



Fourth Quarter 2023 Financial Report

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CEO Statement

Demand for HBC's oil and PHP products exceeded production capacity, with anticipation of stronger pricing in the spring. Market expansion was evident, adding new countries, market segments, and clients to our human nutrition portfolio.



In Q4 2023, HBC reported strong sales, reaching NOK 46 million, a 26 % increase YoY, contributing to a total annual revenue of NOK 190 million, a substantial growth of NOK 70 million. This success is attributed to strategic international promotions focusing on our unique ingredients grounded in science and circular economy principles, enabling us to penetrate high-value human and pet markets.

Demand for HBC's oil and PHP products exceeded production capacity, with anticipation of stronger pricing in the spring. Market expansion was evident, adding new countries, market segments, and clients to our human nutrition portfolio.

In the Consumer and Pet Health sector, Q4 showcased R&D completion for new pet products and a recyclable bottle/pump. Despite regulatory constraints in China, B2C achieved a 40 % YoY growth, reaching NOK 46 million in revenue. The Brilliant™ Salmon Oil remains a significant driver of sales and cash margin, with plans for over 50 % of total sales revenue to come from e-commerce in 2024.

HBC's R&D division achieved significant milestones across various projects this quarter. Notable achievements include the development of a protocol to assess undenatured collagen levels in salmon bone powder and the ongoing exploration of ProGo® peptides' bioactivity, revealing GLP-1 and GIP agonist activity that may contribute to the weight loss profile. Additionally, HBC's paper on the effects of SPH1 against muscle atrophy was submitted for presentation at the Annual Multinational Association of Supportive Care in Cancer meeting in June 2024.

Clinical trials for OmeGo in allergic asthma and the lead drug candidate MA-022s in eosinophilic asthma showed promising results, with MA-022s demonstrating impressive activity in reducing key asthma-related changes. The ongoing bone health trial with CalGo® and the assessment of ProGo®'s potential cognitive health benefits in collaboration with Shanxi Medical University further underscore HBC's commitment to innovation.

In the Consumer and Pet Health sector, collaborations with Stanford and ongoing clinical trials demonstrate the potential of SPHi peptides in gastrointestinal health, ProGo® peptides for improved body composition, CalGo® for bone and joint health, and OmeGo® softgels for immune health. The research extends to addressing conditions like inflammatory bowel disease, osteoarthritis, and restless leg syndrome, showcasing HBC's dedication to advancing healthcare solutions with a focus on IP protection and potential novel therapies. The R&D team's comprehensive efforts position HBC as a leader in the industry, with numerous studies anticipated to provide valuable insights and contribute to the company's long-term success.

Looking ahead, I am pleased to point out the investment in HBC through a new class of preference shares, settled by converting NOK 144 million of debt, demonstrates our commitment to financial stability and growth. We closed the transaction in early January 2024, resulting in a strong financial position for HBC. Our targets for 2024 have been set and this will be another exciting year where we aim for 50 % further growth in sales and a higher capacity utilization to deliver positive EBITDA in 2024.

In conclusion, I want to express my gratitude to each member of the HBC team and our valued stakeholders for their contributions to these remarkable achievements. We have now set a strong foundation for our future success, in this truly sustainable business model, turning off-cuts from Norwegian salmon into high-value nutrition and medicine.

A handwritten signature in blue ink, which appears to read "Jon Olav Ødegård". The signature is fluid and cursive, written over a white background.

Jon Olav Ødegård, CEO

Key Figures & Highlights

	Q4 2023	Q4 2022	2023	2022
Gross operating revenue	47 426	33 609	218 511	120 448
EBITDA	-39 786	-28 269	-66 116	-98 206
Operating profit/loss	-49 279	-35 251	-102 529	-128 618
Net cash flow	6 222	-13 788	-8 536	-17 494
Equity ratio	10.5%	36.0%	10.5%	36.0%

HIGHLIGHTS IN THE FOURTH QUARTER

- › HBC continued its sales trend in the fourth quarter at a higher level than earlier years. Sales revenues were 46 million NOK in the quarter, up 26 percent compared to fourth quarter 2022. HBC has made a significant jump from previous years, with total sales revenues for the year at 190 million, up 58 per cent, an increase of 70 million from 2022. The sales successes are a result of systematic promotion in international markets of our unique, fresh ingredients founded on science and circular economy, that has enabled us to enter high value human and pet markets.
- › The gross margin in the fourth quarter is negatively impacted by an extraordinary write-down of 15 million NOK of our excess calcium inventory. Despite this, the trend for new projects is accelerating with several new product launches for CalGo and new pet buyer in the quarter. Gross margins excluding the write-down was at 27 percent compared to 18 percent fourth quarter 2022.
- › R&D work on all our ingredients continued unabated and with new significant results already completed, the outlook for new projects continues to gather pace as a result. Scientific validation is crucial to differentiate and create credibility in a competitive market for new consumer health products.
- › At the end of the fourth quarter HBC entered into an agreement with Hofseth International to make an investment in HBC in a new class of preference shares settled by converting 144 million NOK of accumulated accounts payables. The effect of the transaction boosted our equity ratio in January.

SUBSEQUENT EVENTS

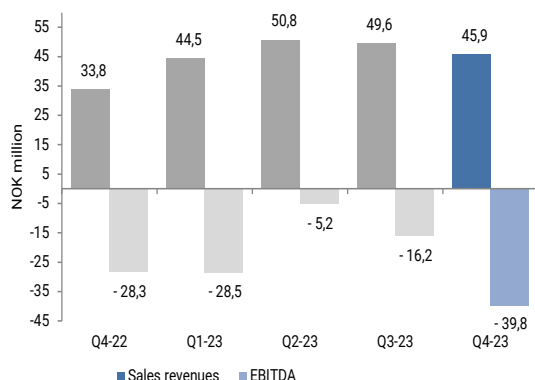
- › The transaction converting accounts payables to newly issued preference B-shares was concluded and registered first week of January 2024. The equity ratio of HBC consequently improved to approximately 47 percent. Details of the transaction can be found in the press release and call for general meeting.

Financial Review

Figures for the corresponding periods in 2022 are given in brackets.

P&L Fourth Quarter and for the year 2023

HBC had gross operating revenues of NOK 47.4m (33.6m) in the fourth quarter and NOK 218.5m (120.4m) for the full year. Adjusted for the sale of assets in the second quarter, operating revenues were NOK 194.9m for the full year, representing an increase compared to 2022 of 38 percent.



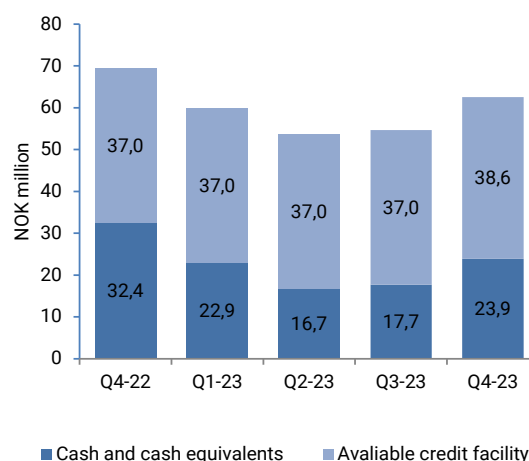
Cost of sales (CoGS) amounted to NOK 49.4m (27.6m) in the quarter. This includes an extraordinary write-down of NOK 15m related to excess calcium inventory which is expected to be sold at a lower value than anticipated. Operating expenses were NOK 20.3m in the quarter, an increase compared to corresponding quarter last year of NOK 15.8m partly related to one-off costs for new offices in Ålesund and strengthening of our international sales teams in the US and Europe.

The operating loss (EBITDA) for the quarter was NOK -39.8m (-28.3m). Operating result (EBIT) amounted to NOK -49.3m (-35.3m) in the fourth quarter 2023 and NOK -102.5m (128.6m) for the year. Net financial items in the fourth quarter were NOK -2.6m (-3.0m).



Cash flow

Cash flow from operations during the fourth quarter was negative NOK -27.2m, compared to NOK 46.1m in final quarter last year. The negative cash includes payments of current payables to Hofseth international that has not been done earlier. Net cash flow from investment activities was NOK -8.3m in the fourth quarter, compared to NOK -2.7m in the corresponding quarter last year. Cash flow from financing activities amounted to NOK 41.8m in the quarter, compared to NOK -76.9m in



the fourth quarter 2022. Financing includes draw-down on one of the company's credit facilities.

Cash and cash equivalents increased by NOK 6.2m during the quarter, leaving total holding at NOK 23.9m at the end of the year, compared to NOK 32.4m at the end of 2022.

Including credit facilities, HBC had NOK 62.5m in free liquidity as of the end of 2023.

Financial position

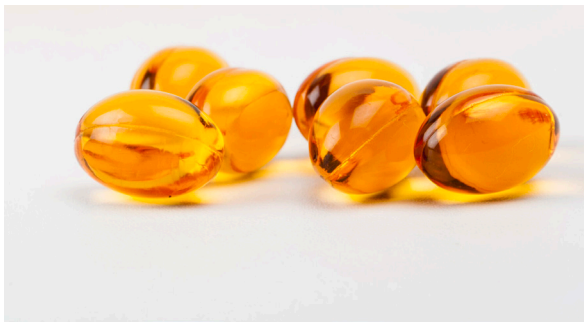
Total assets for HBC were NOK 390.1m (411.0m) at the end of 2023. Deferred tax asset of NOK 250.9m is not recognized in the statement of financial position.

Total equity amounted to NOK 47.1m (148.0m) corresponding to an equity ratio of 10.5 % (36.0 %) for the group. The equity ratio was significantly improved a few days after the turn of the year when the investment in new equity of NOK144m by Hofseth International was approved by the general meeting,

and new shares were issued. The new shares were paid for by conversion of accounts payables related to purchase of raw materials. At year-end, the balance sheet shows a transfer of NOK 144m from accounts payables to other current liabilities due to the agreement with Hofseth International.

Sales & marketing

The last quarter of 2023 continued with the same momentum and capped a record year for 2023. In Q4 HBC delivered revenues of NOK 47m, resulting in total clean underlying revenues of NOK 190.8m (up 58%) for 2023 and total revenues of NOK 219.2m including the one capital gain from HBCI. The B2B segment continues to show steady growth, with revenues



reaching NOK 36m compared to NOK 22.9m last year, demonstrating sustained demand in human and pet ingredient categories.

Our oil and PHP products have consistently faced demand growth outstripping production capacity throughout the year despite a seasonally weaker oil market in Q4 (when there are much lower slaughter volumes heading into the winter months). We anticipate stronger pricing from the spring, especially as the broader fish oil market remains very tight due to a significant mismatch between lower wild catch harvests on an ongoing basis in South America and rising global demand for all fish oils and Omega-3 markets.

Distribution of our products continues to grow into new markets and Q4 was no exception as we added a variety of new countries, market segments, and new customers to our list clients for human nutrition. Through our partner IMCD, we made our first delivery to South Africa and launched two commercial products in both the Czech Republic (Dr.Bijon) and Serbia (Mintmedic) where CalGo was the focus. The pipeline of business through DKSH in Asia is also growing and China will likely be our strongest market for B2B human nutrition in 2024.

We also continue to selectively grow the sales team at HBC. We welcomed Dr Susan Clark at the end of the year as our new VP Technical Sales Director responsible for Consumer Health in the Americas. Her addition strengthens our focus on consumer health products in the US where the market opportunity remains completely untapped despite having an existing

favourable regulatory framework for our ingredients with numerous established unique health claims that can be utilised across the continent.

Q4 also marked a pivotal moment for us as we inaugurated our new head office in Ålesund, providing a new conducive environment for collaboration and innovation. Simultaneously, we gathered our global team for the first time since the covid lockdowns. It was a busy period for marketing as sales and medical affairs attended Food Ingredients Europe (FIE) in Frankfurt in November 2023, reinforcing existing relationships and acquiring new opportunities for partnerships. The team then also visited the annual Supply Side West trade show in Las Vegas, partnering with our global distributors at the event and we picked up number of exciting new leads and customers. Much time was spent at creating concept and sales collateral in the quarter (designing new nutraceutical ideas for global brands) and delivering solutions to complex regulatory hurdles to successfully enter new markets. We also continue to improve and reinforce the marketing messaging behind ProGo, OmeGo and CalGo to further boost sales.

An article "Perspectives in osteoporosis therapy: The unique contribution of salmon-based CalGo" was published by HBC in "Wellness foods and supplements" magazine and was available at the show and attracted considerable attention.



For the upcoming period, we expect a normal seasonal slow-down in January (the shutdown for maintenance period coupled with lower harvest volumes), however, the global fish oil situation continues to be positive for HBC and we continue to see that more and more traditional fish oil capsule producers looking for alternative, sustainable, quality sources of Omega 3. We expect stronger prices in the market again in 2024. The pet segment is also an area to watch with multiple large opportunities actively assessing our portfolio as a new alternative protein source in the US and Asia.

Consumer and Pet Health

Q4 was exciting for the Pet Health Business, with two new products completing testing and trial manufacturing in anticipation for launch in early 2024, together with the completion of extensive R&D work on a new fully recyclable bottle/pump, we expect to enhance the E-commerce performance via an improved customer proposition. Calcium Collagen Powder and

Salmon Protein Energy Powder will both increase the breadth of the Brilliant™ product portfolio but more importantly, now allow the finished goods business of HBC, to truly demonstrate its market leading science-backed expertise across the full range of salmon-based ingredients: Oil, Calcium and Protein Peptides. This proof of concept will prove invaluable for our B2B sales, as well as generating increased profitable sales for B2C.

2023 full year revenue for B2C was NOK 45.9m vs NOK 31.6m in 2023, a YOY growth of +40% despite a flat Q4 performance driven by a reduction in E-Commerce units and the removal of sales to China to due regulatory constraints. Notwithstanding this, improvements in our core gross margin and a reduction in non-working media ensured that the finished goods division delivered a positive FY operational profit performance for the first time.

Brilliant™ Salmon Oil remains c80% of total sales and cash margin, driven through organic growth, new retail listings and tighter distributor partnerships. The outlook for our Brilliant™ business continues to strength across all geographies.

Finally, a new agreement signed with an e-commerce boutique to manage our Global Amazon business will further help drive growth in this vital area, with e-commerce planned to be over 50% of total sales revenue in 2024. We look forward to another year of robust growth in 2024.

R&D Update

In the fourth quarter of 2023, HBC R&D delivered the following:

Research Pipeline

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

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

i. We have developed a protocol to determine the level of undenatured collagen in our salmon bone powder following a standard model of GI digestion. Following this, assay work was undertaken to measure the bioavailability of undenatured collagen. This work will be completed in Q1 2024.



ii. We continue to explore the bioactivity of the peptides in ProGo®. Assay work has shown that ProGo® has both GLP-1 (glucagon-like peptide) and GIP (glucose-dependent insulinotropic polypeptide) agonist activity. This could be a significant factor in the weight loss profile seen with ProGo®. Work is ongoing to identify the individual peptides responsible for this effect.

iii. HBC's paper "Further In Vitro Studies on the Effects of a Novel Peptide Hydrolysate, SPH1, Against Muscle Atrophy using Primary Normal Human Skeletal Myoblasts (HskM)" has been submitted for presentation at the Annual Multinational Association of Supportive Care in Cancer (MASCC) meeting in June 2024. The research provides further mechanistic insights into ProGo's potential in tackling accelerated muscle loss in cancer cachexia as well as sarcopenia (accelerated age-related muscle wasting). MASCC is the premier global or-

¹⁾ Age-related Sarcopenia treatment
²⁾ Rheumatoid Arthritis co-treatment

ganisation for supportive cancer care.

iv. Recruitment to our clinical trial of OmeGo in allergic asthma will be completed by the end of January 2024 with results anticipated later in H2 2024. This study will provide significant insights into the inflammation-resolving effects of OmeGo and its benefits to immune health.

v. Following the successful completion of our initial 2-week preclinical trial of MA-022s (our current lead drug candidate in eosinophilic conditions) in an animal model of asthma, further IP protection has been put in place by our US attorneys Morrison and Forrester (US filing 63/596380, lipopeptide compounds and use in modulating eosinophilia, Nov 6, 2023). A second study of 8 weeks' duration has also now been completed and all results will be available by March 2024. A paper will be prepared for publication of these two studies together in a peer-reviewed scientific journal. MA-022s is an analogue of the naturally occurring lipopeptide (microcolin A) found in OmeGo® and can be manufactured in commercial scale.

vi. Clinical trial work of a novel formulation of SPH (SPHi) in milder forms of inflammatory bowel disease will be initiated in 2024, led by Stanford School of Medicine. This trial will treat children and we therefore need to submit an IND (Investigational New Drug) application to the FDA before initiating the study. This process is already underway. IND approval will also allow for more studies to be conducted with SPHi with greater ease and will be greatly valued by potential partners.

vii. Analyses of OmeGo®'s resolution of inflammation following acute infection in adults, via its impact on the modulation of genes involved in the initiation and resolution of inflammation will be submitted for publication in a peer-reviewed scientific journal in Q1 2024. This work provides a deeper understanding of how OmeGo® can help to improve immune health.

viii. Preclinical trial work in collaboration with Shanxi Medical University is ongoing to assess other potential CNS and Cognitive health benefits of ProGo® in Healthy Aging with a focus on modulation of the microbiome.

ix. Recruitment to our bone health trial with CalGo® completed during Q3 2023. The trial has a two-year follow-up period and data on the osteoinductive effects of CalGo® and protection against osteoporosis are therefore expected in 2025.

HBC Research

SPHi peptides for Gastro-Intestinal (GI) health

The collaboration with Stanford has shown that SPHi provides excellent protection against GI tract inflammation in standard models of inflammatory bowel disease (IBD). The mode of action is an upregulation of the anti-inflammatory gene system, HMOX1, which results in a rebalancing of the GI immune system with an accelerated recovery in overall health. The proof-of concept clinical trial in IBD patients at Stanford was expected to commence in early 2024. However, the IRB has requested FDA input re: an IND. We are collaborating on an IND filing to the FDA for SPH in IBD treatment with a targeted submission in the 2Q of 2024. There have been no new treatment options for mild forms of IBD for a number of years to help resolve symptoms and improve quality of life in this patient group and we anticipate significant market demand for SPH, upon completion of successful clinical trials.

ProGo® peptides for improved body composition and metabolism

We already have two datasets which have assessed the pro-metabolic, fat burning qualities of ProGo®, one with weight reduction as the primary endpoint and the other as a secondary endpoint. Recent laboratory-based work has identified other pro-metabolic effects of the peptides which would be expected to be involved in the increases energy & vitality seen with consuming 4-16g of ProGo® daily. This work will be submitted for publication in a peer-reviewed journal during Q1 2024.

CalGo® for bone and joint health

Our osteoporosis and osteoarthritis clinical trials are being conducted by the HBC Clinical Trial Unit (CTU) in Ålesund. Osteoarthritis (OA) is a common problem with ageing, impacting

HBC Pharmaceutical Leads Pipeline

Pharmaceutical Lead	Target	IP	Discovery (≈1y)	Pre-Clinical (≈2y)	Clinical (≈2-3y)	Reg.appr. (≈1y)
Lipopeptide Analog MA-022	Eosinophil Effector Function	F				
FTH1 Peptides	Iron Metabolism: RLS & P.Ca *)	F				
HMOX1 Peptides	Inflammatory Bowel Disease	F				

F=Filed/Approved N=Not applicable P=In Progress *) RLS=Restless Legs Syndrome P.Ca=Prostate Cancer

mobility, fitness and quality of life. Effective interventions are limited pain killers remain a mainstay of treatment. Recruitment has been slightly slower than anticipated, which will delay full data read-out to 2024.

The bone health trial will assess whether CalGo® prevents a decrease in Bone Mass Density in osteopenic woman over 50 years of age with data anticipated in 2025. A progressive weakening of bones is seen with ageing, and we expect supplementation with CalGo® which supplies all elements contained in healthy bone (calcium hydroxyapatite, collagen and trace elements) will better support bone health. Previously we have shown CalGo® to have a greater ability to stimulate bone cells to form bone and that CalGo® is more easily absorbed in postmenopausal women.

OmeGo® softgels for immune health

Analyses of OmeGo®'s resolution of inflammation following acute infection in adults, via its impact on the modulation of genes involved in the initiation and resolution of inflammation are ongoing and will provide a deeper understanding of how OmeGo® can help restore immune health. Once completed, we will publish this research in a peer-reviewed scientific journal. The publication of both "Assessing the Anti-Inflammatory Effects of an Orally Dosed Enzymatically Liberated Fish Oil in a House Dust Model of Allergic Asthma" and "Preliminary Insights into the Inflammation-resolving Effect of OmeGo®, An Enzymatically-Liberated Fish Oil, Compared to Diclofenac in A Rat Paw Edema Injection Model" in a peer-review journals in Q4 2022 provides further insights into the broad inflammation-resolving effects of OmeGo® and positive effects on immune function. These combined datasets will help direct future trials of immune health benefits of OmeGo®.

MA-022s

A seven-day study of treatment with MA-022s, our lead candidate for the treatment of eosinophilic (allergic) asthma, showed impressive activity with a reduction in lung goblet cell mass, a reduction in smooth muscle hypertrophy and airway obstruction. The goblet cells secrete mucus in the lungs to help protect the lungs from micro-organisms/infections and particulate matter. In asthma they become overactive and increase in number contributing to the airway obstruction alongside an increase in smooth muscle around the airways. The reduction of these signature lung changes of asthma are exciting findings and indicate that the analogue has good bioavailability and significant target engagement (inhibition of eosinophil overactivity) which would be expected to result in improved lung function.

FTH1 modulation with bioactive peptides derived from SPH

We have identified 8 individual peptides which drive the FTH1 modulatory effects of SPH. The peptides contain the same core amino acid sequence, but have structural differences which may alter how they impact FTH1 signalling in different

targets in the body. These peptides have the potential to receive novel composition of matter designation which will provide a broad and long-lasting IP protection.

Iron metabolism is important for the survival and spread of numerous cancer types, including prostate and breast cancer, and hence FTH1 modulation with the peptides could potentially improve patient outcomes across a number of tumor types, at earlier and later stages of the disease process.

Ongoing work is assessing the FTH1 peptides in restless leg syndrome (RLS). RLS has limited treatment options and many patients continue to suffer symptoms that significantly impair sleep and quality of life. Ferritin deficiency is an important element of RLS but no therapies have been developed to address this underlying driver of the disease.

Our US attorneys, Morrison and Forrester are ensuring optimal intellectual property (IP) protection relating to the FTH1 peptides for the treatment of cancer as well as in the treatment of RLS.

Share information

HBC shares were traded between NOK 2.46 and 2.96 per share in the fourth quarter and the last closing price on 29 December 2023 was NOK 2.62. Based on 395,081,030 outstanding shares, this values HBC's equity at approximately NOK 1,035m. As of 29 December 2023, HBC had 1,475 shareholders. The 20 largest shareholders controlled 87.54 per cent of the shares.

Related party transactions

All related party transactions are being made in the ordinary course of the business at arm's length principle. There were no significant new types of transactions with related parties during the fourth quarter 2023.

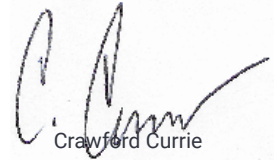
Hofseth BioCare ASA Board of Directors
Ålesund, 09 February 2024



Kristin Fjellby Grung
Chair of the board



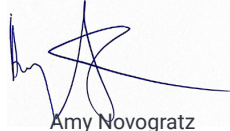
Torill Standal Eliassen
Board member



Crawford Currie
Board Member



Christoph Baldegger
Board member



Amy Novogratz
Board member



Roger Hofseth
Board member



Jon Olav Ødegård
CEO

Glossary

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

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

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

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

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

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

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

Co-treatment - Treatment with two or more agents simultaneously

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

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

Enzymatic hydrolysis - is a process in which enzymes facilitate

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

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

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

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

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

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

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

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

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

IP - Intellectual Property

Lipo-peptides - is a molecule consisting of a lipid connected to a peptide. They are able to self-assemble into different

structures.

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

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

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

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

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

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

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

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

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

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

the body sends signals to control different aspects of bodily functions such as a number of hormones, enzymes and neurotransmitters.

PetGo – is HBC’s commercial name for PHP

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

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

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

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

SO – Salmon Oil (or OmeGo)

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

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

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

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

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

Interim Financial Statements

Consolidated



Consolidated statement of comprehensive income

(figures in NOK 1 000, except EPS)	Q4 2023	Q4 2022	2023	2022	Notes
Sales revenue	45 888	33 609	190 815	119 128	8
Other revenue	1 538	0	4 059	1 320	8
Gain on sale of assets	0	0	23 637	0	8
Gross operating revenue	47 426	33 609	218 511	120 448	
Cost of sales	49 431	27 628	150 686	91 934	9
Salaries and other payroll costs	17 492	18 370	58 275	57 043	11
Other operating expenses	20 290	15 881	75 665	69 677	
EBITDA	-39 786	-28 269	-66 116	-98 206	
Depreciation and Write-down	9 493	6 982	36 413	30 412	
Operating profit/loss (EBIT)	-49 279	-35 251	-102 529	-128 618	
Results from investments in associated companies	-2 486	-204	2 542	-204	13
Financial income	2 039	1 253	6 597	4 568	13
Financial expenses	2 167	4 016	13 293	13 340	13
Net financial items	-2 614	-2 763	-4 154	-8 772	13
Profit/loss before taxes	-51 894	-38 014	-106 683	-137 390	
Tax expense	0	0	0	0	
Profit for the period	-51 894	-38 014	-106 683	-137 390	
Total comprehensive income for the period attributable to:					
Non-controlling interests	0	-1	-1	-1	
Shareholders in HBC (majority)	-51 894	-38 012	-106 682	-137 390	
Total	-51 894	-38 012	-106 683	-137 390	
Earnings per share (EPS)	-0.13	-0.10	-0.27	-0.35	
Basic earnings per share (NOK)	-0.13	-0.10	-0.27	-0.35	

The interim financial information has not been subject to audit.

Consolidated condensed statement of financial position

(figures in NOK 1 000)	2023	2022	Notes
Research, patents etc.	55 284	60 588	5
Property, plant and equipment	165 703	168 794	6
Financial assets	38 130	5 900	7
Total non-current assets	259 116	235 282	
Inventories	82 542	116 525	10
Trade receivables	14 849	14 072	12
Other current assets	9 721	12 724	
Cash and cash equivalents	23 890	32 427	
Total current assets	131 003	175 748	
Total assets	390 119	411 030	
Share capital	3 951	3 951	14
Other Paid in equity (+) Uncovered losses (-)	37 876	144 771	
Non-controlling interests	-687	-686	
Total equity	41 140	148 036	
Non-current liabilities interest bearing	97 102	90 722	
Total non-current liabilities	97 102	90 722	
Other Interest-bearing loans, leasing and borrowings	39 687	13 453	
Trade payables	55 161	145 752	
Other current liabilities	157 029	13 018	
Total current liabilities	251 877	172 223	
Total equity and liabilities	390 119	411 030	

The interim financial information has not been subject to audit.

Consolidated condensed statement of changes in equity

(figures in NOK 1 000)	Q4 2023	Q4 2022	2023	2022	Notes
Equity at start of period	94 056	185 950	148 036	140 378	
Share based payment program costs	0	931	0	2 773	
Other changes in equity	-808	0	2	623	
Issue new shares 07.07.2022	0	0	0	141 978	
Share issue costs	-215	-521	-215	-326	
Profit/loss for the period	-51 894	-38 274	-106 683	-137 390	
Other comprehensive income/expenses	0	0	0	0	
Total comprehensive income	-51 894	-38 274	-106 683	-139 390	
Equity at the end of period	41 140	148 087	41 140	148 036	

Earnings per share

(figures in 1 000, except EPS)	Q4 2023	Q4 2022	2023	2022
Number of shares end of period	395 081	395 081	395 081	395 081
Weighted average number of shares	395 081	395 081	395 081	395 081
Effect of employee stock options and warrants	1 172	1 172	1 172	1 172
Weighted average number of shares diluted	396 253	396 253	396 253	375 737
Basic earnings per share (NOK)	-0.13	-0.10	-0.27	-0.37
Diluted earnings per share (NOK)	-0.13	-0.10	-0.27	-0.37

Consolidated condensed cash flow statement

(figures in NOK 1 000)	Q4 2023	Q4 2022	2023	2022
Cash flow from operational activities				
Profit before taxes	-51 894	-38 014	-106 683	-137 390
Depreciation and write-off	8 677	6 982	35 598	30 412
Gain on sale of assets	0	0	-23 637	0
Changes in Inventory	19 022	-7 598	33 983	-25 712
Changes in trade debtors	1 436	223	-778	-3 983
Changes in trade creditors	-1 984	24 942	53 409	70 355
Changes in other current bal. sheet items	-3 730	5 742	-9 981	11 196
Classified as financial activities	430	2 221	7 543	9 954
Net cash flow from operational activities	-27 227	-5 502	-9 730	-45 168
Cash flow from investment activities				
Investments in tangible assets	-4 777	1 073	-14 981	-4 020
Investments in intangible assets	-3 561	-3 642	-8 689	-13 758
Net cash flow from investment activities	-8 338	-2 569	-23 670	-17 778
Cash flow from financing activities				
Issurance of share capital	0	0	0	70 777
Transaction cost on issue of shares	-215	-131	-215	-326
Payment of interest	-430	-2 221	-7 543	-9 954
Proceeds from borrowings	28 353	642	28 353	0
Repayment of borrowings	14 080	4 007	4 269	-15 045
Net cash flow from financing activities	41 787	-5 717	24 864	45 452
Net change in cash and cash equivalents	6 222	-13 788	-8 536	-17 494
Cash and cash equivalents at the beginning of the period	17 668	46 215	32 427	49 920
Cash and cash equivalents at the end of the period	23 890	32 427	23 890	32 427
Available unused credit facility	38 647	37 000	38 647	37 000
Total cash and unused credit facility	62 538	69 427	62 538	69 427

Selected notes to the condensed financial statements

1. General information and basis for preparation

This report has been prepared in accordance with IAS 34 Interim Financial Statements. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as of 31 December 2022.

2. Use of estimates and judgements

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

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

5. Intangible assets

(figures in NOK 1 000)	R&D	Systems	Patents	Total
Book value at 30.09.2023	51 304	4 436	688	56 428
Additions	925	0	0	925
Sold assets	0	0	0	0
Depreciations for the period	1 247	68	54	1 369
Book value at 31.12.2023	50 282	4 368	634	55 284
Economic life	10 years	5 years	5-10 years	

6. Property, plant and equipment

(figures in NOK 1 000)	Machines and Equipment	Fixtures and fittings	Total
Book value at 30.09.2023	55 135	0	55 135
Additions	3 386	0	3 386
Depreciations for the period	2 455	0	2 455
Book value at 31.12.2023	56 066	0	56 066
Economic life	5-10 years	3-10 years	
Method of depreciation	straight line	straight line	

Going Concern

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

It is emphasized that in general there is uncertainty associated with continuing operations, considering the Group's ability to sell the products with sufficiently high margins, and have sufficient cash available. The company has recent months delivered higher margins and increased cashflow, and current prognosis supports this positive trend. However, the Board of Directors is continuously reviewing the cash balance and equity of the Company and will implement appropriate measures in form of loans or equity, if needed, to ensure continuous operations and sufficient cash to execute on planned activities to generate positive cash flow and profitability.

HBC was in breach of its equity ratio covenant as of the balance sheet date, but it was restored on January 4, 2024.

3. Taxes

Deferred tax assets are not been recognized in the financial statements. Estimated value is NOK 250.9m.

4. Transactions with related parties

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

Leased objects

(figures in NOK 1 000)	Rented buildings	Machinery and equipment	Other rentals	Total
Book value at 30.09.2023	68 897	32 322	302	101 521
Additions	0	11 595	0	11 595
Depreciations for the period	1 793	1 686	0	3 479
Book value at 31.12.2023	67 104	42 231	302	109 637
Economic life	13 years	5-10 years	3-5 years	
Method of depreciation	straight line	straight line	straight line	

7. Financial assets

(figures in NOK 1 000)	2023	2022
Atlantic Delights Limited	3 443	5 559
HBC Immunology Llc.	34 247	0
Investments in other companies	25	25
Other	414	316
Total Financial Assets	38 130	5 900

8. Segments

(figures in NOK 1 000)	Q4 2023	Q4 2022	2023	2022
Per product				
Salmon oil	31 926	27 069	129 428	77 759
Protein	5 707	2 565	23 896	12 578
Calcium	151	39	2 603	2 666
PHP	7 950	3 518	33 254	25 480
Gain on sale of asset	0	0	23 637	0
Insurance settlement	1 265	0	3 260	
Other	427	418	2 433	1 965
Total revenues	47 426	33 609	218 511	120 448

9. Cost of sales

(figures in NOK 1 000)	Q4 2023	Q4 2022	2023	2022
Cost of goods sold	30 793	22 629	130 186	83 397
Net obsolete cost/writedowns inventory	18 638	4 999	20 501	8 537
Net cost of sales	49 431	27 628	150 686	91 934

10. Inventory

(figures in NOK 1 000)	2023	2022
Per product		
Raw material	9 990	12 679
Finished goods	68 280	100 407
Spare parts equipment	4 272	3 439
Total inventory	82 542	116 525

Finished goods value of NOK 68m includes the NOK 15m write-down of calcium inventory.

11. Salaries and other payroll costs

(figures in NOK 1 000)	Q4 2023	Q4 2022	2023	2022
Salaries incl social security and pension	18 454	19 094	60 369	57 486
Share based payment	0	828	0	2 346
Activated costs	-963	-1 552	-2 093	-2 790
Salaries and other payroll costs	17 492	18 370	58 275	57 043

12. Trade receivables

(figures in NOK 1 000)	2023	2022
Trade receivables	14 849	14 072
Total receivables	14 849	14 072

Accounts receivable are not interest-bearing receivables and general terms and conditions for payment are from 7 to 90 days. All significant accounts receivables are credit secured by Coface, limited to NOK 16m with a coverage rate of 90 %. Historical credit losses for customers over the past five years are approx. NOK 0.2m.

13. Finance

(figures in NOK 1 000)	Q4 2023	Q4 2022	2023	2022
Income from investment in associated companies	761	0	5 789	0
Loss from investment in associated companies	3 247	204	3 247	204
Interest expense	427	2 785	7 543	9 899
Interest income	547	564	550	651
Net currency exchange	-248	-542	298	735
Net financial items	-2 614	-2 967	-4 154	-8 716

Income of 5 789 in associated company in 2023 is a revaluation of HBCI following a private placement to new investors in the company.

14. Shareholders

Largest shareholders as of 29 December 2023

Shareholder	Account Type	Shareholdings	% stake
SIX SIS AG	Nominee	81 625 211	20.66
RH INDUSTRI AS	Ordinary	69 300 190	17.54
HOFSETH INTERNATIONAL AS	Ordinary	59 176 565	14.98
YOKOREI CO. LTD	Ordinary	40 951 333	10.37
GOLDMAN SACHS INTERNATIONAL	Nominee	22 450 000	5.68
BRILLIANT INVEST AS	Ordinary	11 000 000	2.78
CREDIT SUISSE (SWITZERLAND) LTD.	Nominee	9 566 920	2.42
GOLDMAN SACHS & CO. LLC	Nominee	9 251 830	2.34
CITIBANK, N.A.	Nominee	7 871 762	1.99
THE BANK OF NEW YORK MELLON SA/NV	Nominee	5 060 227	1.28
JPMORGAN CHASE BANK, N.A., LONDON	Nominee	4 823 941	1.22
UBS SWITZERLAND AG	Nominee	3 937 425	1.00
BOMI FRAMROZE HOLDING AS	Ordinary	3 453 370	0.87
SAXO BANK A/S	Nominee	3 354 431	0.85
LGT BANK AG	Nominee	3 266 329	0.83
THE NORTHERN TRUST COMP, LONDON BR	Ordinary	2 433 865	0.62
VERDIPAPIRFONDET DNB SMB	Nominee	2 372 594	0.60
ØDEGÅRD PROSJEKT AS	Ordinary	2 174 039	0.55
INTERACTIVE BROKERS LLC	Ordinary	1 905 107	0.48
CLEARSTREAM BANKING S.A.	Ordinary	1 890 896	0.48
Total 20 largest		345 866 035	87.54
Total other		49 214 995	12.46
Total no. of outstanding shares		395 081 030	100.00

Total number of shareholders: 1,475

This is Hofseth BioCare

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

Lead clinical and pre-clinical candidates are focused on developing an oral pharmaceutical lead program to treat inflammatory disease driven by eosinophils. Preclinical trial work with the oil is ongoing to ameliorate lung inflammation in eosinophilic asthma and COPD ("smokers lung") as well as clinical work in COVID.




Other leads are focused on the protection of the Gastro-Intestinal (GI) system against inflammation (including ulcerative colitis and the orphan condition necrotising enterocolitis) and using peptide fractions of salmon protein hydrolysate (SPH also known as 'ProGo') as a Medical Food to help treat age-related Sarcopenia, and as a treatment for Iron Deficiency Anemia.

mia.

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

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

OUR PRODUCTS AND INGREDIENTS

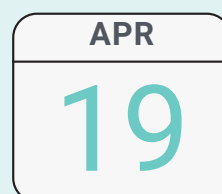
Ingredient	About	Finished products
	Fresh unrefined salmon oil. Produced with 4 years shelf life, full spectrum of omegas and natural antioxidants.	Cardio Salmon Oil™ for human consumption and Brilliant Salmon Oil™ for pets
	Salmon protein hydrolysate. Peptides for fast uptake, and documented BMI reduction,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

IR CONTACTS

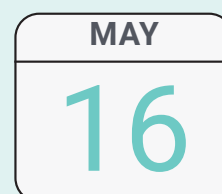
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Annual Report
2023



Q1
Financial Report