



Fourth Quarter 2021 Financial Report

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CEO Statement

The order book after just the first month is setting a record, standing at NOK 25m, four times higher than the same period last year.



2021 was the year when HBC finally turned a corner with significant growth acceleration in every category, both in finished consumer products and ingredients. After consecutive years of re-investing in R&D and manufacturing, revenues grew nearly 50% year on year, and I believe we are just at the start of our journey. The strong investment in high calibre individuals over the last 12 months has made the difference as the specialty ingredients sector is finally starting to realise the value of our production. Revenue growth was driven by higher prices and higher demand from multiple geographies, and we see this dynamic continuing into 2022. The strong sustainability story and potential to equip customers with a true circular economy story continues to gain traction and understanding that HBC is the only company that turns fresh salmon offcuts into nutraceutical grade ingredients is being more fully appreciated by the market. As Covid restrictions slowly lifted throughout the year, HBC was able to successfully attend industry benchmark exhibitions such as Vitafoods in Geneva and Zoomark for pet products in Bologna. The feedback has been very encouraging indeed.

R&D has continued to have multiple success stories and the note published mid-year entitled "New Pharmaceutical Drug leads" really epitomises how close we are to deliver completely new compounds to treat significant unmet needs in the areas of respiratory inflammation and iron deficiency anemia, and a peptide group within ProGo that significantly reduces GI inflammation. All of our GI discovery work is in collaboration with the world leading research centre at the Stanford School of Medicine. Indeed, our CSO has been a visiting scholar at Stanford since 2020 and continues to collaborate closely with them on this project.

Since mid-2021, HBC set up a "Trial Work Committee" (TWC) whereby R&D, Regulatory and the Commercial team collaborate in planning all future R&D investments in animal and human studies. This structure will enable HBC to be focused and committed to spending investment dollars in as profitable a way as possible. This has already led to a commercial consumer health trial to assess the absorbability and bioavailabil-

ity of CalGo vs the market leading calcium supplement - calcium carbonate. The result demonstrates that CalGo is six times more absorbable than calcium carbonate. We believe this will now open up the commercial market for human application to enhance bone health. Our ongoing osteoporosis study will build further on this benefit.

The expert regulatory support that HBC now has in place has started to commercialise our ingredients that have marked effectiveness and no safety concerns. This is giving us the best possible chance of success. HBC now has a staggering 48 health claims across FDA, Health Canada and EFSA for just 3 ingredients. CalGo and OmeGo were granted NDI (new dietary ingredient) status by the US FDA in Q4 which furthers adds to our story.

Outlook

Sales growth is now HBC's sole primary focus having laid a new, solid foundation over the past 12 months with a new commercial team and exclusive agreements with global distributors. Q1 2022 has started very strongly. The order book after just the first month is setting a record, standing at NOK 25m, four times higher than the same period last year. This is representative of both a higher number and larger size of orders, indicative of a broad-based interest across all products. Furthermore, the supply of OmeGo and PHP is now very tight vs our indicated demand into H1/2022 so the pricing outlook is also positive for the year ahead. Given the new extensive health claims we can now use with the FDA in the US and with EFSA in Europe, the short and medium-term outlook for the use of HBC ingredients in higher priced human application is strong.

Roger Hofseth, CEO

Key Figures & Highlights

	Q4 2021	Q4 2020	2021	2020
Gross operating revenue	26 080	23 053	87 616	69 252
EBITDA	-24 021	-19 546	-86 636	-65 255
Operating profit/loss	-31 428	-29 053	-115 986	-92 021
Net cash flow	-35 868	-37 768	-123 102	78 187
Equity ratio	34.0%	57.4%	34.0%	57.4%

HIGHLIGHTS IN THE FOURTH QUARTER

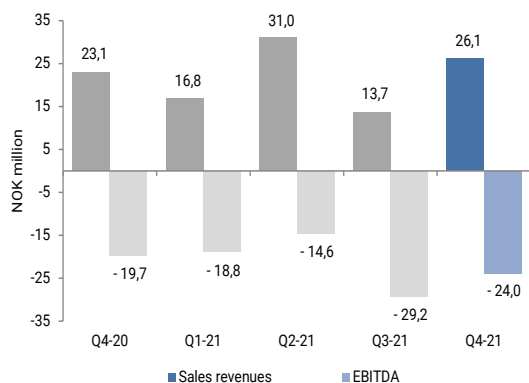
- › HBC has, during the fourth quarter, successfully achieved New Dietary Ingredient (NDI) status from the FDA for OmeGo® and CalGo®.
- › Our work with IMCD is progressing favourably and their laboratories have formulated additional new formats and product prototypes, such as popular gummies and chewables to offer their clients. First commercial orders were also generated during the fourth quarter.
- › Stanford University have completed the statistically significant trial that confirmed the effectiveness of SPH on reducing intestinal injuries in the classical TNBS-induced inflammatory bowel disease (IBD) model.
- › Aqua Spark has become a new strategic investor in HBC and Amy Novogratz was elected a new member to the Board of Directors in December.

Financial Review

Figures for the corresponding periods in 2020 are given in brackets.

P&L Fourth Quarter 2021

HBC had gross operating revenues of NOK 26.1m (23.1m) in the fourth quarter and total operating revenues of NOK 87.6m (69.3) for the full year. Cost of sales (CoGS) amounted to NOK 20.9m (16.7m) in the quarter and NOK 64.5m (39.5m) for 2021. Operating profit (EBITDA) for the fourth quarter was NOK -24.0m (-19.5m) and NOK -86.6m (-65.3m) for the full year 2021. Operating loss (EBIT) amounted to NOK 31.4m (29.1m) in the fourth quarter and NOK 115.9m (92.0m) for the full year.



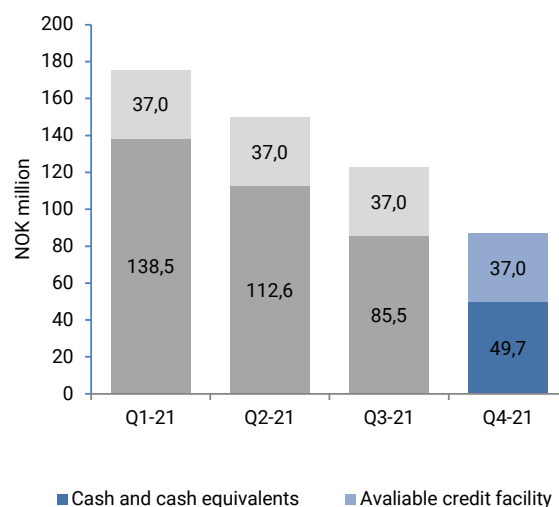
Net financial items in the fourth quarter were NOK -3.2m (-2.0m) and NOK -7.9m (-10.1m) for full year 2021. Loss before tax was NOK 34.6m in the quarter, compared to a loss of NOK 31.1m during fourth quarter in 2020. Losses for 2021 was NOK 123.9m compared to a loss of NOK 102.1m in the corresponding period last year.

Cash flow

Cash flow from operations during the fourth quarter was NOK -16.5m, compared to NOK -16.5m in fourth quarter last year. Cashflow from operations for 2021 was NOK -56.4m (-59.6m). Net cash flow from investment activities was NOK -11.6m in the fourth quarter, compared to NOK -12.6m in the corresponding quarter last year and NOK -45.3m (-63.0m) for whole 2021. Cash flow from financing activities amounted to NOK -7.9m in the fourth quarter, compared to NOK 178.2m in the fourth quarter in 2020 and NOK -21.4m (200.9m) for 2021.

Cash and cash equivalents decreased by NOK 35.9m during the quarter, leaving total holding of cash and cash equivalents at NOK 49.7m by the end of the period, compared to NOK 172.9m by the end of the fourth quarter 2020. For the full year

2021 cash decreased with NOK 123.1m compared to increase of 78.3m in 2020. Including credit facilities, HBC had NOK 86.8m in free liquidity by the end of the fourth quarter 2021.



Financial position

Total assets for HBC were NOK 417.5m at the end of fourth quarter of 2021 (459.1m). Deferred tax asset of NOK 190.3m is not recognized in the statement of financial position.

Total equity amounted to NOK 142.1m (263.8m) corresponding to an equity ratio of 34.0 % (57.4 %) for the group.

Sales & marketing

Global Ingredients

Q4 continued its strong YoY trends as sales continued to accelerate vs the previous period last year, up over 21 %. For the FY21, sales revenues ended at NOK 82.1m compared favourably with NOK 54.9m in 2020, up over 49 % YoY. The market for base feed & pet health remained very strong with HBC selling out of all its pet grade protein and feed/pet food salmon oil inventory by the end of the year. Additional new customers were onboarded for 2022 and the strong demand for the development of new formulations for human nutritional applications continued.

Our work with IMCD is progressing favourably. Their laboratories have formulated additional new formats and product prototypes to offer their clients. First commercial orders were also generated in Q4. In Asia, DKSH's marketing work continues to translate into demand for product with orders for ProGo® coming from Indonesia, Mainland China and Taiwan, as well as CalGo® orders from Malaysia and Vietnam. HBC's network of specialized distributors will be further strengthened in Iberia with a new exclusive distribution agreement for Spain and Portugal.

As Covid restrictions remained in place webinars and virtual customer meetings continued to be very important marketing tools. Those platforms are now totally accepted and appreciated by customers and have proven to be very successful in reaching interested potential new customers. The most successful webinar was done in Mainland China, coordinated by DKSH, which reached more than 3,200 active participants which immediately generated more than 50 projects.

The digital channels like webinars will likely remain the most important interface to customers looking into 2022 and we have now developed a PR strategy with a strong digital focus and a dedicated social media component. HBC has also made notable progress in summarizing regulatory support information on the ingredients by completing the analysis of the possible label claims customers can use for their formulations.

From a regulatory standpoint, HBC successfully achieved New Dietary Ingredient (NDI) status from the US Food and Drug Administration (FDA) for OmeGo® and CalGo®. This is a strong differentiating factor for marketing in the US as our products will stand out from the rest of the competition, both from a quality and safety perspective. Not only do most applications for NDI status fail, but there are just four other fish oils in the whole of the US market with NDI status.

Consumer and Pet Health

The momentum behind our Consumer and Pet Health business continued to build in Q4 with YoY sales growth of 78 %. Full year performance was strong across all existing regions, North America, EMEA and APAC with plans to accelerate growth across each of these geographies now in place for 2022.

Our Pet Health business the positive performance on Brilliant™ was driven by a number of factors, most notably 1) strong consumption performance across the brand with continued testimonial feedback on the positive effect that Brilliant Salmon Oil has on pet's health – this feedback continues to be a key element of our social media marketing activities, 2) the impact of our revenue growth strategies with the full impact of our trade price increases now coming through in the P&L coupled with increased trade up to larger, higher priced pack sizes and 3) the acceleration of our multi-channel trade plans with greater traction across national and international retailers and the rapid expansion of our E-commerce businesses, especially in Europe.

Q4 was a particularly exciting quarter of engagement with new trade customers for Brilliant™, especially as a result of our presence at the Zoomark 2021 Pet Exhibition in Bologna during November. This event enabled numerous face-to-face meetings with both key existing and new customers and has helped us to secure presence in several new countries and customers for the brand in 2022. This includes expansion into LATAM markets and southern Europe in line with the brand strategy to expand global access in new geographies.

The strong branding and new product innovation plans for our Brilliant™ proposition, underpinned by our core focus on scientifically proven health benefits, sustainability and traceability, continues to be well received by our trade customers and bodes well for continued strong performance on the brand in 2022. On innovation we expect to see test production on several new Brilliant™ products taking place in Q1 with multi-market launch plans for H2 continuing to progress. This is in line with our strategy to bring unique and relevant Pet Health products to market that expand the brand into new usage occasions and health benefit areas.

Progress on our Consumer Health business continued in Q4 with plans for the first of our new products on our new brand being confirmed with our manufacturing partner. Consumer packaging designs are now at advanced stage and will include new claims approved by FDA and other regulatory bodies around the world. The new brand will launch initially via a direct to consumer and e-commerce model and then roll out to retailers in the US and other global priority markets. Work on additional launch markets beyond the US is now progressing to ensure the new brand is available in both North America and Europe in H2 of 2022.

R&D Update

In the fourth quarter of 2021, HBC R&D delivered the following:

- i. IP protection work for the novel peptides in SPH that up-regulate the FTH1 gene continues to progress under the stewardship of our US attorneys. These peptides promote the production of ferritin and thereby help the body optimise iron stores and prevent anaemia. Process optimization to manufacture a FTH1 gene-enhancing SPH leading to increased concentration of serum ferritin is progressing well.
- ii. Scale up multi-gram synthesis of the lead eosinophilia modulating lipopeptide MA-022 is ongoing. Preclinical trial work, with MA-022 dosed orally in a house dust mite (HDM) model of asthma, will commence in 2022.
- iii. The final HDM allergy preclinical trial to modulate eosinophilia with orally administered OmeGo® at two ranging doses (high/low) has been completed and full results are expected during Q1 2022. Initial results indicate that oral dosing replicates the effect seen with intraperitoneal (with injection) dosing of OmeGo®. The oral data will be submitted to a peer review journal for publication.
- iv. Our first clinical trial for CalGo®, to compare the absorbability of CalGo® compared to calcium carbonate has been accepted for publication. The paper is titled: 'A randomized, blinded, calcium carbonate-controlled cross-over study of serum calcium levels 24h after CalGo oral supplementation in post-menopausal women'. Publication is expected during Q1 2022.
- v. Our collaborators at Stanford University have completed the statistically significant mouse trial that confirmed the effectiveness of SPH on reducing intestinal injuries in the classical TNBS -induced inflammatory bowel disease (IBD) model. We are also using negative control collagen peptides for calorie equivalence and measuring anti-oxidative gene regulation (such as HMOX-1) in serum and tissue samples to better characterise the mode of action. Results are expected during H1 2022. This is the final stage of preclinical work and these positive results will lead to the planning and initiation of clinical trial work in mild to moderate inflammatory bowel disease.
- vi. Initial invitro work in prostate cancer has assessed the potential for the SPH peptides to enhance the inhibition of growth in two human prostate cancer cells lines when combined with androgen deprivation therapy compared to androgen deprivation therapy alone. Initial IP protections are being put in place and the data will be submitted for peer review and publication during Q1 2022.

Research Pipeline

Product	Product Fraction	IP	Discovery (≈1y)	Pre-Clinical (≈2y)	Clinical (≈2-3y)	Reg.appr. (≈1y)
Salmon Protein Hydrolysate (SPH) <i>ProGo</i>	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) <i>OmeGo</i>	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) <i>CalGo</i>	SBP-X1	P	Osteoarthritis			
	SBP-CalGo	P	Osteoporosis Treatment			

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

HBC Research

Novel asthma therapeutic

The final preclinical animal study “Eosinophil modulating properties of Orally Administered OmeGo® Salmon oil (OmeGo® softgels) in House Dust Mite extract (HDM)-induced murine asthma model” has completed and serum and tissue analyses are almost complete. The available data indicates that oral dosing replicates the excellent results seen with OmeGo® on respiratory inflammation using Intraperitoneal (IP) injection delivery. We will submit the data for peer review and publication during Q1 2022.

Our efforts at developing a pharmaceutical lead program around eosinophilia inflammation control is on-going with rapid success. We have made and tested 24 SAR (Structure-Activity Relationship) analog compounds of which one (MA-022) has shown a clinically significant and enhanced level of eosinophil control in in-vitro. We are following up with scaling up the synthesis of MA-022. Together with the other analogs, MA-022 is the subject of a new US/PCT patent filing (filed in June 2021). Once the patenting process is complete, we will apply for New Chemical Entity (NCE) status in the US to further enhance patent protection.

OmeGo® softgels in COVID-19 treatment

Recruitment to our inpatient Covid study, based in Hungary, Serbia and Brazil is ongoing. The trial is assessing the potential for OmeGo® to prevent progression from mild and moderate COVID-19 to severe COVID-19 in SARS-CoV-2 infected patients and the first interim analysis will occur during February 2022. This analysis is pre-planned to occur one month after 30 patients have been recruited.

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 epitheli-

um in SARS-CoV-2 patients.

We believe this targeted mechanism of action of OmeGo®, along with its broad inflammatory-resolving effects, will help reduce the number of COVID-19 patients who will progress to severe disease and require assisted respiration management as well as shorten their time to recovery.



OmeGo® - supportive preclinical work in Asthma

The final preclinical animal study “Eosinophil modulating properties of Orally Administered OmeGo® Salmon oil (OmeGo® softgels) in House Dust Mite extract (HDM)-induced murine asthma model” is ready with protocol approvals for Q3 implementation. We hope to show that the excellent results seen with OmeGo® on respiratory inflammation using IP injection are replicated with oral dosing.

Treatment of iron deficiency anemia (IDA)

The peptide lead structure novelty searching is on-going. This work has already shown that some of our active peptides are unknown structures with novel composition of matter claim potential. We have completed an in-silico study to expand the scope of active structures from our core 6-mer bioactive peptide lead. This should lead to a broader IP claim set, improved anemia reducing bioactivity and broaden the scope for our ongoing process development work. In 2022 this will enable us to increase the concentration of these peptides in our salmon protein hydrolysate and thereby produce a capsule format to

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

target iron deficiency anemia as well as to support development opportunities within the medical food arena.

SPH Gastro-Intestinal (GI) Protective medical food

Following the successful completion of the in-vivo pilot study of the prophylactic effect of SPH on reducing intestinal injury in an inflammatory bowel disease (IBD) mouse model, a larger study is being undertaken by Prof. Karl Sylvester and his team at Stanford University School of Medicine. The ongoing pre-clinical TNBS induced colitis mouse assay study includes a negative control peptide arm and is of sufficient size to test for a statistically significant difference between SPH and control. Serum and tissue MOA (mode of action) analyses will also be conducted with the ultimate aim of enabling Necrotizing Enterocolitis and Irritable Bowel Syndrome medical food label claims with daily dosing of SPH.

The preceding pilot study assessed the effectiveness of SPH to reduce TNBS-induced inflammatory bowel disease (IBD) and SPH at 1% concentration in drinking water substantially protected the GI tract from TNBS-induced damage. Protection was seen on all pre-defined criteria - i) colon length ii) fecal occult blood test and iii) Stanford's proprietary fecal K8 assay. It is note-worthy that the 1% concentration in this assay was equivalent to an adult human dose of 10g/day.

Our research in a) islet cell protection to retard the progression of pre-diabetes to type II diabetes, (b) prostate cancer co-treatment using fractionated peptides in SPH, c) chronic fatigue syndrome continue to progress with encouraging results being followed-up.



HBC Clinical Trial Unit

The team is led by a clinician with extensive clinical trial experience. This team will conduct and lead all the clinical trials in Norway as well as our trials conducted in other countries. This will significantly reduce the cost of future trials compared to using an external Contract Research Organisation (CRO). Currently trials are ongoing in bone & joint health and respiratory health work will commence during Q1 2022.

Treatment of Asthma and COPD/“smokers’ lung” with OmeGo®

Our respiratory studies will be initiated during Q1 2022 and will be conducted by the HBC CTU in Ålesund. Each proof-of-concept trial will recruit 100 patients. The asthma trial will assess whether OmeGo® can reduce the risk of moderate and severe asthma exacerbations, improve lung function and underlying markers of inflammation when added to standard of care (SOC) treatment compared to SOC and placebo. The COPD study will assess the impact of OmeGo® on oxidised LDL, inflammatory markers and lung function when added to standard of care (SOC) treatment compared to SOC and placebo.

Treatment of Osteoporosis and Osteoarthritis Arthrosis with CalGo®

Our osteoporosis and osteoarthritis clinical trials have been 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 will randomise patients with mild to moderate osteoarthritis to three groups: (1) hydrolysed collagen from CalGo®, (2) non-hydrolysed CalGo®, and (3) a placebo to assess the potential to improve pain and joint function.

Share information

HBC shares were traded between NOK 6.00 and 7.70 per share in the fourth quarter and the last closing price on 31 December 2021 was NOK 6.90.



Based on 357,831,030 outstanding shares, this values HBC's equity at approximately NOK 2,469m. As of 31 december 2021, HBC had 1,396 shareholders. The 20 largest shareholders controlled 84.43 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 fourth quarter 2021.

Hofseth BioCare ASA Board of Directors
Ålesund, 4 February 2022

Ola Holen
Chairman of the board

Henriette G. Heggdal
Board member

Kristin Fjellby Grung
Board Member

Christoph Baldegger
Board member

Torill Standal Eliassen
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)	Q4 2021	Q4 2020	2021	2020	Notes
Sales revenue	20 681	17 425	82 107	54 933	8
Other revenue	5 399	5 628	5 509	14 319	
Gross operating revenue	26 080	23 053	87 616	69 252	
Cost of sales	20 906	16 675	64 474	39 532	9
Salaries and other payroll costs	13 903	11 097	46 566	42 641	11
Other operating expenses	15 291	14 827	63 211	52 334	
EBITDA	-24 021	-19 546	-86 636	-65 255	
Depreciation and Write-down	7 407	9 508	29 350	26 766	
Operating profit/loss (EBIT)	-31 428	-29 053	-115 986	-92 021	
Financial income	2 036	305	3 647	2 580	13
Financial expenses	5 233	2 319	11 560	12 650	13
Net financial items	-3 198	-2 014	-7 914	-10 070	13
Profit/loss before taxes	-34 626	-31 068	-123 900	-102 091	
Tax expense	0	0	0	0	
Profit for the period	-34 626	-31 068	-123 900	-102 091	
Total comprehensive income for the period attributable to:					
Non-controlling interests	-1	0	-1	-1	
Shareholders in HBC (majority)	-34 624	-31 067	-123 898	-102 090	
Total	-34 626	-31 068	-123 900	-102 091	
Earnings per share (EPS)	-0.10	-0.09	-0.35	-0.31	
Basic earnings per share (NOK)	-0.10	-0.09	-0.35	-0.31	

The interim financial information has not been subject to audit.

Consolidated condensed statement of financial position

(figures in NOK 1 000)	Q4 2021	Q4 2020	2021	2020	Notes
Research, patents etc.	54 755	42 434	54 755	42 434	5
Property, plant and equipment	185 831	137 955	185 831	137 955	6
Financial assets	6 804	7 275	6 804	7 275	7
Total non-current assets	247 390	187 664	247 390	187 664	
Inventories	90 856	73 302	90 856	73 302	10
Trade receivables	10 130	14 267	10 130	14 267	12
Other current assets	19 338	11 066	19 338	11 066	
Cash and cash equivalents	49 733	172 835	49 733	172 835	
Total current assets	170 056	271 470	170 056	271 470	
Total assets	417 446	459 134	417 446	459 134	
Share capital	3 578	3 578	3 578	3 578	14
Other Paid in equity (+) Uncovered losses (-)	139 185	260 870	139 185	260 870	
Non-controlling interests	-685	-684	-685	-684	
Total equity	142 078	263 764	142 078	263 764	
Non-current liabilities interest bearing	124 661	89 191	124 661	89 191	
Total non-current liabilities	124 661	89 191	124 661	89 191	
Other Interest-bearing loans, leasing and borrowings	14 519	11 652	14 519	11 652	
Trade payables	123 588	84 956	123 588	84 956	
Other current liabilities	12 600	9 570	12 600	9 570	
Total current liabilities	150 707	106 178	150 707	106 178	
Total equity and liabilities	417 446	459 134	417 446	459 134	

The interim financial information has not been subject to audit.

Consolidated condensed statement of changes in equity

(figures in NOK 1 000)	Q4 2021	Q4 2020	2021	2020	Notes
Equity at start of period	176 237	75 598	263 764	117 750	
Share based payment program costs	506	507	3 487	7 857	
Issue new shares 22nd March 2020	0	0	0	21 895	
Issue new shares 31st August 2020	0	0	0	11	
Issue new shares 27th October 2020	0	200 000	0	200 000	
Issue new shares 30th December 2020	0	23 738	0	23 738	
Share issue costs	0	-5 112	0	-5 395	
Profit/loss for the period	-34 626	-31 068	-123 900	-102 091	
Other comprehensive income/expenses	0	0	0	0	
Total comprehensive income	-34 626	-31 068	-123 900	-102 091	
Equity at the end of period	144 078	263 764	142 078	263 764	

Earnings per share

(figures in NOK 1 000, except EPS)	Q4 2021	Q4 2020	2021	2020
Number of shares end of period	357 831	357 831	357 831	357 831
Weighted average number of shares	357 831	347 878	357 831	333 650
Effect of employee stock options and warrants	5 521	5 349	5 521	5 349
Weighted average number of shares diluted	363 352	353 227	363 352	339 000
Basic earnings per share (NOK)	-0.10	-0.09	-0.35	-0.31
Diluted earnings per share (NOK)	-0.10	-0.09	-0.35	-0.31

Consolidated condensed cash flow statement

(figures in NOK 1 000)	Q4 2021	Q4 2020	2021	2020
Cash flow from operational activities				
Profit before taxes	-34 626	-31 068	-123 900	-102 091
Depreciation and write-off	7 407	9 508	29 350	26 766
Changes in Inventory	-1 880	-8 823	-17 554	-38 777
Changes in trade debtors	1 088	-6 983	4 138	-8 725
Changes in trade creditors	6 593	21 308	38 631	55 245
Changes in other current bal. sheet items	1 242	-2 205	4 132	-769
Classified as financial activities	3 720	1 754	8 765	8 734
Net cash flow from operational activities	-16 456	-16 509	-56 438	-59 618
Cash flow from investment activities				
Investments in tangible assets	-7 618	-7 646	-30 939	-34 663
Investments in intangible assets	-3 937	-4 970	-14 373	-21 811
Other investments	0	0	0	-6 517
Net cash flow from investment activities	-11 555	-12 616	-45 312	-62 991
Cash flow from financing activities				
Issuance of share capital	0	223 738	0	245 645
Transaction cost on issue of shares	0	-5 112	0	-5 497
Payment of interest	-3 720	-1 754	-8 765	-8 734
Proceeds from borrowings	1 087	0	1 087	43 227
Repayment of borrowings	-5 226	-38 681	-13 676	-73 750
Net cash flow from financing activities	-7 859	178 191	-21 353	200 892
Net change in cash and cash equivalents	-35 868	149 067	-123 102	78 282
Cash and cash equivalents at the beginning of the period	85 506	23 769	172 835	94 553
Cash and cash equivalents at the end of the period	49 733	172 835	49 733	172 835
Available unused credit facility	37 000	37 000	37 000	37 000
Total cash and unused credit facility	86 733	207 740	86 733	207 740

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 2020.

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 30.09.2021	45 864	3 156	213	1 355	50 131
Additions	2 163	531	1 243	0	3 937
Depreciations for the period	136	45	74	20	175
Book value at 31.12.2021	47 534	3 642	1 382	1 335	54 755
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 30.09.2021	68 037	80	68 117
Additions	4 790	0	4 790
Depreciations for the period	7 416	8	7 416
Book value at 31.12.2021	65 419	72	65 491
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 190.3m.

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 30.09.2021	83 102	37 006	0	120 108
Additions	2 828	0	0	2 828
Depreciations for the period	414	250	0	2 596
Book value at 31.12.2021	85 266	35 076	0	120 340
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)	Q4 2021	Q4 2020	2020
HFS Alliance Inc.	0	477	477
Atlantic Delights Limited	6 517	6 517	6 517
Investments in other companies	25	25	25
Other	261	255	255
Total Financial Assets	6 803	7 275	7 275

8. Segments

(figures in NOK 1 000)	Q4 2021	Q4 2020	2021	2020
Per product				
Salmon oil	10 417	11 851	43 081	33 314
Protein	1 783	655	9 503	3 183
Calcium	486	468	2 716	2 456
PHP	2 535	2 021	20 920	12 719
By-product/other	5 511	1 906	6 048	1 394
Insurance settlement	5 348	6 152	5 348	16 298
Total revenues	26 080	23 052	87 616	69 252

9. Cost of sales

(figures in NOK 1 000)	Q4 2021	Q4 2020	2021	2020
Cost of goods sold	19 167	13 333	64 075	34 179
Net obsolete cost	1 739	3 341	399	5 353
Net cost of sales	20 906	16 674	64 474	39 532

10. Inventory

(figures in NOK 1 000)	Q4 2021	Q4 2020	2020
Per product			
Raw material	5 146	3 468	3 468
Finished goods	83 474	67 613	67 316
Spare parts equipment	2 236	2 519	2 519
Total inventory	90 856	73 302	73 302

11. Salaries and other payroll costs

(figures in NOK 1 000)	Q4 2021	Q4 2020	2021	2020
Salaries incl social security and pension	13 917	11 332	46 649	38 507
Share based payment	506	460	3 487	7 811
Activated costs	-520	-695	-3 569	-3 678
Salaries and other payroll costs	13 903	11 097	46 566	42 641

12. Trade receivables

(figures in NOK 1 000)	Q4 2021	Q4 2020	2020
Trade receivables	10 130	14 267	14 267
Total receivables	10 130	14 267	14 267

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, limited to a maximum of MNOK 30 and with a coverage rate of 90 %. Historical credit losses for customers over the past five years are approximately NOK 0.2 million.

13. Finance

(figures in NOK 1 000)	Q3 2021	Q3 2020	9M 2021	9M 2020	2020
Interest expense	1 235	2 939	5 059	7 081	9 287
Interest income	0	43	14	102	553
Net currency exchange	196	-808	392	-1 077	-1 337
Net financial items	-1 039	-3 704	-47 16	-8 056	-10 070

14. Shareholders

Largest shareholders as of 31 December 2021

Shareholder	Account Type	Shareholdings	% stake
SIX SIS AG	Nominee	69 511 572	19.43
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	Nominee	12 100 000	3.38
BRILLIANT INVEST AS	Ordinary	11 000 000	3.07
CREDIT SUISSE (SWITZERLAND) LTD.	Nominee	8 972 355	2.51
GOLDMAN SACHS & CO. LLC	Nominee	8 326 830	2.33
CITIBANK, N.A.	Nominee	6 872 900	1.92
JPMORGAN CHASE BANK, N.A., LONDON	Nominee	4 141 801	1.16
UBS SWITZERLAND AG	Nominee	4 117 311	1.15
THE BANK OF NEW YORK MELLON SA/NV	Nominee	3 612 930	1.01
LGT BANK AG	Nominee	3 468 871	0.97
BOMI FRAMROZE HOLDING AS	Ordinary	3 253 370	0.91
INITIA AB	Ordinary	3 200 000	0.89
SAXO BANK A/S	Nominee	2 699 192	0.75
VERDIPAPIRFONDET DNB SMB	Ordinary	2 530 668	0.71
THE NORTHERN TRUST COMP, LONDON BR	Nominee	2 433 865	0.68
CLEARSTREAM BANKING S.A.	Nominee	2 360 542	0.66
CITIBANK, N.A.	Nominee	2 176 208	0.61
Total 20 largest		302 111 526	84.43
Total other		55 719 504	15.57
Total no. of outstanding shares		357 831 030	100.00

Total number of shareholders: 1,396

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

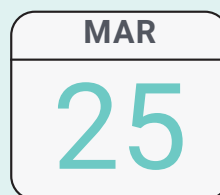
Ingredient	About	Finished products
	Fresh unrefined salmon oil. Produced with 4 years shelf life, full spectrum of omegas and natural antioxidants.	Cardio Salmon Oil™ for human consumption and Brilliant Salmon Oil™ for pets
	Salmon protein hydrolysate. Peptides for fast uptake, and documented BMI reduction, 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

IR CONTACTS

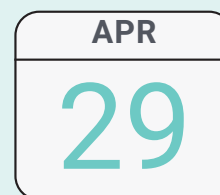
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Annual Report



Annual General Meeting