First Quarter 2021 Financial Report

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CEO Statement

We are in a fantastic position to improve and enrich human health. We feel privileged to be in a position to make a significant impact on human health, and to deliver on circular consumption and clean and traceable production: issues that mean so much for people around the world.

Following an eventful 2020, Hofseth BioCare has had an equally active start of 2021. Despite the Covid-19 restrictions we have been able to take important steps forward with regards to our significant R&D program and our commercial activities.

Central to everything that we do is our unique, proprietary enzymatic hydrolysis process. This enables us to turn fish waste into high value, unique consumer health products at our production facility in Midsund on the Western coast of Norway. To date, we have discovered close to 20 distinct leads giving us the potential to deliver important targeted nutritional and health benefits with our products. We are in a fantastic position to improve and enrich human health. We feel privileged to be in a position to make a significant impact on human health, and to deliver on circular consumption and clean and traceable production: issues that mean so much for people around the world.

Our net sales revenues grew by 61 percent in the quarter, reflecting a strong start to the year for our base feed and pet ingredients business. We are now executing on our plans to ramp up our human nutrition and dietary supplement business, a segment with significantly higher margins. We have significantly enhanced our sales capabilities and our work with Tenet Partners will deliver consumer brands that reflect the unique health benefits that we can offer with our products. We have established distribution partnerships across the continents with leaders in this field, IMCD and DKSH. This will enable us to continue our journey up the value chain and to contribute strongly to growth going forward. The health claims we received in Q4 for iron deficiency anaemia and antioxidant effects for the benefit of health are important building blocks in this respect.

Just before the end of the first quarter we announced our agreement with Nestlé owned Garden of Life resulting in the first Salmon Protein purchase orders for the US market. Garden of Life plans to launch new ProGo® consumer protein products which will be available online and for the North American markets in Q3 2021. This milestone agreement is testimony to the success of our focus to optimize our production processes, combined with our marketing efforts and our world class scientific research and development. These investments and capabilities will help us to stand apart from our competitors. We have recently completed the upgrade of our production facility at Midsund and are now in the late stage of expanding our laboratory capacities in Norway to both support the in-house analyses of our products for quality assurance as well as clinical chemistry and biomarker work in our clinical trial program.

During Q1 our R&D efforts continue towards changing the management of iron deficiency anaemia, providing an oral medication in asthma with the aim of reducing the need for steroid treatment, to help rebalance the immune response in Covid-19 patients, to further elucidate the potential to restore gut health in necrotizing enterocolitis and inflammatory bowel disease as well as modulating the drivers of sarcopenia. These are but a few of the novel indications in which our research continues to yield promising leads. A foundation for our strategic market development and R&D work going forward lies in our solid financial position. This was considerably reinforced through a successful equity raise late 2020.

Developing the medicine of tomorrow based on clean raw material, environmentally friendly processes is our vision, and we look forward to taking significant steps in that direction during the upcoming quarters.

Roger Hofseth, CEO

Key Figures & Highlights

	Q1 2021	Q1 2020	2021	2020
Gross operating revenue	16 835	18 524	16 835	69 252
EBITDA	-18 811	-10 222	-18 811	-65 255
Operating profit/loss	-25 033	-15 989	-25 033	-92 021
Net cash flow	-34 206	-26 568	-34 206	78 187
Equity ratio	53.6%	41.8%	53.6%	57.4%

HIGHLIGHTS IN THE FIRST QUARTER

› HBC received the first Salmon Protein purchase orders from US-based organic health supplement firm Garden of Life. The Nestlé-owned company intends to launch new ProGo® consumer protein products which will be available online and for the North American markets in Q3 2021.

› Development of a pharmaceutical lead program around eosinophilia inflammation control is on-going with rapid success. We have made and tested several analog compounds of which two have shown better biological activity than the original lead MICR-001 for asthma/COPD treatment via eosinophilia control.

› Successfully completed the invitro phase of our gastrointestinal injury / inflammation therapeutic collaborative program and now progressing to a preclinical DSS-induced colitis animal model simulating the pathology of necrotizing enterocolitis (NEC) and inflammatory bowel disease (IBD).

POST-PERIOD HIGHLIGHTS

› Extended the exclusive distribution agreement with leading speciality chemicals and ingredients distributor IMCD, to include most of Europe.

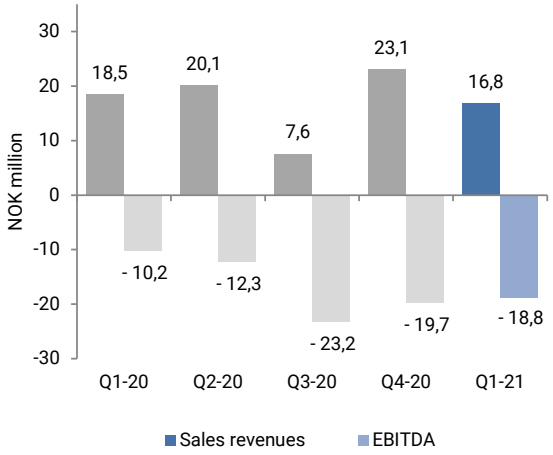
› HBC started a global innovation partnership with Catalent to develop a delayed-release formulation HBC's OmeGo® Salmon oil.

Financial Review

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

P&L First Quarter

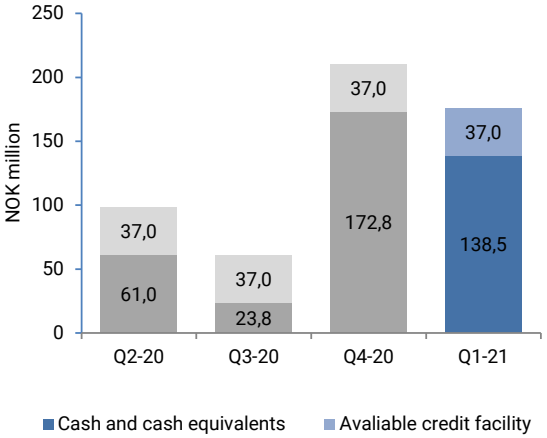
HBC had net sales revenues of NOK 16.8m (10.4m) in the first quarter and gross operating revenues of NOK 16.8m (18.5m). Gross revenues in first quarter 2020 included NOK 8.2m in insurance claim settlements. Cost of Goods Sold (CoGS) amounted to NOK 8.4m (6.2m) in the quarter. Operational profit (EBITDA) for the first quarter 2021 was NOK -18.8m (-10.2m).



Gross margin was 50 % in the first quarter compared to 39 % in the first quarter 2020, adjusted for insurance claim payout of NOK 8.2m in March 2020. Net financial items in the first quarter were NOK -1.8m (-1.9m). Loss before tax was NOK 26.8m in the quarter, compared to a loss of NOK 17.9m during first quarter in 2020.

Cash flow

Cash flow from operations during the first quarter was NOK -17.8m, compared to NOK -23.8m in first quarter last year. Net cash flow from investment activities was NOK -11.5m in the first quarter, compared to NOK -7.4m in the corresponding quarter last year. Cash flow from the financing activities amounted to NOK -4.9m in the first quarter, compared to NOK 4.6m in the first quarter in 2020.



Cash and cash equivalents decreased by NOK 34.2m during the quarter, leaving total holding of cash and cash equivalents at NOK 138.5m by the end of the period, compared to NOK 68.0m by the end of the first quarter 2020. Including credit facilities, HBC had NOK 175.5m in free liquidity by the end of the first quarter.

Financial position

Total assets for HBC were NOK 443.3m at the end of first quarter of 2021 (293.7m). Deferred tax assets are not recognized in the balance sheet but the estimated value is NOK 170.5m. Total equity amounted to NOK 237.7m (122.8m) corresponding to an equity ratio of 53.6 % (41.8 %) for the group.

Pipeline

HBC current pipeline for our most important R&D developments are shown below:

Product	Product Fraction	IP	Discovery (≈1y)	Pre-Clinical (≈2y)	Clinical (≈2-3y)	Reg.appr. (≈1y)
Salmon Protein Hydrolysate (SPH) ***ProGo*** ***CollaGo***	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	Reumatoid 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	OsteArthritis			
	SBP-CalGo	P	Osteoporosis Treatment			
Pharma-ceutical Leads	SPH-FTH1-P	P	FTH1 Upregulating Peptides			
	SO-EOML-P	P	EO Modulating Lipopeptides			

[1] Age-related Sarcopenia treatment
[2] Rheumatoid Artritis co-treatment

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

R&D Indications & Discovery update

In the first quarter of 2021 HBC R&D focused largely on

i. Identification of the bioactive peptides in SPH that up-regulate the FTH1 gene. The FTH1 gene encodes the heavy chain of ferritin, the storage protein for iron, and this increase has been shown to result in an increase in haemoglobin and correct iron deficiency anaemia (IDA). The identification process has led to 7 closely related peptides which are being individually elucidated for filing a new patent application. The company believes that in 2021 we will be able to carry out the required clinical trials with an IDA-Enhanced-SPH product targeted to anemia and begin the process to file for "new chemical entity" (NCE) status with the FDA.

ii. Completed the synthesis of and invitro assays for 12 novel analog compounds based on our MICR-001 lead structure for asthma/COPD treatment via eosinophilia control. One MICR-001 analog (MA-005) showed superior activity to MICR-001 and is being developed further. New patent filings are being prepared. Recruitment for hospitalized Covid-19 patients in Brazil, Mexico, Hungary and Serbia is on-going.

iii. The second House Dust Mite allergy mouse animal trial on modulating eosinophilia with OmeGo® was completed successfully and the results are being written up for publication.

iv. Successfully completed the invitro (hIESC) phase of our gastrointestinal injury / inflammation therapeutic collaborative program and now progressing to a preclinical DSS-induced colitis animal model simulating the pathology of necrotizing enterocolitis (NEC) / inflammatory bowel disease (IBD) / Leaky gut.

v. A second invitro assay for sarcopenia treatment has shown a positive dose response for SPH peptides and myostatin inhibition.

CARDIO™ softgels in COVID-19 treatment

Patient recruitment for our Health Canada approved clinical trial remains challenging and we have expanded the trial to include centers in Brazil, Mexico, Hungary and Serbia. Our out-patient cohort in Canada has completed 11 patients with 30 more under review. However, we have decided to terminate the out-patient recruitment due to low inclusion rates and confounding factors present during outpatient recruitment. We will complete the biomarker assays for the in-process and completed patients to derive indicative results that can inform our hospitalized patient cohort study design.

The proposed outcome of this clinical trial is to prevent progression from moderate and mild to severe COVID-19 in SARS-CoV-2 infected patients, which is the same outcome that has gained Emergency Therapeutic Vaccine approval for 11 vaccines. This study remains an open-labelled, accelerated proof-of-concept trial where patients will be given the best antiviral standard of care (BSC) together with CARDIO™ softgels in the treatment arm. CARDIO™ is the only marine oil that contains components that have been shown to reduce eosinophil effector function and increase eosinophil apoptosis in invitro 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 mechanism of action of CARDIO™, along with its potential broad inflammatory resolving properties, 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.

Eosinophilic asthma therapeutic

We completed our second preclinical animal study "Eosinophil modulating properties of OmeGo® Salmon oil (CARDIO™ softgels) in House Dust Mite extract (HDM)-induced murine asthma model" with excellent results that show that our salmon oil and its microcomponents have direct effect on respiratory inflammation. A publication on these positive results is being prepared. We will now follow up with an oral, dose ranging animal study in Q2/Q3 2021.

Our efforts at developing a pharmaceutical lead program around eosinophilia inflammation control is on-going with rapid success. We have made and tested 17 SAR (Structure-Activity Relationship) analog compounds of which two have shown better biological activity than the original lead MICR-001. We are following up with more syntheses, testing and patent protection for these New Structure Entities (NCE's). Further elucidation of the identity of active compounds in OmeGo® responsible for this eosinophilia control activity has led to the structure elucidation of two further lead compounds being completed. One is a known compound while the second is another NCE, labelled DHEPA-001 by us. Neither compound has been described for eosinophil modulation activity. DHEPA-001 SAR analogs are being prepared and will be assayed prior to new patent filings for this class of pharmaceutical lead compounds as well.

Treatment of iron deficiency anemia

We continue our efforts at identifying the active peptides that are responsible for the FTH 1 gene upregulation towards our iron-deficiency anemia Pharmaceutical treatment label. Using our new in-vitro HIEC-6 model, the structure identification analytical efforts are progressing well and we expect to identify the related peptide mix responsible for the activity by Q2 2021.

Fractionation and identification of such active peptides will also result in lead structures for new MOA pharmaceutical R&D in collaboration with appropriate pharmaceutical partners.

Gastro-Intestinal (GI) Protective medical food

We have successfully completed the in-vitro portion of our multi-year research collaboration with Prof. Karl Sylvester at Stanford University School of Medicine in this quarter. The final invitro results using hIESC (human intestinal epithelial stem cell) cells showed that SPH prophylactically protected against both (i) Metabolic Stress that could be the result of dysbiosis in the human gut and (ii) Oxidative stress that is associated with many diseases including IBD/Leaky gut. We are now progressing to the preclinical DSS-and TNBS induced colitis animal models, towards development of our Necrotizing EnteroColitis and Inflammatory Bowel Disease medical food label claims.

Sarcopenia treatment

Our sarcopenia research seeks to build on our SPH nutraceutical antioxidant label that is based on the activation of antioxidant genes with our bioactive peptides. Myostatin (GDF-8) is a human growth factor hormone that normally acts as a "brake" that stops muscle growth, preventing them from getting too large and causing injury. Myostatin levels increase with age and are significantly higher in patients with muscle atrophic disorders such as sarcopenia, muscular dystrophy, ALS, MS, cancer cachexia and disuse muscle atrophy, which all involve significant loss of muscle mass. Therefore, inhibiting myostatin is an active area of research with the potential to help prevent the loss of muscle in these diseases.

This quarter we completed our second assay to show the presence of peptides in our SPH that exhibit human myostatin inhibitory activity. We will continue to progress the potential impact of our bioactive peptides toward sarcopenia treatment with an in vivo animal trial in Q3 2021.

Retarding the progression from pre-diabetes to type II diabetes

Type II diabetes is a lifelong disease that keeps your body from producing and using insulin the way it should be used and is often also called insulin resistance. There are an estimated 85 million people in the US who are diagnosed as being prediabet-

ic, meaning their blood sugar is high but not high enough to be officially classified as diabetes, as yet.

Last quarter we showed that neither pancreatic α-amylase or intestinal α-glucosidase enzymes were inhibited by SPH except at therapeutically irrelevant high doses. This quarter we have started a second assay evaluation of the protective prophylactic effect of SPH on Islet cells with results expected in Q2. Islet cell protection can improve insulin function and may lead to a medical food claim for directly assisting in the retardation of the progression from prediabetic to diabetic status.

Other indications

Our Discovery Research programs on a) prostate cancer co-treatment using fractionated peptides in SPH, b) acne treatment as well as planning for c) applications of SPH in GI health of poultry production are continuing to progress with positive results being followed-up.

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

Process development

Process development research to increase FTH1 gene upregulation (the mode of action for reducing iron-deficiency anemia) is continuing with good success.

We completed all lab work to implement hydrolysis of the CalGo® collagen fraction to produce a new ingredient "Hydrolysed Collagen" as per marketing needs. This process will also allow for a multiple dose studies in our upcoming bone and joint health clinical trials.

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

Sales & marketing

HBC's base feed and pet ingredient business has started the year strongly but going forwards commercial activities will be focused on the human nutrition, dietary supplement and pet health markets.

The HBC business has now been clearly segmented into Global Ingredients and finished product Consumer and Pet Health markets. Our new senior Sales Executives have commenced their roles successfully and are fully integrated into the business despite the ongoing restrictions on international travel. Product education for our global distributors has started strongly and all territories are fully up to speed in terms of the scientific knowledge and potential commercial applications for our unique nutritional ingredients.

During Q2, market mapping for the consumer health market will ensue, with one-on-one introductions planned to key brands owners around the globe. HBC is already leveraging the regulatory local know how from our large distribution partners (IMCD in the Americas and DKSH in Asia), as well as the technical expertise of their laboratories to enable the introduction of new "concepts" for customers such as OmeGo® gummies for infant nutrition. The list of new concepts is broad, and the development phase is ongoing. HBC has also begun to partner with some best-in-class distributors on a country-wise basis in Spain & product-wise basis in the "minerals" category to exploit alternative routes to market. We are very encouraged by the interest in our ingredients at this early stage and have high hopes for these partnerships.

Garden of Life update

The long-awaited purchase order from Nestlé-owned Garden of Life was confirmed this quarter. We expect their product to be launched in the US market in mid-summer. Formulations are complete and marketing preparations are underway.

The previous organoleptic challenges have been overcome and a deliciously flavoured Salmon Protein will be available soon, accompanied by the unique health label for the first non-iron containing dietary supplement to have iron-based structure function health claims but without the significant gastrointestinal side effects associated with iron therapy.

Brilliant Salmon Oil™

Production picked up in Q1 in anticipation of a material pick-up in demand from both European and US retailers from Q2 2021 onwards. We expect shipments to land in the United States in Q2 as new channels and trials commence. Brilliant Salmon Oil™ continues to win product awards adding to its achievements at the end of Q4 in the US, but this time gaining important recognition in the UK market. The product is now available in some of the UK's top pet retailers such a Pet's at Home at the end of Q1.

Brand Building and Tenet Partners

Tenet are undergoing a fully-fledged and comprehensive market review and study with the aim of building a new consumer health brand for HBC's own label. The will enable HBC to reach previously unattainable channels in the retail and pharmacy space, particularly across the US and Europe. The research work, brand architecture and brand platform exercise has recently been completed and the next stage of name and tagline formation, messaging, logo development will be completed in Q2.

Packaging design, consumer validation and product development will continue through Q2 and Q3 with a launch direct to consumer expected before the end of the year.

Share information

HBC shares were traded between NOK 8.22 and 9.50 per share in the first quarter and the last closing price on 31 March 2021 was NOK 9.18.

Based on 357,831,030 outstanding shares, this values HBC's equity at approximately NOK 3,285m. As of 31 March 2021,

HBC had 1,381 shareholders. The 20 largest shareholders controlled 84.89 per cent of the shares.

Related party transactions

All related party transactions are being made in the ordinary course of the business at the arm's length principle. There are no significant new types of transactions with related parties during the first quarter 2021.

Hofseth BioCare ASA Board of Directors
Ålesund, 21 May 2021

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	Roger Hofseth CEO

Midsund facility after 2020 build-out

Interim Financial Statements

Consolidated

Consolidated statement of comprehensive income

(figures in NOK 1 000, except EPS)	Q1 2021	Q1 2020	2021	2020	Notes
Sales revenue	16 726	10 357	16 726	54 933	8
Other revenue	110	8 167	110	14 319	
Gross operating revenue	**16 835**	**18 524**	**16 835**	**69 252**	
Cost of sales	8 391	6 244	8 391	39 532	9
Salaries and other payroll costs	11 710	9 805	11 710	42 641	11
Other operating expenses	15 546	12 698	15 546	52 334	
EBITDA	**-18 811**	**-10 222**	**-18 811**	**-65 255**	
Depreciation and Write-down	6 222	5 766	6 222	26 766	
Operating profit/loss (EBIT)	**-25 033**	**-15 989**	**-25 033**	**-92 021**	
Financial income	425	804	425	2 580	13
Financial expenses	2 236	2 700	2 236	12 650	13
Net financial items	-1 811	-1 896	-1 811	-10 070	13
Profit/loss before taxes	**-26 844**	**-17 885**	**-26 844**	**-102 091**	
Tax expense	0	0	0	0	
Profit for the period	**-26 844**	**-17 885**	**-26 844**	**-102 091**	
Total comprehensive income for the period attributable to:					
Non-controlling interests	0	0	0	-1	
Shareholders in HBC (majority)	-26 844	-17 885	-26 844	-102 090	
Total	**-26 844**	**-17 885**	**-26 844**	**-102 091**	
Earnings per share (EPS)					
Basic earnings per share (NOK)	**-0.08**	**-0.05**	**-0.08**	**-0.31**	

The interim financial information has not been subject to audit.

Consolidated condensed statement of financial position

(figures in NOK 1 000)	Q1 2021	Q1 2020	2021	2020	Notes
Research, patents etc.	44 020	26 184	44 020	42 434	5
Property, plant and equipment	141 643	126 983	141 643	137 955	6
Financial assets	7 333	942	7 333	7 275	7
Total non-current assets	**192 996**	**154 109**	**192 996**	**187 664**	
Inventories	85 285	45 655	85 285	73 302	10
Trade receivables	16 957	13 087	16 957	14 267	12
Other current assets	9 566	13 373	9 566	11 066	
Cash and cash equivalents	138 535	67 446	138 535	172 835	
Total current assets	**250 343**	**139 560**	**250 343**	**271 470**	
Total assets	**443 339**	**293 669**	**443 339**	**459 134**	
Share capital	3 578	329 074	3 578	3 578	14
Other Paid in equity (+) Uncovered losses (-)	234 820	-205 603	234 820	260 870	
Non-controlling interests	-684	-682	-684	-684	
Total equity	**237 715**	**122 789**	**237 715**	**263 764**	
Non-current liabilities interest bearing	86 047	109 516	86 047	89 191	
Total non-current liabilities	**86 047**	**109 516**	**86 047**	**89 191**	
Other Interest-bearing loans, leasing and borrowings	11 652	5 085	11 652	11 652	
Trade payables	98 338	45 018	98 338	84 956	
Other current liabilities	9 588	11 262	9 588	9 570	
Total current liabilities	**119 578**	**61 365**	**119 578**	**106 178**	
Total equity and liabilities	**443 339**	**293 669**	**443 339**	**459 134**	

The interim financial information has not been subject to audit.

Consolidated condensed statement of changes in equity

(figures in NOK 1 000)	Q1 2021	Q1 2020	2021	2020	Notes
Equity at start of period	**263 764**	**117 750**	**263 663**	**117 750**	
Share based payment program costs	506	1 029	506	7 857	
Issue new shares 22nd March 2020	0	21 895	0	21 895	
Issue new shares 31st August 2020	0	0	0	11	
Issue new shares 27th October 2020	0	0	0	200 000	
Issue new shares 30th December 2020	0	0	0	23 738	
Share issue costs	0	0	0	-5 395	
Profit/loss for the period	-26 844	-17 885	-26 844	-102 091	
Other comprehensive income/expenses	0	0	0	0	
Total comprehensive income	-26 844	-17 885	-26 844	-102 091	
Equity at the end of period	**237 715**	**122 789**	**237 715**	**263 764**	

Earnings per share

(figures in NOK 1 000, except EPS)	Q1 2021	Q1 2020	2021	2020
Number of shares end of period	357 831	329 074	357 831	357 831
Weighted average number of shares	357 831	326 146	357 831	333 650
Effect of employee stock options and warrants	5 349	6 484	5 349	5 349
Weighted average number of shares diluted	363 180	332 630	363 180	339 000
Basic earnings per share (NOK)	-0.08	-0.05	-0.08	-0.31
Diluted earnings per share (NOK)	-0.08	-0.05	-0.08	-0.31

Consolidated condensed cash flow statement

(figures in NOK 1 000)	Q1 2021	Q1 2020	2021	2020
Cash flow from operational activities				
Profit before taxes	-26 844	-17 885	-26 844	-102 091
Depreciation and write-off	6 222	5 766	6 222	26 766
Changes in Inventory	-11 983	-11 130	-11 983	-39 315
Changes in trade debtors	-2 690	-7 545	-2 690	-8 725
Changes in trade creditors	13 382	15 306	13 382	55 245
Changes in other current bal. sheet items	2 347	-10 446	2 347	-2 958
Classified as financial activities	1 804	2 156	1 804	8 662
Net cash flow from operational activities	**-17 761**	**-23 777**	**-17 761**	**-61 632**
Cash flow from investment activities				
Investments in tangible assets	-8 542	-6 456	-8 542	-21 882
Investments in intangible assets	-2 954	-959	-2 954	-32 575
Other investments	0	0	0	-5 599
Net cash flow from investment activities	**-11 496**	**-7 415**	**-11 496**	**-60 056**
Cash flow from financing activities				
Issuance of share capital	0	21 895	0	245 645
Transaction cost on issue of shares	0	0	0	-5 395
Payment of interest	-1 804	-2 156	-1 804	-8 661
Proceeds from borrowings	0	5 227	0	39 021
Repayment of borrowings	-3 144	-20 342	-3 144	-60 974
Net cash flow from financing activities	**-4 948**	**4 624**	**-4 948**	**199 970**
Net change in cash and cash equivalents	-34 206	-26 568	-34 206	78 282
Cash and cash equivalents at the beginning of the period	172 740	94 553	172 740	94 553
Cash and cash equivalents at the end of the period	**138 535**	**67 985**	**138 535**	**172 835**
Avaliable unused credit facility	37 000	31 800	37 000	37 000
Total cash and unused credit facility	**175 535**	**99 785**	**175 535**	**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

Going Concern

In accordance with section 3-3a of the Accounting Act, it is confirmed that the assumptions regarding continued operations are present and that the interim report has been prepared under the assumption of continued operation. It is emphasized that there is uncertainty associated with continuing operations, considering the Group's ability to sell the products at sufficiently high prices, as the company has established several large contracts that secure volumes sold, but at a lower price than the long-term objective.

3. Taxes

Deferred tax assets are not been recognized in the financial statements. Estimated value is NOK 170.5m.

4. Transactions with related parties

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

5. Intangible assets

(figures in NOK 1 000)	R&D	Systems	Patents	Other	Total
Book value at 31.12.2020	**37 904**	**3 157**	**409**	**1 421**	**42 434**
Additions	2 949	5	0	0	2 954
Depreciations for the period	1 725	2	72	26	1 368
Book value at 31.03.2021	**39 128**	**3 160**	**337**	**1 395**	**44 020**
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 31.12.2020	**56 041**	**806**	**61 643**
Additions	8 542	0	8 542
Depreciations for the period	3 766	248	4 014
Book value at 31.03.2021	**65 613**	**558**	**66 171**
Economic life	5-10 years	3-10 years	
Method of depreciation	straight line	straight line	

Leased objects

(figures in NOK 1 000)	Rented buildings	Machinery and equipment	Other rentals	Total
Book value at 31.12.2020	**56 041**	**22 218**	**457**	**79 920**
Additions	0	0	0	0
Depreciations for the period	1 182	1 640	422	3 244
Book value at 31.03.2021	**54 859**	**20 578**	**35**	**75 472**
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 2021	Q1 2020	2021	2020
HFS Alliance Inc.	477	477	477	477
Atlantic Delights Limited	6 517	0	6 517	6 517
Investmets in other companies	25	25	25	25
Other	314	440	314	407
Total Financial Assets	**7 333**	**942**	**7 333**	**7 427**

8. Segments

(figures in NOK 1 000)	Q1 2021	Q1 2020	2021	2020
Per product				
Salmon oil	9 058	5 535	9 058	33 314
Protein	705	921	705	3 183
Calcium	1 486	512	1 486	2 456
PHP	5 401	2 891	5 401	12 719
By-product/other	186	499	186	1 394
Insurance settlement	0	8 167	0	16 298
Total revenues	**16 835**	**18 524**	**16 835**	**69 252**

9. Cost of sales

(figures in NOK 1 000)	Q1 2021	Q1 2020	2021	2020
Cost of goods sold	8 391	6 244	8 391	34 179
Write-downs inventory	0	0	0	5 353
Net cost of sales	**8 391**	**6 244**	**8 391**	**39 532**

10. Inventory

(figures in NOK 1 000)	Q1 2021	Q1 2020	2021	2020
Per product				
Raw material	3 110	1 354	3 110	3 468
Finished goods	79 656	42 713	79 656	67 316
Spare parts equipment	2 519	1 588	2 519	2 519
Total inventory	**85 285**	**45 655**	**85 285**	**73 302**

11. Salaries and other payroll costs

(figures in NOK 1 000)	Q1 2021	Q1 2020	2021	2020
Salaries incl social security and pension	10 440	8 776	10 440	34 830
Share based payment	1 270	1 029	1 270	7 811
Salaries and other payroll costs	**11 710**	**9 805**	**11 710**	**42 641**

12. Trade receivables

(figures in NOK 1 000)	Q1 2021	Q1 2020	2020
Trade receivables	16 957	13 087	14 267
Total receivables	**16 957**	**13 087**	**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 GK, limited to a maximum of MNOK 30 and with a coverage rate of 90 %. Historical credit losses for customers over the past five years are approximately NOK 0.2 million.

13. Finance

(figures in NOK 1 000)	Q1 2021	Q1 2020	2021	2020
Interest expense	1 818	2 160	1 818	9 287
Interest income	14	4	14	553
Net currency exchange	-7	260	-7	-1 118
Net financial items	**-1 811**	**-1 896**	**-1 811**	**-9 851**

14. Shareholders

Largest shareholders as of 31.03.2021

Shareholder	Account Type	Shareholdings	% stake
SIX SIS AG	Nominee	77 047 069	21.53
HOFSETH INTERNATIONAL AS	Ordinary	58 881 778	16.46
ROGER HOFSETH AS	Ordinary	51 500 000	14.39
YOKOHAMA REITO CO. LTD	Ordinary	40 951 333	11.44
CREDIT SUISSE (SWITZERLAND) LTD.	Nominee	11 820 551	3.30
BRILLIANT INVEST AS	Ordinary	11 000 000	3.07
GOLDMAN SACHS & CO. LLC	Nominee	8 326 830	2.33
CITIBANK, N.A.	Nominee	6 315 022	1.76
UBS AG	Nominee	4 549 804	1.27
UBS SWITZERLAND AG	Nominee	4 140 760	1.16
CLEARSTREAM BANKING S.A.	Nominee	3 954 343	1.11
JPMORGAN CHASE BANK, N.A., LONDON	Nominee	3 879 848	1.08
INITIA AB	Ordinary	3 572 085	1.00
BOMI FRAMROZE HOLDING AS	Ordinary	3 253 370	0.91
SWELANDIA INTERNATIONAL AB	Ordinary	2 920 815	0.82
SAXO BANK A/S	Nominee	2 769 392	0.77
THE NORTHERN TRUST COMP, LONDON BR	Nominee	2 433 865	0.68
INTERACTIVE BROKERS LLC	Nominee	2 387 558	0.67
ØDEGÅRD PROSJEKT AS	Ordinary	2 104 039	0.59
CITIBANK, N.A.	Nominee	1 969 877	0.55
Total 20 largest		**303 778 339**	**84.89**
Total other		54 052 691	15.11
Total no. of outstanding shares		**357 831 030**	**100.00**

Total number of shareholders: 1,381

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.

Research is ongoing to identify the individual elements within the products 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 in development for the protection of the Gastro-Intestinal (GI) system against inflammation, including ulcerative colitis and the orphan condition necrotising enterocolitis, as a Medical Food to help treat age-related Sarcopenia, and as a treatment for Iron Deficiency Anemia, all using peptide fractions of Salmon Protein Hydrolysate.

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. HBC is founded on the core values of sustainability and optimal utilization of natural resources. Through an innovative hydrolysis technology, HBC can preserve the quality of lipids, proteins and calcium from fresh salmon off-cuts. HBC's headquarters are in Ålesund, Norway with branches in Oslo, London, Zürich, Chicago, Mumbai, Palo Alto and Tokyo. HBC is listed on Oslo Stock Exchange with ticker "HBC".

OUR PRODUCTS AND INGREDIENTS

Ingredient	About	Finished products
OmeGo®	Fresh unrefined salmon oil. Produced with 4 years shelf life, full specter of omegas and natural antioxidants.	Cardio Salmon Oil™ for human consumption and Brilliant Salmon Oil™ for pets
ProGo®	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
CalGo®	Marine bone powder, as hydroxyapatite form of calcium for best bone growth and density increase	Strength Calcium™ as tablets for human consumption
PetGo™	Partially hydrolyzed salmon protein produced as salmon meal for feed and pet food industry	Sold in bulk as an ingredient for specialized recipes
ColloGo®	Salmon peptides with more than 25 % collagen type I & III for skin, hair and nails.	Collagen Peptides for human consumption as drink

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