	Q1 2022	Q1 2021	2021
Trade receivables	18 639	16 957	10 089
Total receivables	18 639	16 957	10 089

Accounts receivable are not interest-bearing receivables and general terms and conditions for payment are from 7 to 90 days. All significant accounts receivables are credit secured by Coface, limited to a maximum of MNOK 11 and with a coverage rate of 90 %. Historical credit losses for customers over the past five years are approximately NOK 0.2 million.

13. Finance

(figures in NOK 1 000)	Q1 2022	Q1 2021	2022	2021
Interest expense	2 093	1 818	2 093	9 377
Interest income	0	14	0	613
Net currency exchange	-105	-7	-105	914
Net financial items	-2 199	-1 811	-2 199	-7 914

14. Shareholders

Largest shareholders as of 31 March 2022

Shareholder	Account Type	Shareholdings	% stake
SIX SIS AG	Nominee	70 187 006	19.61
HOFSETH INTERNATIONAL AS	Ordinary	58 881 778	16.46
RH INDUSTRI AS	Ordinary	51 500 000	14.39
YOKOREI CO. LTD	Ordinary	40 951 333	11.44
GOLDMAN SACHS INTERNATIONAL (AQUA-SPARK)	Nominee	12 100 000	3.38
BRILLIANT INVEST AS	Ordinary	11 000 000	3.07
CREDIT SUISSE (SWITZERLAND) LTD.	Nominee	9 195 462	2.57
GOLDMAN SACHS & CO. LLC	Nominee	8 326 830	2.33
CITIBANK, N.A.	Nominee	6 939 064	1.94
JPMORGAN CHASE BANK, N.A., LONDON	Nominee	4 141 801	1.16
THE BANK OF NEW YORK MELLON SA/NV	Nominee	4 017 886	1.12
UBS SWITZERLAND AG	Nominee	3 969 171	1.11
THE BANK OF NEW YORK MELLON	Nominee	3 584 288	1.00
LGT BANK AG	Nominee	3 473 871	0.97
BOMI FRAMROZE HOLDING AS	Ordinary	3 253 370	0.91
INITIA AB	Ordinary	3 164 145	0.88
SAXO BANK A/S	Nominee	2 692 519	0.75
VERDIPAPIRFONDET DNB SMB	Ordinary	2 535 179	0.71
CLEARSTREAM BANKING S.A.	Nominee	2 475 244	0.69
THE NORTHERN TRUST COMP, LONDON BR	Nominee	2 433 865	0.68
Total 20 largest		304 822 812	85.19
Total other		53 008 218	14.81
Total no. of outstanding shares		357 831 030	100.00

Total number of shareholders: 1,383

This is Hofseth BioCare

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

HBC is a Norwegian consumer and pet health ingredient supplier and an incubator for new drug leads. Research is ongoing to identify the individual elements within its ingredients that modulate inflammation and the immune response with pre-clinical studies in multiple clinics and university research labs in several countries.




Lead clinical and pre-clinical candidates are focused on developing an oral pharmaceutical lead program to treat inflammatory disease driven by eosinophils. Preclinical trial work with the oil is ongoing to ameliorate lung inflammation in eosinophilic asthma and COPD ("smokers lung") as well as clinical work in COVID. Other leads are focused on the protection of the Gastro-Intestinal (GI) system against inflammation (including ulcerative colitis and the orphan condition necrotising

enterocolitis) and using peptide fractions of salmon protein hydrolysate (SPH also known as 'ProGo') as a Medical Food to help treat age-related Sarcopenia, and as a treatment for Iron Deficiency Anemia.

The company is founded on the core values of sustainability, optimal utilization of natural resources and full traceability. Through an innovative hydrolysis technology, HBC can preserve the quality of lipids, proteins and calcium from fresh salmon off-cuts.

Hofseth BioCare's headquarters are in Ålesund, Norway with branches in Oslo, London, Zürich, Chicago, Palo Alto and Tokyo. HBC is listed on Oslo Stock Exchange with ticker "HBC".

OUR PRODUCTS AND INGREDIENTS

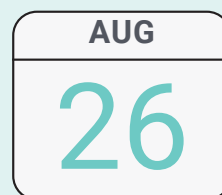
Ingredient	About	Finished products
	Fresh unrefined salmon oil. Produced with 4 years shelf life, full spectrum of omegas and natural antioxidants.	Cardio Salmon Oil™ for human consumption and Brilliant Salmon Oil™ for pets
	Salmon protein hydrolysate. Peptides for fast uptake, and documented BMI reduction, hemoglobin and energy increase.	Endurance Protein™ series as sports nutrition for athletes, active and people looking for a high quality, hypoallergenic protein source
	Marine bone powder, as hydroxyapatite form of calcium for best bone growth and density increase.	Strength Calcium™ as tablets for human consumption

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Half-yearly Report



Q3/2022 Financial Report