Annual Report 2021

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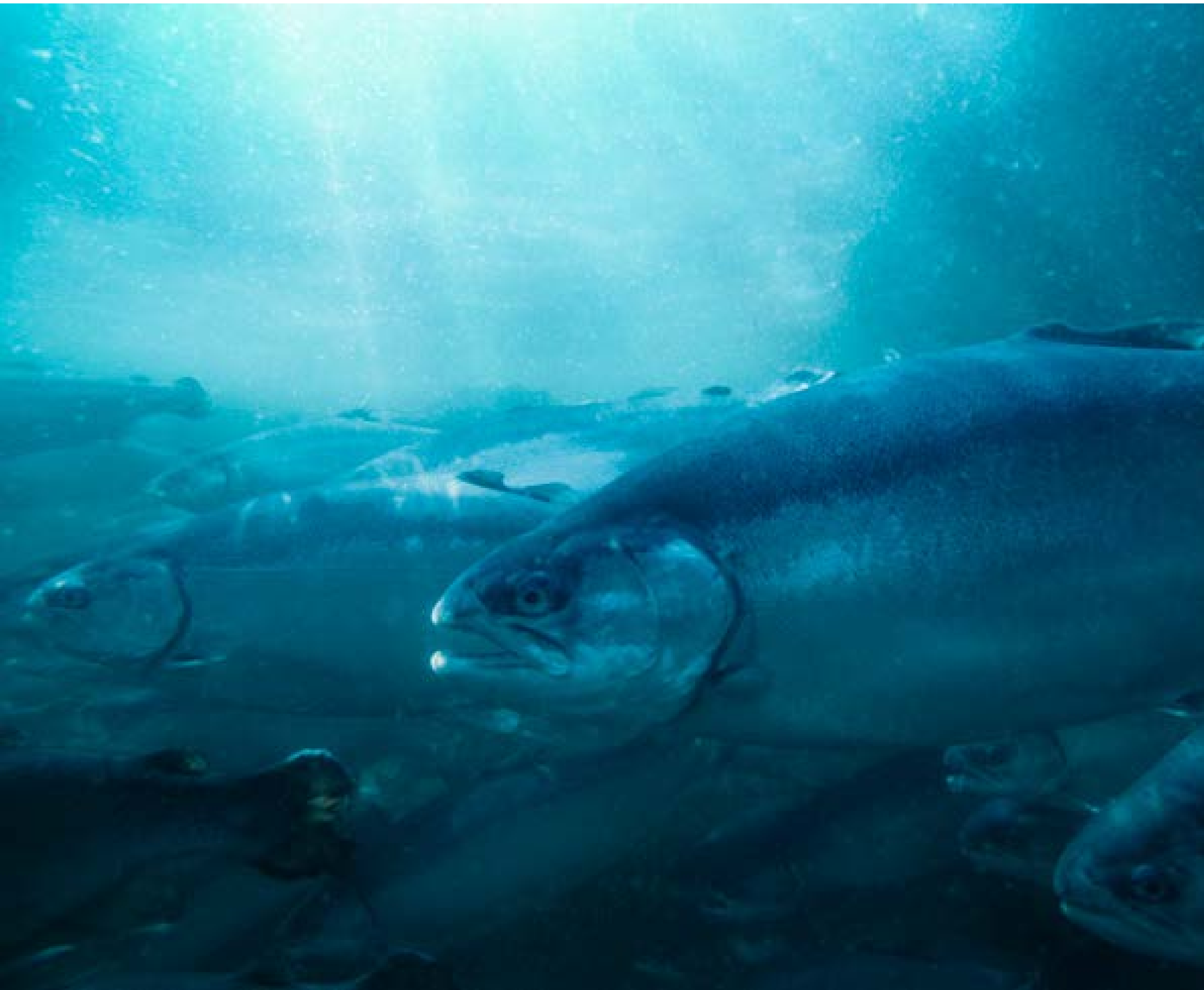


Content

Approved by the Board of Directors in Hofseth BioCare ASA 25 March 2022

Hofseth BioCare ASA is committed to maintaining high standards of corporate governance that will strengthen confidence in the company among shareholders, capital market and among other stakeholders, thereby contributing to the greatest possible value creation over time. The aim of corporate governance is to regulate the roles of shareholders, board and management beyond what is required by legislation.

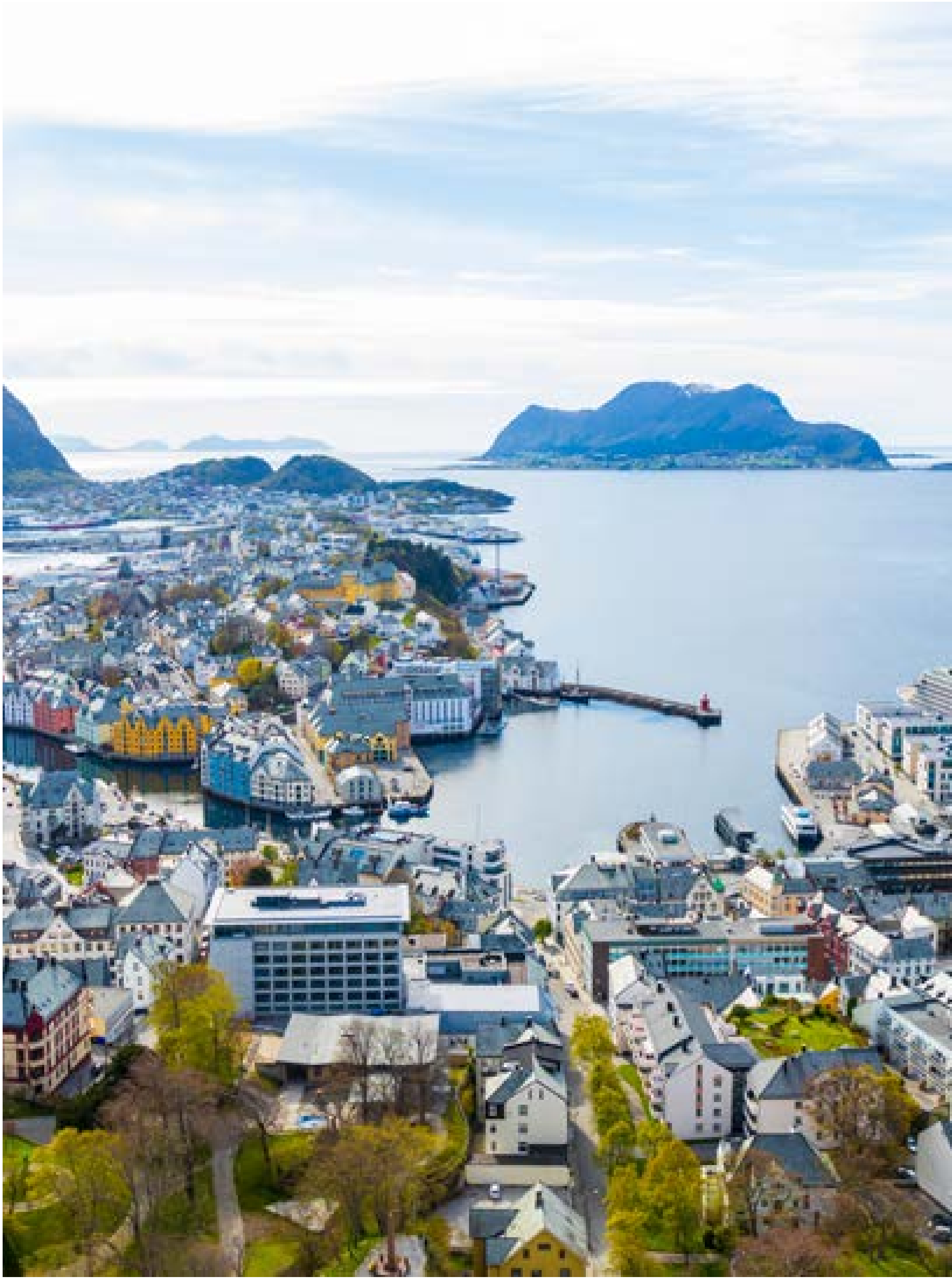
The company reports in accordance with the recommendation of 30 October 2014, last updated 17 October 2018 («the Recommendations») issued by the Norwegian Corporate Governance Board (NUES). The rules on the continuing obligations of listed companies at www.oslobors.no and guidelines are available at www.nues.no

Compliance is based on a «comply or explain» principle, which means that the company must comply with all recommendations or explain why they have chosen an alternative approach to specific recommendations. The following explains the company's compliance with the 15 sections and addresses the additional requirements set out in the Accounting Act § 3-3 b.
Any deviation from the Code of Conduct will be explained under the appropriate section.

This report is part of the company's annual report. The report is also available on Hofseth BioCare's website www.hofsethbiocare.no, along with more information about the company's business.

Corporate governance

CHAPTER 1



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

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

Values and guidelines for business ethics and corporate social responsibility

The company's values are an important premise for corporate governance. Trust in HBC as a company, and in the business, is crucial for the company's future competitiveness.

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

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

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

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

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

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

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

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

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

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

Business

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

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

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

- The company shall have an audit committee.

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

Equity and dividend

Equity

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

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

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

As of 31 December 2021, the group had an equity of NOK 140.4 million, corresponding to an equity ratio of 33.8 %. The board considers an equity ratio of more than 25.0 per cent to be at a satisfactory and prudent level. The company's long-term debt financing has financial covenant requirements of 25 % equity, including subordinated loans. The main shareholders have, if necessary, provided subordinated loans to ensure that the company is not in breach of covenant requirements from the banks. The board will at all times consider various instruments to ensure that the company has sufficient equity, including an authorization given to the board at the general meeting on 23 April 2021 to issue up to approximately 35.8 million new shares intended to be used in the event of a need for additional equity and liquidity. It is the Board's intention to ask the General Meeting for a similar authorization for the coming period.

Dividend

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

Mandates of the board of directors

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

As of 31 December 2021, the Board of Directors in HBC holds an authorization to increase the company's share capital by issuing new shares with a total face value of up to NOK 357,831.03 equivalent to 35,783,103 shares, each with a nominal value of NOK 0.01.

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

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

The Board of Directors is given the authority to change the Articles of Association stating the share capital size in accordance with the shares the Board decides under this authorization. The authorization was granted at the Ordinary General Assembly 23 April 2021 and is valid until the Ordinary General Assembly in 2022, however not longer than 30 June 2022.

Equal treatment and transactions with related parties

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

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

Transactions with related parties

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

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

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

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

Freely tradable shares

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

The general meeting

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

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

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

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

The Board of Directors, the Nomination Committee and the auditor's attendance at the General Meeting is waived from the recommendation if a review of the agenda, the availability and physical location would suggest this is not practical). Under the General Meeting for the adoption of the financial statements for 2020 not all members participated. The auditor did not participate.

Nomination committee

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

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

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

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

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

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

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

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

The board of directors, composition and independence

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

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

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

The chairman of the Board, Ola Holen, is as of 31 December 2021 employed in Hofseth International AS, one of the Company's largest shareholders. Mr. Holen is also related to several of the Company's business connections and is thus not considered independent.

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

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

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

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

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

The work of the board of directors

The Board

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

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

A separate instruction exists for the board of directors and the Board develops a yearly plan for their work.

In accordance with the provisions of Norwegian company law, the case processing and responsibilities of the board are governed by a set of rules and procedures. The chairman of the board is responsible for ensuring that the work of the board is carried out in an efficient and responsible manner in accordance with the legislation.

The board has established instructions for the work of the CEO. There is a clear division of labor between the board and the general manager. The CEO is responsible for the operational management of the Company.

The board conducts an annual evaluation of its work, form of work and competence

The Board of Directors has adopted an audit committee (the "Audit Committee") in accordance with the Company's Articles of Association § 6 and the Code of Practice. There is a separate instruction for the Audit Committee.

According to the company's articles of association, section 6, the board decides the members of the committee. The members of the audit committee in Hofseth BioCare are Torill Standal Eliassen (chairman) and Christoph Baldegger.

The company has established its own compensation committee in accordance with the company's articles of association, section 11. The members of the compensation committee are Christoph Baldegger and Torill Standal Eliassen.

Risk management and internal control

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

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

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

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

In connection with the budget work and approval of the budget, the board considers that the internal control systems and the most important risk factors are taken into account that the company may be confronted with. In light of the company's growth strategy, the board places emphasis on ensuring that the internal control systems apply to all aspects of the company's operations, including strategic, operational and financial risk. The board also assesses the need for any further measures in relation to the risk factors.

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

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

The Group's control environment is assessed as satisfactory, and the Group has a satisfactory accounting and controlling department. Parts of the payroll functions are outsourced to an external accounting firm.

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

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

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

Remuneration of the board of directors

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

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

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

Remuneration of executive personnel

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

Information and communications

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

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

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

The complete annual report and financial statements are made available to shareholders no later than three weeks prior to the annual general meeting, or, at the latest, by 30 April each year, which is the last date permitted by the Securities Trading Act. For 2020 the complete annual report and financial statements were approved and published 19 March 2021.

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

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

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

Take-overs

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

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

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

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

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

Auditor

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

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

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

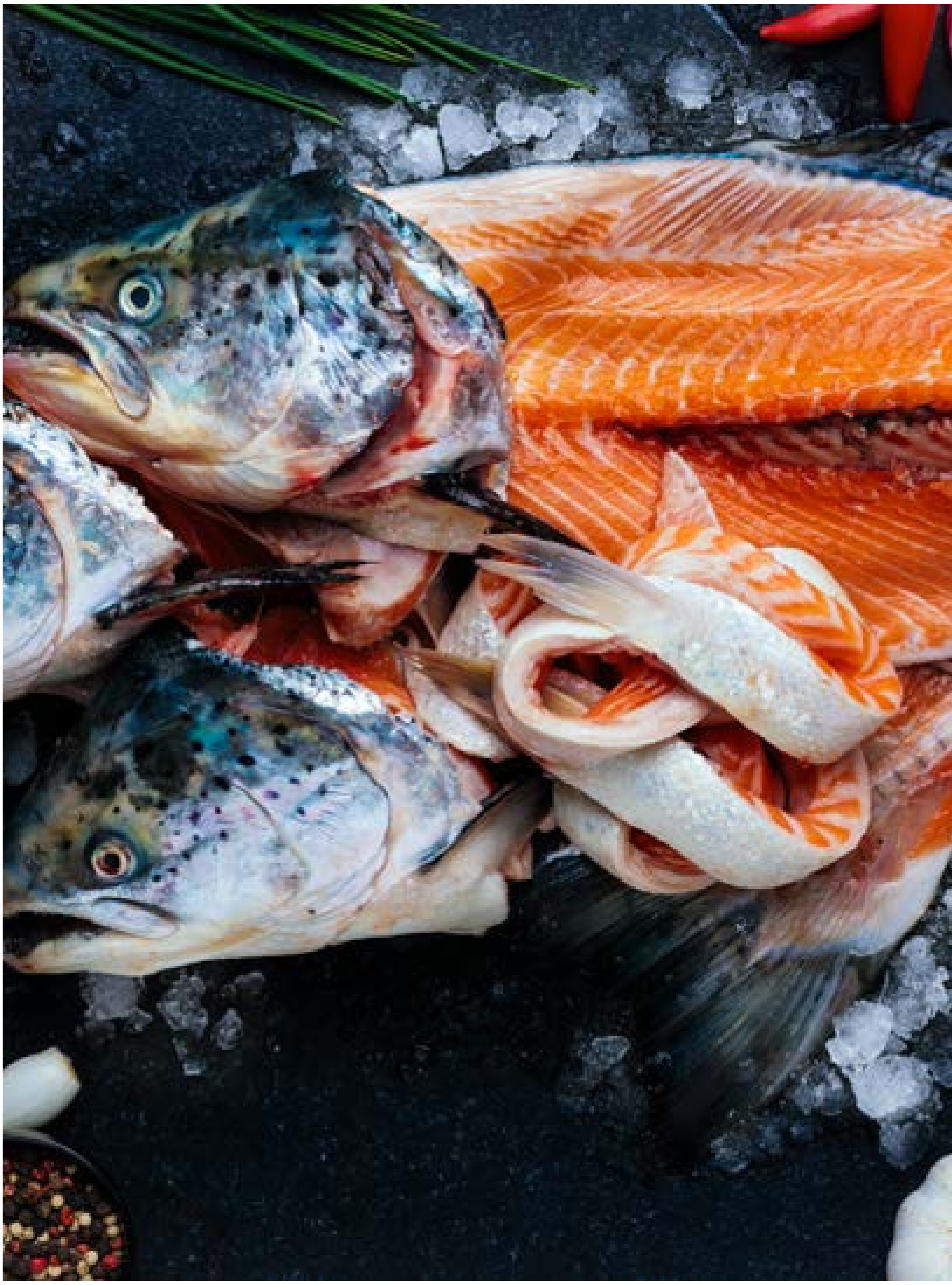
There are no written guidelines for executive management's use of auditors for services other than auditing. This differs from «Norwegian recommendation for corporate governance.» The auditor explains, however, the audit committee for which services other than auditing provided the Group and company. However, the auditor reports to the audit committee on which non-audit services have been provided to the group and the company. Throughout the year, the audit committee is responsible for approving the services provided by the auditor, as well as the fees for these.

The Audit Committee in conjunction with the annual report in 2021 received a written confirmation from the auditor that he satisfies established and legitimate independence requirements.

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

The board of director’s report 2021

CHAPTER 2



Important events in 2021

First quarter

In the first quarter, HBC received the first orders from the US-based dietary supplement company Garden of Life. The Nestlé-owned company intends to launch new protein products that will be available online in the North American markets in the third quarter of 2021. The company also identified and charaterised a lipopeptide that inhibits eosinophilia inflammation. Subsequently, HBC developed and tested several analogous compounds, two of which have shown better biological activity than the original MICR-001 for asthma / COPD treatment via eosinophilia control.

The company also completed the in vitro phase of our gastrointestinal inflammation therapy collaboration program and in the first quarter we moved on to a preclinical DSS-induced animal model that simulates the pathology of NEC and inflammatory bowel disease (IBD).

Second quarter

In the second quarter, HBC extended its exclusive distribution agreement with IMCD, to include most of Europe. Following the granting of qualified health claims by Health Canada on the maintenance of healthy levels of ferritin and hemoglobin, we have identified the peptides that deliver this effect. This will enable HBC to develop a capsule format for the targeted treatment of iron deficiency anemia. Development of new synthetic compounds for the treatment of eosinophilic (allergic) inflammation such as asthma continued during this quarter. The company has filed a patent application and the process will be completed before the turn of the year. During the quarter, HBC also performed a successful oral dosing of the peptides in a proprietary animal model of inflammatory bowel disease at Stanford University School of Medicine. Following the completion of further preclinical work clinical testing is planned for 2022.

Third quarter

HBC hired Dr. Tanja Schaffer in the third quarter as Executive Vice President of HBC's Global Ingredients Division and as CEO of HBC's future Swiss subsidiary HBC Switzerland GmbH to be incorporated in 2022. During the quarter, HBC also identified three potential pharmaceutical drugs with great commercial potential. This includes an analog derived from a lipopeptide compound in OmeGo® that targets allergic inflammation, a set of structurally related peptides that help the body correct iron deficiency anemia and a peptide group that reduces inflammation in intestinal function. During the quarter, Dr. Zubair Hussain was also appointed Senior Regulatory Consultant. He has over 25 years of experience from various regulatory roles, including from Pfizer and Novartis. During the quarter, Stanford University also launched a larger mouse model trial to confirm the effectiveness of SPH / ProGo® in reducing intestinal damage from TNBS-induced inflammation.

Fourth quarter

During the fourth quarter, HBC achieved New Dietary Ingredient Status (NDI) from the FDA for OmeGo® and CalGo®. Our collaboration with IMCD developed positively and their laboratories implemented new formulations and product prototypes, for example on chewable tablets to be able to offer new unique products to their customers. In the fourth quarter, Stanford University also completed the study that confirmed the effectiveness of SPH in reducing bowel injuries in a classic TNBS-induced inflammatory bowel disease model. At the end of the fourth quarter, Aqua Spark also became a new strategic investor in HBC and Amy Novogratz was then elected as a new member of the board of HBC.

Financial results

Revenues and profits

The Group generated gross operating revenues of NOK 87.6 million in 2021, up from NOK 69.3 million in 2020. Correspondingly, the parent company had gross revenues of NOK 88.1 million in 2021, up from NOK 68.7 million in 2020. Ordinary operating revenues are somewhat lower than expected mainly due to lower activity because of optimization of the production lines throughout the year.

Operating costs, excluding depreciation and amortization amounted to NOK 176.8 million in 2021, compared to NOK 134.5 million in 2020. For the parent company operating expenses amounted to NOK 173.0 million in 2021 compared to NOK 137.0 million in 2020. The expenses are mainly cost of sales, salaries and other operating expenses.

The Group had an operating loss of NOK 118.6 million in 2021, compared with a loss of NOK 92.0 million in 2020. Correspondingly, the parent company had an operating loss of NOK 110.7 million compared to NOK 91.8 million in 2020.

Net financial result was NOK -7.9 million in 2021, compared with NOK -10.1 million in 2020. Net financial result for the parent company was NOK -11.5 million and -13.5 million in 2021 and 2020, respectively.

The Group had a loss before tax of NOK 126.5 million in 2021, compared to a loss of NOK 102.1 million the year before. For the parent company the loss before tax was NOK 122.2 million in 2021, compared to NOK 105.3 million in 2020.

The group had a tax expense of NOK 0.0 million in 2021, equal to NOK 0.0 million in tax expense in 2020. The Group has not recognized any deferred tax assets. Net loss for the year was NOK 102.9 million, compared with a net loss of 89.2 million in 2019. The parent company had a net loss of NOK 122.2 million in 2021, compared to NOK 105.3 million in 2020.

Financial position

As of 31 December 2021, Hofseth BioCare had a total consolidated balance sheet of NOK 416.0 million, down from NOK 459.1 million at the end of 2020. The parent company had a balance sheet total of NOK 394.1 million compared to NOK 444.6 million in 2020.

Equity amounted to NOK 141.1 million at the end of 2021, which corresponds to an equity ratio of 33.8 %. At the end of 2020, the group had a total equity of NOK 263.8 million and an equity ratio of 57.5 %. The parent company had equity of NOK 142.8 million at the end of 2021, compared to NOK 261.6 million in 2020. The equity ratio was correspondingly 36.2 % in 2021 and 58.9 % at the end of 2020 in the parent company.

As of 31 December 2021, the group had cash and cash equivalents of NOK 49.9 million, compared with NOK 172.8 million at the end of last year. The parent company had NOK 48.4 million in cash and cash equivalents at the end of 2021, compared with NOK 171.8 million in 2020.

At the end of 2021, the group had NOK 23.8 million in long-term interest-bearing debt and NOK 2.4 million in short-term interest-bearing debt, compared with NOK 25.1 million and NOK 3.4 million at the same time the year before, respectively. The parent company had NOK 22.4 million and NOK 1.9 million in long-term and short-term interest-bearing debt in 2021, respectively. At the end of 2020, the long-term share was NOK 23.2 million and NOK 2.8 million short-term.

The group has interest-bearing lease obligations of NOK 100.9 million for long-term lease obligations and NOK 12.1 million in short-term lease obligations at the end of the year, compared with NOK 64.1 million and NOK 8.2 million at the end of 2020. The parent company has interest-bearing lease obligations with NOK 80.3 million and NOK 9.8 million in short-term lease obligations at the end of 2021, compared with NOK 42.6 million and NOK 6.4 million at the end of 2020.

Cash flows

The group's cash flow from operating activities amounted to NOK -61.8 million in 2021, compared with NOK -61.6 million the year before. The parent company had a negative cash flow of NOK 61.3 million compared to negative NOK 67.9 million the year before.

Net cash flow from investing activities amounted to NOK -38.0 million, compared with NOK -60.1 million in 2020 for the group. In the parent company, cash flow from investing activities was NOK -35.0 million in 2021 compared to NOK -205.5 million in 2020.

Net cash flow from financing activities amounted to NOK -22.2 million in 2021, compared with NOK 200.0 million the year before. Corresponding figures in the parent company were NOK -27.2 million in 2021 and NOK 205.5 million in 2020. The company completed a share issue with a subsequent repair issue in 2020

Going concern

In accordance with the accounting act § 3-3a we confirm that the conditions for continued operations is present and that the annual report have been prepared based on the going concern assumption. There is uncertainty relating to the liquidity assumption with current cash burn of the parent and the group and whether they will be able generate sufficient positive cash flows in the next 12 months. The group and parent company still has negative results and negative cash flows in the first two months of 2022. It will be crucial to the group and to the parent company that a higher production and average price of the products are achieved to contribute to adequate profitability in the future. The parent company expects improvement in future results when prices, gross margins and volumes for the individual products are increasing. Increased sales will also lead to increased need of working capital. The Board considers it essential that the group and the parent company manage to increase sales and improve earnings timely in relation to the need for liquidity in the group and in the parent company. The board will follow the income and liquidity situation closely and continuously assess the need for additional liquidity. The company has 48.4 million cash as of year end in addition to 37 million in unused credit facility. Furthermore, at the time of submitting the annual report, the board has been authorized by the general meeting on 23 April 2021 to issue up to 35,783,103 new shares. The authorizations are intended to be used if the parent company needs an additional supply of equity and liquidity. The parent company meets all requirements in its loan agreements and is thus not in breach of the loan conditions as of 31 December 2021.

If the group and the parent company do not succeed with planned measures in the market to a sufficient degree, new loan facilities will be established, or a share issue will be carried out during 2022. As these measures are planned and not completed as of signing, there is uncertainty to what extent such measures will be reached, even if the board makes it's best effort.

The group's and the parent company's assets and values are present under the assumption of going concern. In a potential forced sale related to liquidation, the value of some of the group's and the parent company's assets may be lower than their carrying amounts. The uncertainty primarily relates to the value of intangible assets, fixed assets, financial assets, and investments, as well as the value of inventories.

Allocation of earnings

Net loss for the parent company Hofseth BioCare ASA is NOK -122.2 million in 2021. The board proposes the following allocation of the loss:

Uncovered loss	- 122.2 million
Totalt	- 122.2 million

Risk and risk management

Risk management

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

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

Operational risk

The biotechnology industry is characterized by integration and interdependence between different steps in the production process. In Hofseth BioCare, there is a high degree of integration between the various stages of production. Any interruption in one production stage can therefore result in all or part of the production stopping. Hofseth BioCare has installed comprehensive monitoring and employees work continuously with fine-tuning and optimization of processes to maximize operational continuity. Significant improvements in the production lines in recent years have given the company better opportunities for continued production if one of the components stops. Ensuring continued operation in the event of any interruption of critical functions has a high priority and is monitored continuously.

A competent workforce is an important factor in the work of ensuring continuity in production. Hofseth BioCare's employees have extensive experience and expertise in the company's technology, and new employees undergo continuous training and education to build up the necessary expertise.

The group's production processes are currently concentrated in two plants and downtime at these plants can have a significant impact on the company's potential revenues.

Market risk

Hofseth BioCare reduces its market risk through geographical and market presence. Over the past two years, the company has associated with distributors who operate in the markets to which we want to deliver products. Local distributors know the local markets and are able to identify the factors that are important for Hofseth BioCare to be able to sell products to end customers in different parts of the world. In addition to focusing on sales to Europe, North America and Asia, the company sells its products to various segments of the human nutrition market (sports nutrition, supplements, and health food), as well as to the market in nutrition for the pet and feed industry. This strategy allows Hofseth BioCare to reduce its dependence on one market segment and geographical area.

Foreign exchange risk

Hofseth BioCare trades in several currencies, but mainly in US dollars and Euros. Fluctuations in exchange rates can have an impact on the company's operations, results and financial position. Hofseth BioCare will not engage in currency speculation and through currency hedging, the company can reduce this risk with more predictable cost and revenue streams.

Interest rate risk (own financing, deposits)

Changes in general interest rates could affect the company's financing and may have an impact on costs. Changes in interest rates may also affect the value of the company's assets.

Credit risk

To minimize the risk of losses on receivables, customers' creditworthiness is assessed on an ongoing basis. Receivables from all customers must be credit insured through Coface Norway or payment before shipping goods.

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

Financial and liquidity risk

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

Hofseth BioCare had cash and cash equivalents totalling NOK 49.9 million at the end of 2021, compared with NOK 172.8 million at the same time the year before. Cash and cash equivalents largely consist of cash and bank deposits. In addition, the company has an unused credit facility of NOK 37 million.

Risk insurance

Although Hofseth BioCare seeks to reduce the impact of adverse events using its risk management system, a certain risk remains exist which cannot be completely eliminated through preventive measures. The company covers such risks to a certain extent through the purchase of insurance. The Hofseth BioCare insurance portfolio is covering areas such as business interruption, damage to equipment and property, third party liability and other risks, board liability insurance of NOK 20 million, as well as various types of personnel insurance.

Organization

Hofseth BioCare AS was founded in 2009, with the conversion to ASA in 2011. At the end of 2021, Hofseth BioCare Group had a total of 63 employees.

The employer activity duty

The management team has overall responsibility for the work of identifying the risk of discrimination and preventing gender equality and works closely with shop stewards in the work with the activity and reporting obligation.

Employee surveys and systematic follow-up contribute to the mapping of the working environment, including gender equality and discrimination. Protection rounds map the physical and psychosocial work environment, and help to identify whether the employees experience being exposed to or observe various forms of discrimination or harassment. The gender balance is measured by quarterly reporting and by hiring.

Working environment

The group's working environment is considered good. The Board emphasizes great importance and priority to reduce absenteeism and preventing injuries. One work-related accident occurred during the year that resulted in absence. Long-term absence in 2021 was 5.12 %, compared to 5.1 % in 2020, short-term absence was 1.26 %, compared to 1.3 % in 2020.

Total absence was 6.38 % in 2021. Risk analysis is the basis for measures to be taken to prevent damage or other adverse events to occur. This is a key element in Hofseth BioCare's work with HSE. Understanding risk is essential to prevent dangerous situations. This will be handled continuously and HSE training is getting better. Risk analysis work is being followed up continuously. If HSE non-conformities occur, measures will be put in place to prevent such non-conformities from happening again.

Hofseth BioCare has a partnership with Medi3 who takes care of occupational health in the Group. All employees will also in 2022 undergo a medical examination. For HBC Berkåk AS an occupational health agreement has been established with Akti-Med. This is a requirement for all companies that belong to our industry group ref. Section 13 of the Regulations for organization, leadership, and participation.

Injury and illness absence	Berkåk 2021	Midsund 2021	Adm. 2021	Group 2021
Total absence (%)	1.50	17.70	0.39	8.46
Total working hours (all)	18 585	38 275	27 752	84 612
-specification:				
Short term absence (%)	0.72	1.25	0.23	0.80
Long term absence (%)	0.78	16.45	0.16	7.66
Number of injuries	0	1	0	1
Number of work-related accidents	0	2	0	2

Equality

Hofseth BioCare aims to practice gender equality and avoid discrimination in all aspects of its HR and recruitment policy. Over time, HBC has implemented several initiatives and measures for the work on gender balance. We have an ambition for a gender balance of at least 10% in production and 25% in HBC in total.

In production, it is challenging to achieve a sufficient gender balance, but in recent years various measures have led to an increase in women and in the case of new hires, it has been important to facilitate a more even gender distribution.

In 2021, 11 of 63 employees in Hofseth BioCare were women and on the Board of Directors 4 of 6 members were female.

We work actively, purposefully and systematically with sustainability, including for equality and non-discrimination. Gender equality work includes the personnel areas of recruitment, pay and working conditions, promotion, development opportunities, facilitation and the opportunity to combine work and family life, other relevant matters, as well as work against harassment, sexual harassment and gender-based violence.

The work for equality and against discrimination is important in HBC's personnel handbook and policy and is followed up both in the factories and in the administration. HBC shall have an inclusive culture where all employees have equal rights and opportunities, and are met with respect. The overall work with diversity and gender equality is part of the work on sustainability in HBC.

Discrimination

HBC aims to practice gender equality and avoid discrimination in all aspects of its HR and recruitment policy. We work actively to consciously promote the recruitment of female managers and employees. The group used foreign labor at the factory in Midsund and practices equal treatment of Norwegian and foreign employees.

The work to promote gender equality and prevent discrimination has in recent years been a priority area in HBC and an integral part of how we work and new procedures that are developed. Ambitions, goals and measures to ensure equality and non-discrimination are anchored in the management and supported by various guidelines. Mapping of salaries and involuntary part-time work is carried out and will be accounted for in 2022.

Environment

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

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

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

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

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

Corporate social responsibility

See separate ESG report prepared about the strategy to take an active responsibility around our business.

Shareholders

At the end of the year the company had 1,396 shareholders. For further details about the shareholders, see note 25 to Hofseth BioCare ASA's financial statements. The company has no provisions restricting the right to sell the Company's shares.

Related parties

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

Corporate governance

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

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

Outlook

2021 has been a year marked by development and scaling for Hofseth BioCare. Throughout the year, the company has established its own clinical trial unit in Ålesund, at the same time as completing the development of the factory at Midsund. Like 2020, 2021 has been a special year for all of us. The Covid-19 pandemic has had a significant impact on society and companies around the world. At Hofseth BioCare, the health and safety of our employees, their families and our business partners has been important. Fortunately, the pandemic has had a limited impact on our business, despite significant restrictions on physical sales and marketing activities. Nevertheless, we have been able to carry out a number of research and development projects during the past year, and we have implemented more clinical studies than ever before.

Although the pandemic looks set to continue into 2022, we believe it will have a limited impact on us as a company. 2021 has taught us to work effectively, even with social distance. Production is not directly affected, and sales and marketing activities now take place largely digitally, although we see that society is gradually returning to normal.

In 2020 and in 2021, Hofseth BioCare has taken important steps towards commercialization, and established collaboration agreements with distributors in many important markets, as well as hiring more skilled employees in exciting markets. We have already seen the effects of this work and that this contributes to gradually increased sales and better profitability.

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

HBC's research work includes both clinical and preclinical development stages with the aim of developing products for the relief and prevention of several different clinical areas and indications. The experiments we have carried out have had positive results that support the great potential that lies in HBC's unique products for nutrition for humans and pets. Increased production volumes and a larger customer base will always be seen in connection with the group's environmental profile. Hofseth BioCare's vision is, and will continue to be, sustainable production of premium bioactive ingredients with documented health effects.

Russia's invasion of Ukraine in late February is deeply concerning with severe humanitarian consequences, and significant impact to the world's political environment and security situation. As of today, it is difficult to estimate what impact this could have on HBC's business and activities going forward, but the Group have no commercial or operational relationships to either Ukraine or Russia. HBC source raw material in Norway and all production is done domestically. However, the management will review the situation on a continuous basis, especially considering commercial restrictions, the global transport situation, and possible shortage on materials to our finished products production.

Hofseth BioCare ASA Board of Directors,
Ålesund, 25. March 2022

Ola Holen
Chariman of the board

Henriette G. Heggdal
Board member

Christoph Baldegger
Board member

Kristin Fjellby Grung
Board member

Torill Standal Eliassen
Board member

Amy Novogratz
Board member

Roger Hofseth
CEO

Financial statements

Consolidated and parent company

CHAPTER 3

Content

Statement of comprehensive income

1 January – 31 December
Hofseth BioCare ASA

		Consolidated (IFRS)		Parent company (IFRS)	
(Amounts in NOK 1000)	**Note**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Operating revenues and expenses					
Sales revenues	3, 6	76 878	52 514	76 689	52 265
Other revenues	3	10 738	16 738	11 359	16 449
Total operating revenue		87 616	69 252	88 048	68 713
Cost of sales	2, 4, 6	64 517	39 532	72 152	54 714
Salaries and other payroll expenses	5	44 713	42 641	37 796	36 432
Other operating expenses	4, 6, 14	67 600	52 334	63 100	45 842
Depreciation and Write-downs	10, 11, 12	29 350	26 766	25 710	23 497
Operating profit/loss (EBIT)		**-118 565**	**-92 021**	**-110 710**	**-91 772**
Loss from associated company	23	31	-784	0	0
Financial income	7	3 647	3 364	3 651	3 488
Financial expenses	6, 7, 12	11 577	12 650	15 182	16 994
Net financial expenses	15, 19	**-7 900**	**-10 070**	**-11 531**	**-13 505**
Loss before taxes		-126 464	-102 091	-122 241	-105 277
Tax expense	8	0	0	0	0
Net loss for the period	2	**-126 464**	**-102 091**	**-122 241**	**-105 277**
Other income and costs		0	0	0	0
Total comprehensive income		-126 464	-102 091	-122 241	-105 277
Comprehensive income attributable to:					
Shareholders in HBC ASA		-126 463	-102 090		
Non-controlling interest		-1	-1		
Total		-126 464	-102 091		

Earnings per share (NOK)		**2021**	**2020**	**2021**	**2020**
Basic earnings per share	9	-0.35	-0.31	-0.34	-0.32
Diluted earnings per share	9	-0.35	-0.31	-0.34	-0.32

Statement of financial position

1 January – 31 December
Hofseth BioCare ASA

		Consolidated (IFRS)		Parent company (IFRS)	
(Amounts in NOK 1000)	**Note**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
ASSETS					
Non-current assets					
R&D, patents etc.	2, 10	53 055	42 434	52 867	42 203
Total intangible assets		**53 055**	**42 434**	**52 867**	**42 203**
Machinery and equipment	11	63 209	57 188	56 384	49 350
Right of use assets	12	120 342	79 920	96 774	56 441
Fixtures and fittings	11	2 281	847	2 255	807
Total fixed assets	2	**185 831**	**137 955**	**155 413**	**106 599**
Investment in subsidiary	7, 23	0	0	11 231	18 865
Investment in affiliated company	23	5 764	5 733	6 517	6 517
Non-current financial assets	15, 23	1 012	1 542	1 012	1 542
Total non-current financial assets		**6 776**	**7 275**	**18 761**	**26 924**
Total non-current assets		**245 662**	**187 664**	**227 041**	**175 726**
Current assets					
Inventory	2, 6, 20	90 813	73 302	90 244	72 225
Trade receivables	2, 6, 21	10 089	14 267	9 970	13 996
Other current receivables	5, 21	19 488	11 066	18 449	10 922
Cash and cash equivalents	22	49 921	172 835	48 359	171 777
Total current assets	14, 15, 19	**170 311**	**271 470**	**167 023**	**268 920**
Total assets	2, 26	**415 973**	**459 134**	**394 064**	**444 647**

(Amounts in NOK 1000)	Note	Consolidated (IFRS) 31.12.2021	Consolidated (IFRS) 31.12.2020	Parent company (IFRS) 31.12.2021	Parent company (IFRS) 31.12.2020
EQUITY AND LIABILITIES					
Equity					
Paid in equity					
Share capital	5, 25	3 578	3 578	3 578	3 578
Share premium		137 485	236 709	139 187	236 709
Other paid in equity		0	8 684	0	8 684
Total paid in equity		**141 063**	**248 971**	**142 765**	**248 971**
Retained earnings					
Other paid in equity		0	15 477	0	12 650
Total retained earnings (+) Uncovered loss (-) (attributable to equity holders of the parent)		0	15 477	0	12 650
Non-controlling interests	23	-685	-684	0	0
Total equity	2, 6	**140 378**	**263 764**	**142 765**	**261 621**
Non-current liabilities					
Subordinated debt	6, 13	22 433	21 346	22 433	21 346
Interest-bearing loans and borrowings	6, 13	1 352	3 768	0	1 875
Financial lease obligations	6, 12, 13	100 878	64 078	80 343	42 570
Total non-current liabilities	16, 17, 18, 19	**124 662**	**89 191**	**102 776**	**65 791**
Current liabilities					
Interest-bearing loans and borrowings	6, 16, 13	2 420	3 428	6 855	2 884
Lease liabilities	6, 12, 13	12 099	8 224	9 801	6 427
Trade payables	6, 24	124 165	84 956	121 476	83 238
Other liabilities	24	12 249	9 571	10 391	24 685
Total current liabilities	16, 17, 18, 19	**150 933**	**106 179**	**148 523**	**117 234**
Total liabilities	14, 16, 19	**275 595**	**195 370**	**251 298**	**183 025**
TOTAL EQUITY AND LIABILITIES	2, 26	**415 973**	**459 134**	**394 064**	**444 647**

Hofseth BioCare ASA Board of Directors,
Ålesund, 25 March 2022

Ola Holen Chariman of the board	Henriette G. Heggdal Board member	Christoph Baldegger Board member	Kristin Fjellby Grung Board member
Torill Standal Eliassen Board member	Amy Novogratz Board member		Roger Hofseth CEO

Statement of cash flows

1 January – 31 December

		Consolidated (IFRS)		Parent company (IFRS)	
(Amounts in NOK 1000)	**Note**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Cash flow from operating activities					
Loss before tax		-126 464	-102 091	-122 241	-105 277
Paid tax	8	0	0	0	0
Depreciation and impairment	2, 10, 11, 12	29 350	26 766	25 710	23 497
Impairment/reversal shares	7, 23	0	0	4 889	4 884
Loss from associated company	23	-31	784	0	0
Change in inventory	20	-17 511	-39 315	-18 019	-38 867
Change in trade receivables	21	4 178	-8 725	4 026	-8 551
Change in trade payables	24	39 208	55 245	38 238	56 685
Change in other accruals		96	-2 958	-2 099	-7 652
Items classified as financing activities		9 394	8 662	8 175	7 424
Net cash flows from operating activities		**-61 779**	**-61 632**	**-61 320**	**-67 857**
Cash flow frwom investing activities					
Aquisition of tangible fixed assets	11	-22 924	-32 575	-19 929	-30 778
Payments received from other non-current financial assets		0	918	0	918
Investment in other companies	23	-188	-6 517	-188	-6 517
Investment in intangible assets	10	-14 827	-21 882	-14 827	-21 745
Net cash flow from investing activities		**-37 939**	**-60 056**	**-34 945**	**-58 122**
Cash flow from financing activities					
Proceeds from issue of shares		0	245 645	0	245 645
Transaction costs on issue of shares		0	-5 395	0	-5 395
Payment of warranty expenses	6, 7	0	-86	0	-86
Payment of interest	6, 7, 13	-1 799	-4 779	-2 277	-5 169
Proceeds from new borrowings	6, 16, 13	1 087	39 021	1 087	39 021
Repayment of borrowings	6, 16, 13	-3 421	-60 974	-2 880	-60 417
Payment of lease liabilities	6, 12, 16, 13	-11 469	-9 666	-8 686	-7 781
Payment of interest on lease liabilities	12, 13	-7 595	-3 796	-5 898	-2 169
Payment borrowings from subsidiary	24	0	0	0	1 876
Repayment of borrowings from subsidiary	24	0	0	-8 498	0
Net cash flow from financing activities	18, 19	**-23 197**	**199 970**	**-27 152**	**205 525**
Cash and cash equivalents at 1 January		172 835	94 553	171 777	92 230
Net change in cash and cash equivalents		-122 914	78 282	-123 418	79 546
Cash and cash equivalents at 31 December	22	**49 921**	**172 835**	**48 359**	**171 777**

Statement of changes in equity

1 January – 31 December

Consolidated (IFRS)

(Amounts in NOK 1000)	Note	Share capital	Share premium	Other paid in capital	Uncovered loss	Non-controlling interests	Total equity
As of 1 January 2020		**325 821**	**0**	**827**	**-208 216**	**-682**	**117 749**
Share based payment program	5	0	0	7 857	0	0	7 857
Share issue 22.03.2020	6	3 253	18 642	0	0	0	21 895
Reduction of face value		-325 783	0	0	325 783	0	0
Share issue 31.08.2020		11	0	0	0	0	11
Share issue 27.10.2020		247	199 753	0	0	0	200 000
Share issue 30.12.2020		29	23 709	0	0	0	23 738
Share issue costs	5	0	-5 395	0	0	0	-5 395
Comprehensive income		0	0	0	-102 090	-1	-102 091
Other income and costs		0	0	0	0	0	0
Total comprehensive income		0	0	0	-102 090	-1	-102 091
As of 31 December 2020	2, 5, 25	**3 578**	**236 709**	**8 684**	**15 477**	**-684**	**263 764**
As of 1 January 2021		**3 578**	**236 709**	**8 684**	**15 477**	**-684**	**263 764**
Share based payment program	5	0	0	3 487	0	0	3 487
Other changes		0	0	0	-409	0	-409
Comprehensive income		0	-99 224	-12 171	-15 068	-1	-126 464
Other income and costs		0	0	0	0	0	0
Total comprehensive income		0	-99 224	-12 171	-15 068	-1	-126 464
As of 31 December 2021	2, 5, 25	**3 578**	**137 485**	**0**	**0**	**-685**	**140 378**

Statement of changes in equity

1 January – 31 December

Parent company (IFRS)

(Amounts in NOK 1000)	Note	Share capital	Share premium	Other paid in equity	Uncovered loss	Total equity
As of 1 January 2020	2, 5, 25	**325 821**	**0**	**827**	**-207 855**	**118 792**
Share based payment program	5	0	0	7 857	0	7 857
Share issue 22.03.2020		3 253	18 642	0	0	21 895
Reduction of face value		-325 783	0	0	325 783	0
Share issue 31.08.2020		11	0	0	0	11
Share issue 27.10.2020		247	199 753	0	0	200 000
Share issue 30.12.2020		29	23 709	0	0	23 738
Share issue costs	5	0	- 5 395	0	0	-5 395
Comprehensive income		0	0	0	-105 277	-105 277
Other income and costs		0	0	0	0	0
Other comprehensive income		0	0	0	-105 277	-105 277
As of 31 December 2020	2, 5, 25	**3 578**	**236 709**	**8 684**	**12 650**	**261 621**
As of 1 January 2021	2, 5, 25	**3 578**	**236 709**	**8 684**	**12 650**	**261 621**
Share based payment program	5	0	0	3 487	0	3 487
Other changes		0	0	0	-102	-102
Comprehensive income		0	-97 522	-12 171	-12 548	-122 241
Other income and costs		0	0	0	0	0
Total comprehensive income		0	-97 522	-12 171	-12 548	-122 241
As of 31 December 2021	2, 5, 25	**3 578**	**139 187**	**0**	**0**	**142 765**

Note 1: Accounting policies

General information

Hofseth BioCare ASA ia a public limited liability company somicilied in Ålesund, Norway. The company`s headquarter is in Kipervikgata 13 in Ålesund, with one manufacturing facility in the municipality of Molde and one manufacturing facility in the municipality of Rennebu. The annual financial statements were approved for issuance by the board of directors 25 March 2022.

The Group`s operation is the processing of fish offcuts into high quality protein and other food supplements .

The company's consolidated financial statements for 2021 consist of the parent company and the subsidiaries HBC Berkåk AS, Hofseth BioCare Rørvik AS and Nøre Nutrition AS (the Group).

Basis of preparation

The consolidated financial statements and the parent company financial statements of Hofseth BioCare ASA have been prepared in accordance with IFRSs and related interpretations as issued by the International Accounting Standards Board (IASB) and as adopted by the EU as of 31 December 2021, as well as the additional disclosure requirements following from the Norwegian accounting act as of 31 December 2021.

The consolidated financial statements and the parent company financial statements are prepared on the historical cost basis, with the exception of financial instruments that are measured at fair value with changes in value through profit or loss. The consolidated financial statements and the parent company financial statements have been prepared applying consistent accounting policies for similar transactions and event.

Basis for consliation

(i) Subsidiaries

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

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

(ii) Associated companies

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

The group has no joint ventures.

(iii) Elimination of transactions in the consolidation

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

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

Functional currency and presentation currency

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

Use of estimates when preparing the annual financial statements

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

Foreign currency

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

Revenue recognition policies

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

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

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

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

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

Contract assets

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

Trade receivables

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

Contract liabilities

A contract liability may be an obligation to deliver goods or services to the customer, from whom the group has received consideration (or an amount of the consideration is overdue). If a customer pays the consideration before the Group delivers goods or services to the customer, a contractual obligation is recognized at the time of payment or at the time payment of the consideration is due (whichever takes place first). Contract liabilities are not recognized until the Group delivers goods and services in accordance with the contract. The group has not identified contractual obligations in the delivery contracts entered into as of 31 December 2021.

Segments

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

As the Group has one common and not separable manufacturing process for its products, management focuses its financial review on revenues and quality generated from the manufacturing process. Management monitors the financial results at Group level and, hence, the Group only has one segment. Information about products is presented in note 3.

Government grants

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

Employee benefits

Defined contribution pension plan

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

Share based payment arrangements for consultant

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

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

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

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

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

Financial income and financial expenses

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

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

Income taxes

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

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

Deferred taxes are calculated using the tax rate expected to be applicable at the time of reversal of the temporary differences.
Deferred tax assets are recognised to the extent the company is expected to have sufficient taxable income in future periods to utilize the tax benefit. The companies recognize previously unrecognized deferred tax assets to the extent it has become likely that the company may utilize the deferred tax benefit. Likewise, the company will reduce deferred tax assets to the extent the company no longer expects that it will be able to utilise the deferred tax benefit.

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

Intangible assets

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

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

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

Patents and licences

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

Development activities

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

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

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

Fixed assets

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

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

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

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

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

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

Investment in subsidiaries and associated companies

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

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

Leases

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

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

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

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

Lease liabilities

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

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

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

Financial assets

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

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

Inventory

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

Cash and cash equivalents

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

Financial obligations

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

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

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

Derivatives

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

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

Provisions

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

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

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

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

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

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

New accounting standards
Standards with changes that apply to the accounting period January 1, 2021 has not had any material impact for the financial year 2021. The group and the company have not implemented early standards released but not yet active.

Note 2: Accounting estimates and management judgement and assumptions

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

The Group's most significant accounting estimates and areas of judgment are the following:

- Allocation of production costs in manufactruring cost of finished product cost
- Transactions with related parties
- Recognition of intangible assets
- Going concern
- Depreciation, amortisation and impairment of fixed assets and intangible assets
- Deferred tax asset
- Share based payment to consultant
- Inventory - obsolescence
- Assessment of losses on accounts receivables
- Covid-19
- Financial implications of climate change

Allocation of production costs in manufactruring cost of finished product cost

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

Transactions with related parties

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

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

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

Hofseth BioCare ASA has sold finished goods to related parties in 2020 and 2021. Prices are determined on the basis of current and historical transactions with independent parties in 2020 and 2021. Discretion has been used in determining conditions for the sale of finished goods, see notes 3 and 6.

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

Recognition of intangible assets

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

Going concern

In accordance with the accounting act § 3-3a we confirm that the conditions for continued operations is present and that the annual report have been prepared based on the going concern assumption. There is uncertainty relating to the liquidity assumption with current cash burn of the parent and the group and whether they will be able generate sufficient positive cash flows in the next 12 months. The group and parent company still has negative results and negative cash flows in the first two months of 2022. It will be crucial to the group and to the parent company that a higher production and average price of the products are achieved to contribute to adequate profitability in the future. The parent company expects improvement in future results when prices, gross margins and volumes for the individual products are increasing. Increased sales will also lead to increased need of working capital. The Board considers it essential that the group and the parent company manage to increase sales and improve earnings timely in relation to the need for liquidity in the group and in the parent company. The board will follow the income and liquidity situation closely and continuously assess the need for additional liquidity. The company has 48.4 million cash as of year end in addition to 37 million in unused credit facility. Furthermore, at the time of submitting the annual report, the board has been authorized by the general meeting on 23 April 2021 to issue up to 35,783,103 new shares. The authorizations are intended to be used if the parent company needs an additional supply of equity and liquidity. The parent company meets all requirements in its loan agreements and is thus not in breach of the loan conditions as of 31 December 2021.

If the group and the parent company do not succeed with planned measures in the market to a sufficient degree, new loan facilities will be established, or a share issue will be carried out during 2022. As these measures are planned and not completed as of signing, there is uncertainty to what extension such measures will be reached, even if the board will make it's best effort.

The group's and the parent company's assets and values are present under the assumption of going concern. In a potential forced sale related to liquidation, the value of some of the group's and the parent company's assets may be lower than their carrying amounts. The uncertainty primarily relates to the value of intangible assets, fixed assets, financial assets, and investments, as well as the value of inventories.

Depreciation, amortisation and impairment of fixed assets and intangible assets

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

Deferred tax assets

There are uncertainties relating to future taxable income and a deferred tax asset has not been recognized in the financial statements. The unrecognized deferred tax assets amount to TNOK 197,436 for the Group and TNOK 190,960 for the company at 31 December 2021.

Share based payment arrangements for consultant

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

Inventories

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

Assessment of loss relating to accounts receivables

At the end of 2021, the Group had no significant overdue accounts receivables. All significant accounts receivables are credit secured by Coface Norway, limited to a maximum of TNOK 11,550 and with a coverage rate of 90 %. When analyzing future information about the Group's customers and markets, future challenges are not listed today, which indicate that there will be a significant credit loss in the future. See note 19 on credit risk and note 21 on accounts receivables and other receivables.

Covid-19

Hofseth BioCare has been operating efficiently during 2021 despite the continued Covid-19 pandemic. The safety, health and well-being of our employees and their families has been the Group's top priority. The pandemic has had a minimal impact on our operations, even though more or less all physical sales and marketing activities was cancelled and moved to virtual platforms. The financial estimates and assumptions were reviewed on a quarterly basis during 2021 and there were no significant changes made on estimates or assumptions. Based on the Company's ability to operate under strict policies and management to avoid infections, HBC has not identified any significant Covid-19 impact on the financial statements.

Financial implications of climate change

While it is widely recognized that continued emission of greenhouse gases will cause further warming of the planet and this warming could lead to damaging economic and social consequences, the exact timing and severity of physical effects for HBC are difficult to quantify. The large-scale and long-term nature of the problem makes it uniquely challenging, especially in the context of economic decision making.

While changes associated with a transition to a lower-carbon economy present risk, HBC also create significant opportunities in the nature of our business model. Turning waste streams into high-end human and pet nutrition is important for the environment and out teams at the facilities are focused on climate change mitigation and adaptation of new technology solutions.

Circular economy initiatives which HBC is a part of, and the strive to reduce greenhouse gases is high on the agenda with the Board and management of HBC and the Group has invested significant amounts in both machinery and knowledge since we joined the Global Reporting Initiative (GRI) in 2019.

In a carbon constraint world, climate change is confronting HBC with totally new challenges. One way the Group deal with the impacts of climate change is to comprehend them as risks and analyse possible effects as we do elsewhere in our organization by the combination of probability and its consequence. Therefore, HBC view climate risks as the possible impacts of climate change with the potential to influence positively or negatively the future development of the HBC Group, and together with the rest of the Hofseth Group.

The risks and opportunities for HBC from climate change are classified as direct or indirect. Direct climate risks and opportunities are resulting out of changing natural conditions as rising temperatures, sea levels or an increasing number of extreme weather events. Indirect climate risks and opportunities seems to have much more implications than the direct ones. Examples of indirect risks are regulatory or litigation, credit risk, market risk and reputation risk.

As previously mentioned, these risks are also great opportunities for HBC. However, risks and opportunities HBC as an organization face today related to climate change, are difficult to estimate, and mitigate or explore. HBC has a work group among the management team, led by the head of Sustainability, that analyse climate risks and utilize the opportunities that arise from climate change. As of the end of 2021, the financial implications of climate change are very limited, but the management expect increased focus on impairment testing as the Group grow and increase its asset base in the future.

Note 3: Segment information

The parent company's processing plants are located in Norway. The production is fine-tuned as needed to be within the definition for human consumption. The Group has only one operating segment which is the production of salmon oil (OmeGo®), soluble protein (ProGo®), Calcium (CalGo®) and non-water-soluble protein (PetGo™). All products are manufactured at the plant in Midsund, but ProGo® was refined from concentrate into powder form at the plant in Berkåk until 01 July 2021. From the same date, ProGo® was also completed at the plant in Midsund.

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

Water soluble protein
HBC produces a hydrolysed salmon protein. The product is the protein that has the fastest uptake in the body of comparable protein products on the market. It contains little fat and has good solubility in water. Adjustments to the manufacturing process have also been undertaken to increase the capacity and quality of the product in 2020 and 2021. In 2021, the expansion of the Midsund factory was completed replacing drying of protein, previously carried out at Berkåk

Calcium
In 2018, HBC installed a completely new and automated process line to produce calcium powder. This has resulted in increased yield and improved quality and reliability of this fraction in 2019, 2020 and 2021. The process is built so that the bone fraction of the salmon comes out as whole bones and legs before it is dried and milled to pure calcium powder.

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

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

REVENUE PER PRODUCT	Group		Parent	
(Amounts in NOK 1000)	2021	2020	2021	2020
By product				
Salmon Oil (OmeGo®)	43 433	33 314	43 433	33 314
Soluble Protein Hydrolysate (ProGo®)	9 504	3 183	9 504	3 183
Calcium (CalGo®)	2 716	2 456	2 716	2 365
Non-soluble Protein (PetGo™)	20 920	12 719	20 920	12 719
Other income	5 696	1 394	6 128	947
Sum revenue	82 268	52 954	82 700	51 898
Insurance	5 348	16 298	5 348	16 185
Total revenues	**87 616**	**69 252**	**88 048**	**68 713**
By region				
Norway	13 772	18 343	14 207	17 287
Asia	3 974	3 930	3 974	3 930
Europe excl Norway	39 974	10 617	39 974	10 617
North-Amerika	24 548	20 064	24 548	20 064
Total revenues	**82 268**	**52 954**	**82 700**	**51 898**

* the group recieved TNOK 16 298 in 2020 for calcium damaged in 2019. A new damage of calcium arose in 2021, and the group recieved TNOK 5 348.

In 2021 goods totaling TNOK 44,472 were sold to three customers, each of which accounted for more than 10 % of total turnover.The sales to each of these customers are TNOK 20,219, TNOK 14,282, and TNOK 9,971, respectively. In 2020, goods totaling TNOK 42,461 were sold to four customers, each of which accounted for more than 10 % of total turnover. The sales to each of these customers are TNOK 18,628, TNOK 16,966 and TNOK 6,867. The company has no contractual assets or liabilities as of 31 December 2021.

Note 4: Cost of sales and other operating expenses

COST OF SALES	Group		Parent	
(Amounts in NOK 1000)	2021	2020	2021	2020
Raw material	38 559	38 645	38 559	38 645
Freight	17 700	14 578	17 750	14 578
Purchased services	24 374	21 920	32 009	37 115
Obsolescence cost	399	5 353	399	5 353
Change in inventory	-16 515	-40 965	-16 566	-40 978
Total cost of sales	**64 517**	**39 532**	**72 152**	**54 714**

OTHER OPERATING EXPENSES	Group		Parent	
(Amounts in NOK 1000)	2021	2020	2021	2020
Leases of equipment	1 159	735	1 046	566
Leases of warehouses and factories	1 450	698	1 062	315
Travelling cost	1 187	1 576	1 008	1 572
Consultant fees and tax advisory	1 671	2 071	1 577	1 959
Lawyers	2 354	1 909	2 354	1 898
Consulting	18 921	13 989	18 069	12 883
Advertising	13 031	7 863	13 031	6 665
Insurance	8 869	7 563	8 800	7 545
R&D and patents	12 533	10 988	10 950	8 743
Repair and maintenance	9 319	5 067	7 792	3 696
Other operating expenses	-2 894	0	-2 587	0
Total	**67 600**	**0**	**63 100**	**0**

The Group recieved grants from skattefunn of TNOK 4 509 (TNOK 0 in 2020), split by TNOK 2 894 in other operating expenses and TNOK 1 615 in salaries. Corresponding numbers was TNOK 4 122 (TNOK 0 in 2020) for parent company, split by TNOK 2 587 in other operating expenses and TNOK 1 535 in salaries See note 5.

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

SALARIES	Group		Parent	
(Amounts in NOK 1000)	**2021**	**2020**	**2021**	**2020**
Salaries	38 172	32 468	32 000	26 974
Social security costs	4 836	3 637	4 407	3 300
Pension costs	2 272	1 801	1 950	1 503
Share based payments and bonus costs consultant	1 634	7 811	1 634	7 811
Other employee benefits	1 369	603	1 187	522
Capitalized cost in associated with development	-1 954	-3 678	-1 847	-3 678
Public grants from Skattefunn	-1 615	0	-1 535	0
Total employee benefit expenses	**44 714**	**42 641**	**37 796**	**36 432**
Average number of FTE`s	57	49	47	40

REMUNERATION TO EXECUTIVE MANAGEMENT TEAM AND THE BOARD

(Amounts in NOK 1000) - Group	2021	2020
Management team		
Salaries	5 615	4 476
Benefits in kind	80	33
Pension costs	142	131
Share based payments and bonus cost consultat	1 634	7 811
Other employee benefits	16 169*	20 818*
Total remuneration	**23 640**	**33 269**

* Includes remuneration of TNOK 15 209 for managing R&D (TNOK 19 858 in 2020). Remuneration for R&D is split in other operating expenses and capitalized development costs in 2021 and 2020

No loans or guarantees are granted to members of the management team, Board of Directors or other elected bodies. Reference is made to the executive pay report which will be available on the company's website before the annual general meeting.

Defined contribution pension scheme

The parent company and the group have a statutory obligation to comply with the law on mandatory occupational pensions and have a pension scheme that satisfies the requirements of this Act. Contributions have been expensed in the Group by TNOK 2 272 in 2021 (TNOK1 801 in 2020), in the parent company TNOK 1 950 (TNOK 1 503 in 2020).

OPTIONS JAMES BERGER

(Amounts in NOK 1000) GROUP	2021 number	2021 WAEP	2020 number	2020 WAEP
Outstandig 01.01.	5 351	0.01	0	-
Granted during the year	172	0.01	1 135	0.01
Forfeited during the year	0	-	0	-
Exercised during the yea	0	-	-1 135	0.01
Expired during the yea	0	-	0	-
Outstandig 31.12.	5 523	0.01	5 351	0.01
Exerciable 31.12.	172	0.01	0	-

The fair values of James Berger's options have been calculated at the time of grant, 17 October 2019, and expensed over the vesting period of 36 months. The fair value of the program has been estimated to TNOK 12 342 in 2019. Fair value of the options has been estimated using the Black-Scholes option pricing model.

A total of TNOK 1,633 (TNOK 7,857 in 2020) was expensed in connection with the option program in 2021. No share options were exercised in 2021.

As partial payment for work performed for the company, Tenet Brandlogic Corp. was granted options in the company. The options are expensed over the vesting period in 2021. Total expensed in 2021 is TNOK 1,462 (TNOK 0 in 2020) and is based on the difference between strike and share price at the time of vesting.

AUDITOR'S FEES	Group		Parent	
(Amounts in NOK 1000)	2021	2020	2021	2020
Audit fees	1 260	1 029	1 215	956
Tax advice	33	33	31	30
Other services and confirmations	6	163	6	163
Total	**1 299**	**1 225**	**1 252**	**1 149**

VAT is not included in the amounts above.

Note 6: Related party transactions

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

All related party transactions have been made in the ordinary course of the business at the arms length principle. The main transactions made in 2020 and 2021:

› Purchase of raw materials from Roger Hofseth AS/Hofseth Sales AS. See further details in the agreement below.
› 10 of the company's lease agreement for production equipment that are active in 2021 have been entered into with Hofseth AS, Hofseth International AS and RH Industri AS and subleased to Hofseth BioCare ASA with a mark-up of 5-10 % on monthly instalments.
› Other minor administration costs are invoiced from Hofseth International AS.
› A sales commission of Hofseth AS of between 5-10 % has been agreed for some sales, which Hofseth BioCare ASA does through Hofseth AS and Hofseth International AS's sales channels.
› Yokorei Co. Ltd. has a loan to the Group with balance of TNOK 1,879 as of 31 december 2021 (TNOK 4,760 as of 31 December 2020). The loan expired on 30 September 2022 and has a fixed interest rate of 4 %.
› Yokohama Reito Co had a short term loan of TNOK 38 000 in 2020, with a fixed interest rate of 3 %. The loan was repaid in full 28 October 2020.
› RH Industri AS has provided a subordinated loan to the group with an outstanding amount of TNOK 22,432 as of 31 December 2021 (TNOK 21,346 as of 31 December 2020). The loan expires 30 September 2024 and carries an interest rate of Nibor + 4.5 %.
› RH Industri AS and Hofseth Sales AS has purchased goods for a value of TNOK 0 i 2021 (TNOK 4,209 i 2020), and have paid storage rent of TNOK 646 in 2021 (TNOK 688 in 2020).
› Hofseth BioCare ASA has a agent agreement with Hofseth International AS, Hofseth Sales AS og RoH Industri AS recieved agent fees of total TNOK 190 (TNOK 95 in 2020) for sale of goods stored at the companys storage.
› Hofseth North America has purchased goods worth TNOK 9,971 in 2021 (TNOK 1,208 in 2019).
› Yokorei Co. Ltd. has purchased goods worth TNOK 207 in 2021 (TNOK 338 in 2020).
› The Group rents factory buildings at Midsund and Berkåk from Hofseth Property AS at a cost of TNOK 10,150 in 2021 (TNOK 7,915 in 2020). The agreement runs in 15 years, until 2032.

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

BALANCE SHEET ITEMS	Group		Parent	
(Amounts in NOK 1000)	2021	2020	2021	2020
Right of use assets	109 917	69 756	89 085	46 161
Trade receivables	2 325	2 566	2 325	2 566
Subordinated loan	-22 433	-21 346	-22 433	-21 346
Loan from shareholders	-1 879	-4 760	-1 879	-4 760
Leasing liabilities	-109 917	-67 933	-89 085	-44 969
Trade payables	-107 094	-65 091	-106 086	-64 579
Total	**-128 074**	**-86 808**	**-128 074**	**-86 927**

PROFIT AND LOSS ITEMS	Group		Parent	
(Amounts in NOK 1000)	2021	2020	2021	2020
Sales revenue	14 269	5 850	14 269	5 850
Total revenue	**14 269**	**5 850**	**14 269**	**5 850**
Cost of sales	68 548	41 515	68 548	41 515
Other operating expenses	12 910	6 365	10 675	6 365
Financial expenses	8 383	6 919	6 762	5 322
Total costs	**89 840**	**54 799**	**85 985**	**53 202**

Raw Material agreements

In March 2019, Hofseth BioCare ASA entered into a agreement on the purchase of raw materials (fish off-cuts) from Roger Hofseth AS, which is a shareholder. The raw material agreement started running in 2019, and runs over 3 years and gives the parent company the exclusive right to have all by-products from production delivered to Roger Hofseth AS's suppliers. The agreement expired in 2021. From 2022, a new 5-year agreement has been signed with Hofseth Sales AS on exclusive rights to all by-products from Hofseth Sales`s suppliers. Hofseth Sales AS is a 100 % subsidiary of RH Investments AS, which is closely related to Roger Hofseth.

Transactions and balances between parent companies and subsidiaries

The company has sold goods and services to subsidiaries Nøre Nutrition AS for TNOK 0 in 2021 (TNOK 0 in 2020) and HBC Berkåk AS for TNOK 815 in 2021 (TNOK 0 in 2020).

The company has purchased goods and services from subsidiaries Nøre Nutrition AS for TNOK 0 in 2021 (TNOK 0 in 2020) and HBC Berkåk AS for TNOK 10 211 in 2021 (TNOK 17 684 in 2020).

The company has agreed on a loan with HBC Berkåk with a balance of TNOK 4,976 as of 31 December 2021 (TNOK 13 474 as of 31 December 2020), with an agreed interest rate of Nibor + 3.0 %. Balance to Nøre Nutrition AS (positive) was TNOK 0 as of 31 December 2021 (TNOK 0 as of 31 December 2020).

Note 7: Financial income and expenses

FINANCIAL INCOME	Group		Parent	
(Amounts in NOK 1000)	2021	2020	2021	2020
Interest income	613	553	617	677
Gains and value changes on forward exchange contracts	0	381	0	381
Value adjustments on investment in equity instruments	0	0	0	0
Foreign exchange gains	3 034	2 430	3 034	2 430
Total	**3 647**	**3 364**	**3 651**	**3 488**

FINANCIAL EXPENSES	Group		Parent	
(Amounts in NOK 1000)	2021	2020	2021	2020
Interest expenses	9 394	9 215	8 175	8 101
Impairment of financial assets	0	0	4 889	4 884
Warranty provision	0	86	0	86
Losses and changes in value of forward exchange contracts	0	229	0	229
Foreign exchange losses	2 120	3 120	2 118	3 696
Total	**11 577**	**12 650**	**15 182**	**16 994**

Note 8: Income taxes

INCOME TAXES	Group		Parent	
(Amounts in NOK 1000)	2021	2020	2021	2020
Income tax expense				
Prior year taxes	0	0	0	0
Tax expense	0	0	0	0
Calculation of taxable income				
Loss before tax	-126 464	-102 091	-122 241	-105 277
Permanent differences	4 050	3 372	4 437	7 472
Change in temporary differences	-16 588	4 935	3 544	2 883
Taxable result	-139 002	-93 784	-114 260	-94 922
Temporary differences				
Fixed assets	33 932	16 223	9 862	13 266
Loss carry forward	-918 039	-779 037	-865 516	-751 256
Other temporary differences	-12 329	-12 208	-12 348	-12 208
Total	-897 436	-775 022	-868 002	-750 198
Calculated deferred tax asset 22 %	197 436	170 505	190 960	165 043

Deferred tax assets are not recognised in the balance sheet.

RECONCILITATION OF TAX EXPENSE	Konsern		Morselskap	
(Amounts in NOK 1000)	2021	2020	2021	2020
Loss before tax	-126 464	-102 091	-122 241	-105 277
Tax 22%	-27 822	-22 460	-26 893	-23 161
Permanent differences	891	742	976	1 644
Defered tax assest, not recognized	26 931	21 718	25 917	21 517
Total tax expense	**0**	**0**	**0**	**0**

Note 9: Earnings per share

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

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

EARNINGS PER SHARE	Group		Parent	
(Amounts in NOK 1000)	2021	2020	2021	2020
Profit attributable to share holders	**-126 464**	**-102 091**	**-122 241**	**-105 277**
Weighted average number of shares outstanding	357 831	333 650	357 831	333 650
Earnings per share				
-ordinary	-0.35	-0.31	-0.34	-0.32
-diluted	-0.35	-0.31	-0.34	-0.32

Note 10: Intangible asset

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

2021			Group and Parent		
(Amounts in NOK 1000)	R&D	IT-system and Web site*	Other	Other	Sum
Cost at 01.01.2020	53 743	3 438	3 671	2 627	63 480
Additions	0	987	1 243	0	2 229
Internally developed	12 598	0	0	0	12 598
Cost at 31.12.2020	66 341	4 425	4 914	2 627	78 307
Depreciation at 01.01.2021	14 843	452	3 341	2 409	21 046
Disposal	0	0	0	0	0
Depreciation charge of the year	3 325	307	281	218	4 132
Impairment	0	0	0	0	0
Impairment and depreciation at 31.12.2021	18 169	759	3 622	2 627	25 178
Net book value at 31.12.2021	48 172	3 666	1 292	0	53 055
Economic life	10 years	5-10 years	10 years	5-10 years	5-10 years
Method of depreciaton	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation

* Some development projects and IT system is under development.

Included in the group's intangible assets is a webshop developed in the subsidiary Nøre Nutrition AS, the carrying amount was TNOK 188 as of 31 December 2021 (TNOK 230 as of 31 December 2020)

During 2021, HBC R&D has continued to work on new development, further development, improvement and fine-tuning of the products and processes. Our research reveals more and more positive health effects in our ingredients and thus development is an important work that leads our existing and new customers to recognize the products as unique and differentiated from our competitors. Research, development and documentation are core activities in HBC's R & D work. In 2021, significant resources were also invested in documentation and testing of the ingredients in the products under the trademark groups ProGo®, CollaGo®, OmeGo® and CalGo®. The work is absolutely crucial for HBC to be able to show the effects and properties of the products in marketing and sales.

Research and development

The production of the company's products is an industrial process that requires advanced equipment that may be subject to downtime in the production and testing of new, more efficient solutions to increase dividends and reduce costs. The goal of increasing the volume of raw materials entails higher requirements for optimization of all stages in the production process. Throughout 2020, the company focused on developing the products' bioactive health effects and during 2021, HBC has further developed its knowledge about these effects, both through several studies, but also by focusing on which elements and components in our ingredients provide the desired biological effect. More time has been spent in the laboratory and at the factory to test and study these effects, which has also meant that some of the health effects have been recognized by international health authorities.

Furthermore, the group's operations and products are subject to environmental and health requirements, regulations, agreements and conventions. The realization of the goals and requirements has required extensive development activities. The company has had ongoing activities related to the development of methods for more efficient production, development of the products' effects for human use.

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

Total research and development costs for 2021 were TNOK 26,859 (2020 TNOK 26,943). Of this, TNOK 12,598 has been capitalized in 2021 (2020: TNOK 20,281).

The most significant development projects with related capitalized dvelopment expenditures were:
- Development of the ProGo® product for potential treatment of situational anemia. A variety of peptides in ProGo® have shown the ability to significantly increase ferritin and hemoglobin levels in humans. This is unique, since HBC's ingredient does not contain iron, compared to other products on the market. The development in 2021 has mainly been based on knowledge from previous studies, as well as forming knowledge about how these peptides work in the body. The aim of the project is to develop a new ingredient product that contains one concentrate of the relevant peptides. Capitalized development costs in 2021 are TNOK 2,263.
- Through a number of studies, OmeGo® has shown the ability to lower inflammation in humans. Clinical studies have been conducted to understand how OmeGo® affects inflammation in the body and this development work has also been ongoing through 2021 with the goal of developing a new product that will become a concentrated form of in OmeGo®, which can to a greater extent reduce inflammation in the airways. and lung with smaller doses than will be required using pure OmeGo®. Capitalized development costs in 2021 are TNOK 6,075.
- The ingredient ProGo®, like OmeGo®, has proven to have anti-inflammatory effects, both in animal and human trials, and in collaboration with international research and development environments, several activities are underway with the goal of developing a new concentrate of peptides. especially aimed at intestinal health and the gastrointestinal system. Capitalized development costs in 2021 are TNOK 2,882. Other projects total TNOK 1,378.

Trademarks

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

Note 11: Fixed assets

2020	Group			Parent		
(Amounts in NOK 1000)	Machinery and equipment	Fixtures and fittings	Total	Machinery and equipment	Fixtures and fittings	Total
Cost at 01.01.2020	135 951	10 955	146 906	126 969	10 846	137 816
Additions	31 732	0	31 727	29 894	0	29 894
Cost at 31.12.2020	165 637	10 955	176 924	156 863	10 846	167 709
Depreciations at 01.01.2020	99 254	8 648	107 902	97 168	8 578	105 746
Depreciations for the year	12 455	174	12 629	10 958	174	11 132
Depreciations at 31.12.2019	111 709	8 822	120 531	108 126	8 752	116 878
Book value 31.12.2019	55 968	2 133	57 188	48 737	2 094	49 351
Economic life	5-10 years	3-10 years		5-10 years	3-10 years	
Method of depreciation	Straigt line depreciation	Straigt line depreciation		Straigt line depreciation	Straigt line depreciation	

2021	Group			Parent		
(Amounts in NOK 1000)	Machinery and equipment	Fixtures and fittings	Total	Machinery and equipment	Fixtures and fittings	Total
Cost at 01.01.2021	165 637	10 955	176 593	156 863	10 846	167 709
Additions	22 487	436	22 924	19 493	436	19 929
Cost at 31.12.2021	188 125	11 392	199 516	176 356	11 283	187 639
Depreciations at 01.01.2021	111 709	8 822	120 531	108 126	8 752	116 878
Depreciations for the year	13 207	288	13 495	11 846	275	12 121
Depreciations at 31.12.2020	124 916	9 111	134 027	119 972	9 028	129 000
Book value 31.12.2020	63 209	2 281	65 489	56 384	2 255	58 639
Economic life	5-10 years	3-10 years		5-10 years	3-10 years	
Method of depreciation	Straigt line depreciation	Straigt line depreciation		Straigt line depreciation	Straigt line depreciation	

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

Note 12: Leases

The company and the group as lessee

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

2020	**Group**				**Parent**			
(Amounts in NOK 1000)	**Manu-facturing facilities**	**Machinery and equipment**	**Fixtures and fittings**	**Total**	**Land, manu-facturing facilities**	**Machinery and equipment**	**Fixtures and fittings**	**Total**
Cost 01.01.2020	66 078	38 321	2 118	106 517	42 538	35 121	1 585	79 244
Additions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Costs at 31.12.2020	66 078	38 321	2 118	106 517	42 538	35 121	1 585	79 244
Depreciations 01.01.2020	4 987	10 811	457	16 255	3 210	10 578	446	14 234
Depreciations fot the year	5 050	5 292	0	10 342	3 657	4 913	0	8 569
Disposals	0	0	0	0	0	0	0	0
Depreciations per 31.12.2020	10 037	16 103	457	26 597	6 867	15 491	446	22 803
Carrying amounts 31.12.2020	56 041	22 218	1 661	79 920	35 671	19 630	1 139	56 441
Shortest of lease term or economic life	15 years	5 years	3-5 years		15 years	5 years	3-5 years	
Remaining lease term	11.25 years	0-5 years	0 - 5 years		11.25 years	0-5 years	0 - 5 years	
Depreciation method	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation		Straigt line depreciation	Straigt line depreciation	Straigt line depreciation	

2021	**Group**				**Parent**			
(Amounts in NOK 1000)	**Manu-facturing facilities**	**Machinery and equipment**	**Fixtures and fittings**	**Total**	**Land, manu-facturing facilities**	**Machinery and equipment**	**Fixtures and fittings**	**Total**
Cost 01.01.2021	66 078	38 321	2 118	106 517	42 538	35 121	1 585	79 244
Additions	34 516	17 628	0	52 144	34 516	15 317	0	49 833
Disposals	0	0	0	0	0	0	0	0
Costs at 31.12.2021	100 594	55 949	2 118	158 661	77 054	50 438	1 585	129 077
Depreciations 01.01.2021	10 037	16 103	457	26 597	6 867	15 491	446	22 803
Depreciations fot the year	6 953	4 696	75	11 723	5 499	3 925	32	9 457
Disposals	0	0	0	0	0	0	0	0
Depreciations per 31.12.2021	16 990	20 798	532	38 320	12 366	19 416	1 107	32 303
Carrying amounts 31.12.2021	83 604	35 151	1 586	120 342	64 688	31 022	1 107	96 774
Shortest of lease term or economic life	15 years	5 years	3-5 years		15 years	5 years	3-5 years	
Remaining lease term	11.25 years	0-5 years	0 - 5 years		11.25 years	0-5 years	0 - 5 years	
Depreciation method	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation		Straigt line depreciation	Straigt line depreciation	Straigt line depreciation	

Lease liabilities:

	Group		Parent	
(Amounts in NOK 1000)	2021	2020	2021	2020
Undiscounted lease liabilities and due dates for payments				
Less than 1 year	19 496	13 886	15 939	10 456
2-5 years	62 288	40 853	50 369	28 546
More than 5 years	52 968	36 743	41 154	20 139
Total undiscounted lease liabilities 31.12	**134 752**	**91 483**	**107 462**	**59 141**
Changes in lease liabilities				
Total lease liabilities 1.1	72 302	81 971	48 997	56 778
New/changed lease liabilities recognized in the period	52 144	0	49 833	0
Payment of principal amounts	11 469	9 666	8 686	7 781
Payment of interest amounts	7 595	3 796	5 898	2 169
Interest related to the lease liabilities	7 595	3 796	5 898	2 169
Total lease liabilities 31.12	**112 977**	**72 302**	**90 144**	**48 997**
Current lease liabilities 31.12 (note 16)	12 099	8 224	9 801	6 427
Non-current lease liabilities 31.12 (note 16)	100 878	64 078	80 343	42 570
Cash outflows for lease liabilities	19 064	13 462	14 584	9 950

The lease agreements do not restrict the parent company's and the group's dividend policy or financing opportunities. The parent company and the group do not have significant residual value guarantees in the lease agreements.

The parent company and the group's leases of machinery and equipment include, in addition to lease payments, a requirement to maintain and secure the assets (right of use assets). The terms in the lease agreements varies from 3-7 year, and several of the agreements include an option to extend the lease. At the expiry date of the main term of the lease, the lease og the machinery and equipment may be continued for a lease payment of 1/12 of the lease payments in the main lease period. The company may also request to purchase the equipment.

The company and the group's leases of manufacturing facilities (Midsund og Berkåk) have lease terms of 15 years, no extension options, and the leases expire 31 March 2032. When entering into an agreement the group assesses whether it is reasonably certain to exercise an option to purchase the assets. The leases of the manufacturing facilities have no options to purchase.

Leases of fixtures and fittings in the table above contain no extension or purchase options. The group's potential future lease payments which have not been included in the lease liabilities relating to purchase options were TNOK 0 as of 31 December 2021.

Applied practical expedients

The company and the group lease warehouses in which both the lessor and the company / group have the right to terminate the agreements on a 3-6 months notice period. For such agreements the company and the group do not recognize lease liabilities and related right of use assets. Such lease payments are expensed when incurred.

Lease payments for the abovementioned leases amounted to TNOK 1,159 (TNOK 735 i 2020) for fixture and fittings for the Group and TNOK 1,450 (TNOK 698 i 2020) for storage, and for the parent company TNOK 1,046 (TNOK 566 i 2020) for fixture and fittings TNOK 1,062 (TNOK 315 i 2020) for storage (see note 4). Cash flow from these lease obligations is approximately equal to the amount expensed and is included in net cash flow from operating activities.

Note 13: Changes in liabilities from financial activities

GROUP

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

PARENT

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

PARENT

(Amounts in NOK 1000)	1.1.2021	Downpayment	Withdrawals	New leases	Otherdjustments	31.12.2021
Short-term interestbearing liabilities (excl. posts below)	64 078	-3 428	0	0	3 425	3 425
Short-term leasing obligation	8 224	0	0	0	3 875	12 099
Long-term interest-bearing debt (excl. posts below)	3 768	-2 416	0	0	0	1 352
Long-term leasing obligation	64 078	-10 255	0	50 980	-3 925	100 878
Subordinary loan	21 346	0	1 087	0	0	22 433
Total	100 844	-16 099	1 087	50 980	3 375	140 187

PARENT

(Amounts in NOK 1000)	1.1.2021	Downpayment	Withdrawals	New leases	Otherdjustments	31.12.2021
Short-term interest-bearing liabilities(excl. posts below)	2 884	-2 884	0	0	1 879	1 879
Short-term leasing obligation	6 427	0	0	0	3 374	9 801
Long-term interest-bearing debt (excl. posts below)	1 875	-1 875	0	0	0	0
Long-term leasing obligation	42 570	-6 761	0	48 940	-4 406	80 343
Subordinary loan	21 346	0	1 087	0	0	22 433
Total	75 102	-11 520	1 087	48 940	847	114 456

Note 14: Fair value measurement

The following tables provide fair value measurement hierarchy of the group's financial liabilities.

The fair value of financial assets is not disclosed as the fair value is approximately book value.

ASSETS MEASURED AT FAIR VALUE, GROUP

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Obligations in which fair value is stated in note 18:					
Interest-bearing loans					
Interest-bearing loans floating interest rate	31.12.20	23 783	0	0	23 783
Interest-bearing loans fixed interest rate	31.12.20	4 759	0	0	4 759

ASSETS MEASURED AT FAIR VALUE, PARENT COMPANY

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Obligations in which fair value is stated in note 18:					
Interest-bearing loans					
Interest-bearing loans floating interest rate	31.12.20	21 346	0	0	21 346
Interest-bearing loans fixed interest rate	31.12.20	4 759	0	0	4 759
Interest-bearing loans floating interest rate from subsidiaries	31.12.20	16 674	0	0	16 674

LIABILITIES MEASURED AT FAIR VALUE, PARENT COMPANY

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Liabilities of which the fair value has been provided in note 18:					
Interes-bearing loan					
Interest-bearing loan floating interest rates	31.12.21	23 784	0	0	23 784
Interest-bearing loan fixed interest rates	31.12.21	1 879	0	0	1 879

LIABILITIES MEASURED AT FAIR VALUE, PARENT COMPANY

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Liabilities of which the fair value has been provided in note 18:					
Interes-bearing loan					
Interest-bearing loan floating interest rates	31.12.21	22 433	0	0	22 433
Interest-bearing loan fixed interest rates	31.12.21	1 879	0	0	1 879
Interest-bearing loan from subsidiary floating interest rates	31.12.21	4 979	0	0	4 979

Note 15: Financial assets

FINANCIAL ASSETS	Group		Parent	
(Amounts in NOK 1000)	**2021**	**2020**	**2021**	**2020**
Amortized cost receivables:				
Accounts receivable	10 089	14 267	9 970	13 996
Financial loans to subsidiaries	0	0	75	70
Other financial loans	0	1 011	0	1 011
Total financial assets	**10 089**	**14 267**	**10 045**	**14 066**
Total current financial assets	**10 089**	**7 054**	**9 970**	**7 028**
Total non-current financial assets	**0**	**1 823**	**75**	**1 823**

NON-CURRENT RECEIVABLES AND INVESTMENTS	Group		Parent	
(Amounts in NOK 1000)	**2021**	**2020**	**2021**	**2020**
Equity investments (not listed)	0	477	0	477
Other receivables and financial debt to others	0	1 011	75	1 011
Total non-current receivables and investments	**0**	**1 488**	**75**	**1 488**

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

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

Note 16: Interest-bearing debt and borrowings

NON-CURRENT DEBT			Group		Parent	
(Amounts in NOK 1000)	Effective interest rate	Maturity	2021	2020	2021	2020
Rennebu Municipality	NIBOR+2,0%	2023-	1 352	1 892	0	0
Loan from shareholder	4,0%	2023-	0	1 875	0	1 875
Subordinary loan	NIBOR+4,5%	2023-	22 433	21 346	22 433	21 346
Lease liability	6% - 8%	2023-	100 878	64 078	80 343	42 570
Total			**124 662**	**89 191**	**102 776**	**65 791**

CURRENT DEBT			Group		Parent	
(Amounts in NOK 1000)	Effective interest rate	Maturity	2021	2020	2021	2020
Rennebu Municipality	NIBOR+2,0%	2022	541	541	0	0
Loan from shareholder*	4,0%	2022	1 879	2 884	1 879	2 884
Subordinary loan	6,6%	2022	0	3	0	0
Lease liability	6% - 8%	2022	12 099	8 224	9 801	6 427
Total			**14 519**	**11 652**	**11 680**	**9 311**
Sum interest-bearing debt			**139 181**	**100 843**	**114 456**	**75 102**

*Loan is issued in JPY - unrealized loss calculated to TNOK 0 per 31.12.2021 (TNOK 4 per 31.12.2020)

The parent company has a credit facility in bank with a credit limit of TNOK 37,000. The credit limit was unused as of 31 December 2021.

In addition to the above, the parent company has current interest-bearing liabilities towards the subsidiary HBC Berkåk AS amounting to TNOK 4,976 as of 31 December 2021 (TNOK 16,674 as of 31 December 2020). The interest rate has been agreed to NIBOR + 3 %.

Collaterals

Cerdit facility in parent company is secured in trade receivable andinventory.

(Amounts in NOK 1000)	2021	2020
Trade receivable	9 970	13 996
Inventory	90 244	72 225
Total	**100 215**	**86 221**

The Group insures significant receivables against credit risk. The insurance is limited to a maximum of TNOK 11,550 and a coverage rate of 90 %.

Financial covenants

Credit facility Sparebank1 Nordvest

As of 30 June and 31 December each year, the company will have a liquidity reserve of at least NOK 5 million in the form of cash and unused drawing rights in operating credit facility. The book value of equity in Hofseth BioCare ASA shall at all times amount to at least 25 % of the book value of the company's assets. The company had an equity ratio of 36.69 % and was thus not in breach of covenants given in the loan agreement with Sparebank1 per 31 December 2021.

Note 17: Other financial obligations

OTHER FINANCIAL OBLIGATIONS	Group		Parent	
(Amounts in NOK 1000)	**2021**	**2020**	**2021**	**2020**
Other liabilities at amortized cost:				
Accounts payable	124 165	84 956	121 476	83 238
Total other financial liabilities	**124 165**	**84 956**	**121 476**	**83 238**
Total other short-term financial liabilities	**124 165**	**84 956**	**121 476**	**83 238**
Total other long-term financial liabilities	**0**	**0**	**0**	**0**

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

Note 18: Financial assets and liabilities by category

	Group		Parent	
(Amounts in NOK 1000)	**2021**	**2020**	**2021**	**2020**
Financial assets at amortized cost:				
Long-term financial lending and deposit	987	1 011	987	1 011
Accounts receivable	10 089	14 267	9 970	13 996
Other financial loans (see note 15)	0	6 816	0	6 886
Total financial assets amortized cost	**11 076**	**22 094**	**10 958**	**21 893**
Total financial assets	**11 076**	**22 571**	**10 958**	**22 370**

Fair value is equal to carrying amount.

Financial liabilities at amortized cost:				
Interest-bearing short-term debt	1 879	3 428	1 879	2 884
Accounts payable	124 165	84 956	121 476	83 238
Interest-bearing short-term debt subsidiaries	0	0	4 976	16 674
Other short-term debt (note 24)	12 249	9 571	10 391	8 011
Non-current interest-bearing debt	23 784	25 114	22 433	23 221
Non-current leasing obligations	100 878	72 302	80 343	48 997
Total financial liabilities amortized cost	**262 955**	**195 370**	**241 498**	**183 025**

LEVEL 3, GROUP	**2021**		**2020**	
(Amounts in NOK 1000)	**Booked value**	**Fair value**	**Booked value**	**Fair value**
Current interest-bearing liabilities	11 680	11 663	9 311	9 284
Non-current interest-bearing liabilities	102 776	103 511	65 791	66 789
Interest-bearing short-term debt of subsidiaries	4 976	4 881	16 674	16 357

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

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

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

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

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

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

Note 19: Financial risk management

Financial risk

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

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

Interest rate risk

Since the company and the group have no significant interest-bearing assets, the exposure to interest rate risk is through their financing activities. The company's and the group's interest rate risk is related to non-current interest-bearing loans, current interest-bearing loans and lease liabilities. Loans with floating interest rates lead to interest rate risk for the company's and the Group's cash flow. See note 18 for the book value and fair value of the financing activities and note 16 for interest rate terms relating to interest-bearing financing obligations as of 31 december 2021.

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

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

Interest rate – sensitivity year	Effect on interest rate – basis-point	Effect on profit – before tax (Amounts in NOK 1000)
2020	+100	-723
	-100	723
2021	+100	-1 130
	-100	1 130

Average interest rates on financial instruments were as follows:

Average interest rate in %	2021	2020
Loan from shareholders	4.00	3.11
Secured debt	5.09	4.90
Lease liabilities	5.97	4.72

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

Interest rate – sensitivity year	Effect on interest rate – basis-point	Effect on profit – before tax (Amounts in NOK 1000)
2020	+100	-490
	-100	490
2021	+100	-901
	-100	901

Foreign exchange risk

The parent company and the group have a foreign exchange loan in JPY and a large part of their operating income in foreign currency and, to a lesser extent, the purchase of input factors in foreign currency, and are therefore exposed to currency risk. Foreign exchange risk may also arise for future commercial transactions and capitalized assets and liabilities. Management has monitored movements in the foreign exchange market and has assessed hedging strategies in 2021 based on the parent company's and the group's contractual and predictable income streams. The parent company and the group therefore entered into forward exchange contracts both in 2020 and in 2021 in order to secure the Group's budgeted future sales in foreign currency (Euro and USD), but have not used hedge accounting. The parent company and the group had none positions per 31 December 2021 or 31 December 2020.

The below table demonstrates the sensitivity of possible changes in EUR, USD and JPY when all other variables are constant. The effect on the parent company's and the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities, including forward exchange contracts. If the company had used hedge accounting, a currency change would also have resulted in changes to the OCI. The company does not use hedge accounting.

Change in currency	Change in NOK	Effect on profit before tax			Effect on balance		
(Amounts in NOK 1000)	to foreign currency	EUR	USD	JPY	USD	EUR	JPY
2020	+10%	2 380	2 103	-24	i/a	i/a	476
	-10 %	-2 380	-2 103	24	i/a	i/a	-476
2021	+10%	2 581	2 425	-8	i/a	i/a	188
	-10 %	-2 581	-2 425	8	i/a	i/a	-188

Credit risk

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

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

The maximum risk exposure of trade receivables for the group as of 31 December 2021 is TNOK 10,089 (TNOK 14,267 as of 31 December 2020), and for parent company TNOK 9,970 (TNOK 13,996 as of 31 December 2020). The risk of loss on accounts receivable is considered low and there has been no need to provide for losses. See note 21 for further information.

Maximum risk exposure financial loans was TNOK 19,488 as of 31 December 2021 (TNOK 12,131 as of 31 December 2020) for the group, and TNOK 18,449 (TNOK 11,987 as of 31 December 2020) for parent company. Mainly consisting of receivable value added taxes, subsidy funds, deposits and prepaid expenditures, where there is no credit risk. Loan to subsidary of TNOK 75 (TNOK 70 in 2020), where credit risk is considered low. (see note 14, 18 og 21 for further information on financial loans and other current receivables).

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

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

Liquidity risk

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

As of 31 December 2021 the group had MNOK 49,9 in cash, of which MNOK 2,7 were restricted cash as of 31 December 2021. As of 31 December 2020 the group had MNOK 172,8 in cash, of which MNOK 2,1 were restricted cash.

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

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

The table below shows the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, classified according to maturity structure, that is, taken into account contracts with fixed maturity dates. When the counterparty can make an election of when an amount is to be paid, the liability is included in the basis covering the earliest date on which the entity can be required to pay. Financial liabilities that may be required to be paid on demand are included in the «within 1-3 months» column.

2020	Group									
(Amounts in NOK 1000)	1-3 months	4-6 months	7-9 months	10-12 months	2022	2023	2024	2025	> 5 years	Total
Interest bearing debt to financial institutions	0	307	0	303	593	577	561	274	0	2 615
Loan and subordinated loan from shareholders	886	880	873	866	3 398	21 427	0	0	0	28 330
Lease libilities	3 457	3 458	3 459	3 454	12 867	8 704	7 260	6 590	39 648	88 896
Trade payables	84 956	0	0	0	0	0	0	0	0	84 956
Other current liabilities	6 076	3 495	0	0	0	0	0	0	0	9 571
Total	**95 375**	**8 139**	**4 332**	**4 623**	**16 858**	**30 708**	**7 821**	**6 864**	**39 648**	**214 368**

2021	Group									
(Amounts in NOK 1000)	1-3 months	4-6 months	7-9 months	10-12 months	2023	2024	2025	2026	> 5 years	Total
Interest bearing debt to financial institutions	0	299	0	295	577	561	274	0	0	2 006
Loan and subordinated loan from shareholders	864	858	947	252	1 009	22 517	0	0	0	26 448
Lease libilities	4 920	4 890	4 859	4 828	17 863	16 045	15 252	13 128	52 968	134 752
Trade payables	124 165	0	0	0	0	0	0	0	0	124 165
Other current liabilities	7 921	4 328	0	0	0	0	0	0	0	12 249
Total	**137 870**	**10 374**	**5 806**	**5 375**	**19 450**	**39 122**	**15 526**	**13 128**	**52 968**	**299 619**

2020	Parent									
(Amounts in NOK 1000)	1-3 months	4-6 months	7-9 months	10-12 months	2022	2023	2024	2025	> 5 years	Total
Interest bearing debt to financial institutions	0	0	0	0	0	0	0	0	0	0
Loan and subordinated loan from shareholders	886	880	873	866	3 398	21 427	0	0	0	28 330
Lease libilities	2 617	2 621	2 624	2 622	9 642	5 597	4 344	4 204	25 517	59 788
Trade payables	83 238	0	0	0	0	0	0	0	0	83 238
Other current liabilities	5 110	2 901	0	16 674	0	0	0	0	0	24 685
Total	**91 851**	**6 401**	**3 497**	**20 162**	**13 040**	**27 024**	**4 344**	**4 204**	**25 517**	**196 040**

2021	Parent									
(Amounts in NOK 1000)	1-3 months	4-6 months	7-9 months	10-12 months	2023	2024	2025	2026	> 5 years	Total
Interest bearing debt to financial institutions										
Loan and subordinated loan from shareholders	864	858	947	252	1 009	22 517	0	0	0	26 448
Lease libilities	4 025	3 998	3 971	3 944	14 460	12 833	12 187	10 889	41 154	107 462
Trade payables	121 476	0	0	0	0	0	0	0	0	121 476
Other current liabilities	11 715	3 652	0	0	0	0	0	0	0	15 367
Total	**138 080**	**8 509**	**4 918**	**4 196**	**15 470**	**35 350**	**12 187**	**10 889**	**41 154**	**270 753**

The group ant the parent company signed in February 2020 a new credit facility for up until TNOK 37,000 with SpareBank 1 Nordvest for working capital need related to future sales contracts. In addition to the available cash and cash equivalents as of 31 December 2021, this secures the group and the company sufficient liquidity for 2022. See note 16 on interest-bearing debt for further information.

In the future, the management and the board will continue to prioritize the work on an appropriate and long-term financing of Hofseth BioCare ASA.

Capital structure and equity

The group and the parent company's objectives with respect to capital management is to ensure the continuation as a going concern, to provide returns to shareholders and other stakeholders, and to maintain an optimal capital structure to reduce capital costs. By ensuring sound ratios between equity and debt the group and the parent company will support its operations, thus maximizing the value of its shares.

The parent company manages its capital structure and makes necessary changes to it on the basis of an ongoing assessment of the financial conditions under which the business is run, and the prospects seen in the short and medium term, including any adjustment of dividend shares, buyback of own shares, reduction of share capital or issuance of new shares. There has been no change in the policy in this area in 2021. The Group's equity ratio was 33.8 % as of 31 December 2021 and (40.2 % as of 31 December 2020). The parent company's equity ratio was 36.2 % as of 31 December 2021 (43.1 % as of 31 December 2020).

Note 20: Inventory

INVENTORY	Group		Parent	
(Amounts in NOK 1000)	**2021**	**2020**	**2021**	**2020**
Salmon oil	1 611	503	1 611	503
Soulible protein	34 492	22 086	34 492	22 086
Calcium	43 517	38 802	43 517	38 802
Non-soluble protein and other	2 647	3 779	2 647	3 779
Webshop products	1 164	2 146	1 164	2 096
Total finished goods	**83 431**	**67 316**	**83 431**	**67 265**
Packaging and auxiliary materials	7 382	5 986	6 813	4 960
Total inventory	**90 813**	**73 302**	**90 244**	**72 225**

Provision for obsolescence of TNOK 10,608 as of 31 December 2021 compared to TNOK 10,208 as of 31 December 2020. Profit effect change in obsolescence provisions is included in cost of goods with TNOK 400 in 2021 (TNOK -2,811 in 2020). See notes 2, 3 and 4 for more information.

The Group has stored water-soluble protein and calcium. The contracted sales value amounts to TNOK 64,035 and has been recognized as revenue in 2017, 2018 and 2019, as and when the customers are taking over the risk and control of the goods. Of an incoming stock of 1,785 tonnes, 589 tonnes were taken out of stock during 2021 (648 tonnes in 2020). It has not been sales through 2020 and 2021 that have increased the stock.

Note 21: Trade receivables and other current receivables

TRADE RECEIVABLES	Group		Parent	
(Amounts in NOK 1000)	2021	2020	2021	2020
Trade receivables	10 089	14 267	9 970	13 996
Provision for expected credit losses	0	0	0	0

Accounts receivable are not interest-bearing receivables and general terms and conditions for payment are from 7 to 60 days. All significant accounts receivables are credit secured by Coface Norway, limited to a maximum of MNOK 11.5 and with a coverage rate of 90 %. Historical credit losses for customers over the past five years are approximately TNOK 210.

AGING OF TRADE RECEIVABLES - Group

(Amounts in NOK 1000)	Total	Not due	<30d	30-60d	60-90d	>90d
2021						
Accounts receivables	10 089	8 346	1 743	0	0	0
Credit-secured share	7 625	5 896	1 729	0	0	0
Expected credit loss	0	0	0	0	0	0
2020						
Accounts receivables	14 267	12 105	1 286	827	49	0
Credit-secured share	11 338	9 813	1 207	318	0	0
Expected credit loss	0	0	0	0	0	0

AGING OF TRADE RECEIVABLES - PARENT

(Amounts in NOK 1000)	Total	Not due	<30d	30-60d	60-90d	>90d
2021						
Accounts receivables	9 970	8 271	1 699	0	0	0
Credit-secured share	7 625	5 896	1 729	0	0	0
Expected credit loss	0	0	0	0	0	0
2020						
Accounts receivables	13 996	11 834	1 286	827	49	0
Credit-secured share	11 338	9 813	1 207	318	0	0
Expected credit loss	0	0	0	0	0	0

The Group has established a model in which the Group calculates provisions for credit losses by multiplying the expected credit losses by the proportion of non-credit-secured accounts receivable. The Group uses an increasing factor for expected credit losses according to maturity analyzes above. When analyzing future information about the Group's customers and markets, no future challenges are listed today which indicate that there will be a significant credit loss in the future (see and note 19 on credit risk). The Group and the parent company have TNOK 0 in provisions for losses on accounts receivable both in 2020 and 2021.

OTHER CURRENT RECEIVABLES	Group		Parent	
(Amounts in NOK 1000)	2021	2020	2021	2020
Prepayments	1 610	4 249	1 356	4 035
VAT receivable	5 535	6 816	5 063	6 816
Intercompany Group	0	0	75	70
Benefit funds	4 509	0	4 122	0
Other	7 833	0	7 833	0
Total	**19 488**	**11 066**	**18 449**	**10 922**

Note 22: Cash and cash equivalents

Deposits with a credit institution totaled TNOK 49,921 as of 31 December 2021 and TNOK 172,835 as of 31 December 2020 and the Group earns interest income according to agreed floating interest rate terms.

At 31 December 2021, restricted funds for the Group amounted to TNOK 2,710 which derives from the employees' tax deductions. As of 31 December 2020, this amounted to TNOK 2,123.

Note 23: Equity investments

Subsidiaries	Country	Head office	Share capital	Ownership	Voting share	Earnings 2021	Earnings 2020	Equity 31.12.2021	Equity 31.12.2020
Hofseth BioCare Rørvik AS	Norway	Rørvik	100	51%	51%	-3	-3	-1 408	-1 405
HBC Berkåk AS	Norway	Rennebu	100	100%	100%	-8 152	59	11 043	18 924
Nøre Nutrition AS	Norway	Ålesund	2 000	100%	100%	-308	-1 549	-1	310

Current liabilities to subsidiaries amount to TNOK 4,976 as of 31 December 2021 (current liabilities TNOK 16,674 in 2020). The shares in the subsidiary HBC Berkåk AS have been written down to book equity as of 31 December 2021. HBC has made available a loan of CHF 20,000 to Dr. Tanja Schaffer as of 31 December 2021, for the sole purpose of incorporating HBC Switzerland GmbH in 2022 as a 100 % owned company by Hofseth BioCare ASA. It is expected that the registration of HBC Switzerland GmbH as a wholly owned entity of HBC will be finalized by April 2022 with the Swiss commercial register.

Company	Country	Head office	Share capital	Ownership	Voting share
Atlantic Delights Ltd.	Hong Kong	Hong Kong	HKD 6 163 630	34%	34%

Atlantic Delights ltd

The parent company and the group acquired 34 % of Atlantic Delights Ltd., Hong Kong on 27 August 2020, through a share issue with a nominal value of TNOK 6,517 in the company. Estimated surplus value related to customer base amounts to TNOK 4,868 calculated at the time of acquisition and which is depreciated on a straight-line basis over 5 years. Profit share from the company in the ownership period is included after tax expense and amortization of surplus value.

INVESTEMET IN ASSOCIATED COMPANY ATLANTIC DELIGHTS LTD	Group		Parent	
(Amounts in NOK 1000)	2021	2020	2021	2020
Net asset 1.1.	5 733	0	6 517	6 517
Access	0	6 517	0	0
Amitization added value	-679	-325	0	0
Profit share after tax	709	0	0	0
Dividend	0	-460	0	0
Net asset 31.12.	**5 764**	**5 733**	**6 517**	**6 517**

FINANCIAL INFORMATION IN ASSOCIATED COMPANY ATLANTIC DELIGHTS LTD	Group	
(Amounts in NOK 1000)	2021	2020
Current assets	6 456	6 986
Fixed assets	5 083	3 126
Current liabilities	-636	0
Non-current liabilities	-1 268	-1 268
Operating revenue	3 220	3 517
Total earnings	-456	-112

Note 24: Accounts payable and other short-term liabilities

ACCOUNTS PAYABLE	Group		Parent	
(Amounts in NOK 1000)	**2021**	**2020**	**2021**	**2020**
Accounts payable	17 071	19 865	15 390	18 659
Accounts payable related companies	107 094	65 091	106 086	64 579
Total	**124 165**	**84 956**	**121 476**	**83 238**

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

OTHER SHORT-TERM LIABILITIES	Group		Parent	
(Amounts in NOK 1000)	**2021**	**2020**	**2021**	**2020**
Public duties payable	4 101	4 201	3 507	2 861
Accrued holiday pay	4 328	3 495	3 652	2 901
Other accrued costs	3 820	1 875	3 232	2 249
Short-term debt to group companies	0	0	4 976	16 674
Total	**12 249**	**9 571**	**15 367**	**24 685**

Note 25: Share capital, shareholders and dividends

As of 31 December 2021, Hofseth BioCare ASA had NOK 3,578,310 in share capital, divided into 357,831,030 shares, each with a nominal value of NOK 0.01. All shares are fully paid.

There is only one class of shares and all shares have equal voting rights and equal rights to dividends. The 20 largest shareholders of Hofseth BioCare ASA as of 31 December 2021 are:

Largest shareholders	# of shares	% share
SIX SIS AG	69 511 572	19.43
HOFSETH INTERNATIONAL AS	58 881 778	16.46
RH INDUSTRI AS	51 500 000	14.39
YOKOREI CO. LTD	40 951 333	11.44
GOLDMAN SACHS INTERNATIONAL	12 100 000	3.38
BRILLIANT INVEST AS	11 000 000	3.07
CREDIT SUISSE (SWITZERLAND) LTD.	8 972 355	2.51
GOLDMAN SACHS & CO. LLC	8 326 830	2.33
CITIBANK, N.A.	6 872 900	1.92
JPMORGAN CHASE BANK, N.A., LONDON	4 141 801	1.16
UBS SWITZERLAND AG	4 117 311	1.15
THE BANK OF NEW YORK MELLON SA/NV	3 612 930	1.01
LGT BANK AG	3 468 871	0.97
BOMI FRAMROZE HOLDING AS	3 253 370	0.91
INITIA AB	3 200 000	0.89
SAXO BANK A/S	2 699 192	0.75
VERDIPAPIRFONDET DNB SMB	2 530 668	0.71
THE NORTHERN TRUST COMP, LONDON BR	2 433 865	0.68
CLEARSTREAM BANKING S.A.	2 360 542	0.66
CITIBANK, N.A.	2 176 208	0.61
In total, the 20 largest shareholders	**302 111 526**	**84.43**
Total others	55 719 504	15.57
Total number of shareholders	**357 831 030**	**100.00**

Total no. of shareholders: 1,396

Shares owned by CEO and the Board	2021	2020
Roger Hofseth*	110 723 444	78 707 797
Christoph Baldegger	700 000	580 000
Ola Holen*	1 465 253	6 574 783
Torill Standal Eliassen	0	0
Henriette Godø Heggdal	0	0
Amy Novogratz*	12 100 000	0
Total	**124 988 697**	**85 862 580**

*Includes shares owned by related companies and persons.

Note 26: New accounting standards with future effective date

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

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

Note 27: Subsequent events

Russia's invasion of Ukraine in late February is deeply concerning with severe humanitarian consequences, and significant impact to the world's political environment and security situation. As of today, it is difficult to estimate what impact this could have on HBC's business and activities going forward, but the Group have no commercial or operational relationships to either Ukraine or Russia. HBC source raw material in Norway and all production is done domestically. However, the management will review the situation on a continuous basis, especially considering commercial restrictions, the global transport situation, and possible shortage on materials for our finished products production.

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

We confirm that the financial statements for the period 1 January to 31 December 2021 to the best of our knowledge, have been prepared in accordance with IFRS as adopted by the EU / applicable accounting standards and that the financial statements give a true and fair view of the Group's assets, liabilities, financial position and results of operations, and that the annual report gives a fair view of the financial performance and position of the Group, together with a description of the main risks and uncertainties faced by the Group.

Hofseth BioCare ASA Board of Directors,
Ålesund, 25 March 2021

Ola Holen
Chariman of the board

Henriette G. Heggdal
Board member

Christoph Baldegger
Board member

Kristin Fjellby Grung
Board member

Torill Standal Eliassen
Board member

Amy Novogratz
Board member

Roger Hofseth
CEO

Auditors report

CHAPTER 4

Statsautoriserte revisorer
Ernst & Young AS

Thormøhlens gate 53 D, 5006 Bergen
Postboks 6163, 5892 Bergen

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Hofseth Biocare ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hofseth Biocare ASA (the Company), which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company and the Group comprise the statement of financial position as at 31 December 2021 and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company and the Group as at 31 December 2021 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 8 years from the election by the general meeting of the shareholders on 22.07.2014 for the accounting year 2014.

Material uncertainty related to going concern

As stated in note 2 and in the board of director's report the annual report have been prepared based on the going concern assumption, but that there is uncertainty to the assumption of going concern relating to the company liquidity and ability to sell the products at sufficiently high prices. The company is still dependent on increased production and sales with a higher average price, or additional capital inflows through loans or equity in 2022. The value of the company's assets may, in the event of an accelerated realization, be significantly lower than the accounting value of the assets. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2021. In addition to the matter described in the *Material uncertainty*

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related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

Basis for the key audit matter

The Hofseth BioCare Group had inventory of TNOK 90 813 and the parent company had inventory of TNOK 90 244 per 31 December 2021.

Four types of finished goods are produced from a common production process based on the same input factors. Allocation of production costs is calculated on the basis of the expected sales values of the individual finished products multiplied with the relative share of the production yield. As the allocation of production costs is determined by significant judgement on assessments of expected sales values, this was a key audit matter.

Our audit response

We evaluated the management`s sales values in the model, by comparing the sales values against representative prices achieved through sales in 2021.

We tested the production yield in the model against reported numbers from factory, and production costs in the model against actual costs.

We tested the model for allocation of production costs being mathematically correct. We refer to note 2, 3, 6 and 20.

Transactions with related parties

Basis for the key audit matter

Transactions with related parties form a significant part of the group`s and the company`s ordinary business and financing, where the determination of arm`s length pricing is to a large extent based on judgement. The material transactions with related parties are sales of finished goods, purchase of raw materials (fish trimmings), lease obligations and financing agreements.

The prices of finished goods and raw material is determined on the basis of transactions with independent parties. As the amount of transactions with related parties is significant, and terms and conditions involve judgement, this was a key audit matter.

Our audit response

We inquired management, read minutes from board meetings and performed procedures on the company`s booked transactions to identify transactions with related parties.

We compared agreed upon sales prices for finished goods and raw materials from related parties with prices agreed with independent parties and evaluated compliance with agreements. Further on we assessed financial terms in new debt agreements with historical terms and conditions with independent parties, considered the group's financial position and possibilities for alternative financing at the point of establishment of the agreement.

We refer to note 2 and 6.

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Recognition of intangible assets

Basis for the key audit matter
The Group`s recognized intangible assets was TOK 53 055 for group and for the parent company TNOK 52 867 per 31 December 2021, where additions related to capitalized development costs in 2021 were TNOK 12 598 in group and in parent.

Management exercises judgement in determining when the recognition criteria for the intangible assets is met. The group start to capitalize when there is an identifiable intangible asset or product, which is in the group`s control, and probable future economic benefits is expected. Management also exercises judgement in determining the cost of the product development to be capitalized. Based on the size of this year`s additions and the recognition of developed intangible assets is based on management`s judgment and assumptions, this was a key audit matter.

Our audit response
We assessed management`s principles and assumptions for recognition of development cost with criteria in IAS 38, especially the criteria for recognition and the transition from research to development.

We evaluated this year's development projects against available information about the progress of the development of the product.

We compared the management's assessments of the projects against the company's strategy and plans. Further on we tested a sample of all recognized development cost against underlying documentation and evaluated if the criteria for recognition was met.

We refer to note 2 and 10.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the chief executive officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility contain the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern

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and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

Report on other legal and regulatory requirements

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of our audit of the financial statements of Hofseth Biocare ASA we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name 5967007LIEEXZXGGEO44-2021-12-31-no.zip, has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements included in the annual report have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's responsibilities

Management is responsible for the preparation of an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Bergen, 25. mars 2022
ERNST & YOUNG AS

Jørn Knutsen
State Authorised Public Accountant (Norway)

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

www.hofsethbiocare.com
Hofseth BioCare ASA
Kipervikgata 13, 6003 Aalesund, Norway