



Fourth Quarter & Full Year 2022 Financial Report

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CEO Statement

We are now selling in all majors markets across EU, Asia (including China) and the US, and educating the nutraceutical customers about our unique ingredients with patents and market leading health claims for the consumer health segment.



The first half of 2022 was challenging operationally, with lower production caused by high spot salmon prices which spiked along with all commodities at the beginning of last year. As the global business outlook and confidence took a hit, significant supply chain disruptions also complicated business execution and deliveries with the ongoing tragedy of war in Ukraine. The backdrop had a noticeable impact on our business, as it did to all other businesses involved in raw material production, logistics and supply. As the environment began to stabilize, salmon production volumes picked up in the second half of 2022, resulting in higher capacity utilization and stronger sales and margins throughout H2 2022. Furthermore, we began to diversify our sources of raw material which has reduced the dependency on just one provider to help grow and broaden our business in the months ahead.

Noticeably, on a different and equally encouraging note, following the market volatility in early 2022, we proactively took a decision to optimize the organization and our supply chain management by implementing an internal review of all our respective business units at HBC, namely commercial, operations, quality, logistics and supply chain. This review has resulted in a number of personnel changes and a meaningful re-organization of responsibilities to improve accountability and improve efficiency and communication within the company. This project has now been almost completed and will be finalized before the end of Q1 2023.

Q4 continued its positive trajectory and we see growth in all major market geographies for all ingredients. We are now selling in all majors markets across EU, Asia (including China) and the US, and educating the nutraceutical customers about our unique ingredients with patents and market leading health claims for the consumer health segment. The fourth quarter has shown a strong project pipeline from APAC, Europe and China, and we are seeing the breadth of use for our ingredients

broaden out significantly, selling into pet, food and health supplement customers.

HBC has seen a 103 % increase in sales from 31m in the second half of 2021, to 63m in H2 2022. In addition, we have lowered cost base and increased our gross margins on all products. There is still some significant inventory in select ingredients but we expect to see this cleared in 2023 to provide a stronger cash position back drop in the months ahead.

Outlook

We expect the current trends to continue from H2 2022 into 2023. Revenues and gross margins are expected to grow, as are recurring revenues from a strong evolving Brilliant Salmon oil business direct to the consumer. New nutraceutical customer projects are being initiated on a weekly basis and the pet health business is also expected to grow significantly next year.

We expect a few more organizational changes will be done over the next months to ensure HBC are able to deliver on the increased demand. A new head of e-commerce is likely to begin to have impact in the second half of the year as the company continues to selectively invest in the areas which can make the strongest returns of capital and most sense to shareholders.

Jon Olav Ødegård, CEO

Key Figures & Highlights

	Q4 2022	Q4 2021	2022	2021
Gross operating revenue	33 609	26 080	120 448	87 616
EBITDA	-28 269	-26 599	-98 206	-89 214
Operating profit/loss	-35 251	-34 007	-128 618	-25 033
Net cash flow	-13 788	-35 586	-17 493	-122 915
Equity ratio	36.2%	33.7%	36.2%	53.6%

HIGHLIGHTS IN THE FOURTH QUARTER

- › In Q4, the ingredients business continued to show favorable momentum with growth of 87 %, compared to same quarter last year on an underlying basis, generating sales revenues of NOK 34m, compared to NOK 18m in the same period last year. The finished goods business delivered record fourth quarter and Full Year revenue and cash margin, with revenue at +68 %, NOK 31.7m, compared to 18.8m in the same period in 2021, and the fourth quarter alone delivering NOK 10.7m, compared to 3.7m last year.
- › In October, Stanford School of Medicine successfully completed pre-clinical trial work testing ProGo® bioactive peptides in effective gut health support.
- › HBC has hired Mrs. Christel Kanli as new CFO/COO. She has extensive global experience from Orkla ASA and several start-ups, and will start in March 2023.
- › First significant ProGo® order from China for iron deficiency applications commenced in Q4 and the pipeline is building.

SUBSEQUENT EVENTS

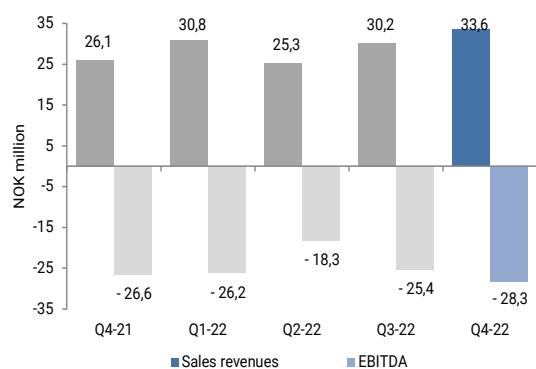
- › The upregulation of the FTH1 gene system with an associated decrease in transferrin receptor expression, depriving tumour cells of iron and potentiating the anti-tumour activity of SOC therapy, has been accepted for presentation at the Pharma R&D conference to be held in Las Vegas, USA in February 2023.

Financial Review

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

P&L Fourth Quarter and Full Year 2022

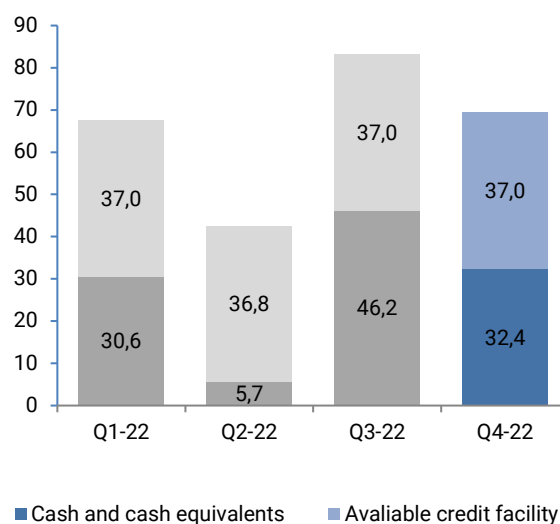
HBC had gross operating revenues of NOK 33.6m (26.1m) in the fourth quarter. The fourth quarter 2021 had NOK 10.6m in other revenues, including an insurance claim settlement, and hence sales revenues was 15.5m. Based on this, the sales revenues increased by 118 % in the fourth quarter, compared to the same period last year. For the full year of 2022 HBC had revenues of NOK 120.5m (87.6m, and 76.9m adjusted for other revenues in 2021), which represents a 55 % increase. In the second half 2022, HBC had a 103 % increase in sales revenues, compared to the same period in 2021.



Cost of sales (CoGS) amounted to NOK 27.6m (20.9m) in the quarter. Opex is reduced throughout the year and also in this quarter from NOK 20.1m in Q1 2022 to NOK 15.8m in the fourth quarter. A one-off pension liability of NOK 2.5m from previous periods has been fully recognised in the fourth quarter, leaving the operating profit (EBITDA) at NOK -28.3m (-26.6m, and -28.9m adjusted for other non-sales related revenues last year). EBITDA, adjusted for the pension liability, ended at NOK 25.8m in the quarter. Operating loss (EBIT) amounted to NOK 35.3m (34.0m) in the fourth quarter 2022. Net financial items in the fourth quarter were NOK -2.8m (-3.2m) and NOK -8.5m (-7.9m) for the full year 2022.

Cash flow

Cash flow from operations during the fourth quarter was NOK -5.5m, compared to NOK -16.2m in fourth quarter last year. Net cash flow from investment activities was NOK -2.6m in the fourth quarter, compared to NOK -11.6m in the corresponding quarter last year. Cash flow from financing activities amount-



ed to NOK -5.7m in the quarter, compared to NOK -7.8m in the fourth quarter 2021.

Cash and cash equivalents decreased by NOK 13.8m during the quarter, leaving total holding of cash and cash equivalents at NOK 32.4m by the end of the period, compared to NOK 49.9m by the end of the fourth quarter 2021. Including credit facilities, HBC had NOK 69.4m in free liquidity by the end of 2022.

Financial position

Total assets for HBC were NOK 412.0m (416.0m) at the end of fourth quarter of 2022. Deferred tax asset of NOK 227.4m is not recognized in the statement of financial position.

Total equity amounted to NOK 149.0m (140.4m) corresponding to an equity ratio of 36.2 % (33.7 %) for the group.

Sales & marketing

In the fourth quarter, the ingredients business continued to show favorable momentum with growth of 87 %, compared to same quarter last year on an underlying basis, generating sales revenues of NOK 34m, compared to NOK 18m over the same period last year. This growth is the result of new significant corporate relationships that have begun to build the pipeline of demand for HBC, with visibility for three to six months

in advance, particularly for Salmon Oil, our most abundant and important ingredient. Sustained high prices of Salmon oil versus previous years are likely to remain as this product had previously been under-appreciated and underpriced and a normalization in pricing occurred in 2022. Further, the versatility of the Salmon oil is garnering new interest and demand globally for uses in feed and premium pet categories whilst supply is, unsurprisingly, relatively inelastic. The newly proposed and surprise changes in the Norwegian tax regime also put numerous new farming projects and investments on hold for 2023/24. Progress in the premium pet segment was particularly notable for us and this segment continues to help diversify the portfolio of customers for our ingredients B2B franchise. Towards the end of the quarter, incoming interest for human use demand has picked up from some main players and we expect human grade sales to significantly benefit sales and margins by the end of H1 2023.

Geographically, we have seen all regions contribute and exhibit similarly high rates of growth resulting a broad-based pick-up in business without one country or continent being the dominant contributor. This diversification provides a strong base for HBC.

The marketing highlight of the quarter was HBC's attendance at the Supply Side West trade show in Las Vegas for the nutraceutical industry. IMCD kindly shared meeting rooms with HBC for the entire duration of the show and we attained multiple new leads from large established US companies. Follow up customer visits in Q1 are expected and we remain hopeful for the US human nutrition market to begin to contribute to sales in the months ahead.

In Asia, the human project pipeline is also accelerating and Q4 was the most successful quarter to date as far as new product launches (success stories) are concerned. HBC helped launch new OmeGo® products for eye health and cardiovascular health in Malaysia & Thailand. Furthermore, multiple new CalGo® offerings for bone and joint health categories in children started in Vietnam and Taiwan and new ProGo® launches were seen in Thailand.

The DKSH and IMCD relationships continue to build as new projects commence. Overall, many new nutra products are coming to market using all HBC ingredients across multiple regions across Asia and Europe.

In China, the pipeline of new launches also increased from Q3 as demand for collagen in particular drives interest in ProGo® across the country. We expect to see multiple new ProGo® launches by the end of Q1 in China for 'iron deficiency', 'women's health' and 'beauty from within' categories. The interest in all HBC ingredients is also beginning to broaden out in China, with incoming interest for both OmeGo® & CalGo® increasing, which had not happened until Q4. We expect the lifting of travel restrictions just after new year to make a meaningful

difference to the potential human grade demand from China in 2023.

Chinese interest has also seen our collaborators successfully start and complete two new clinical trials with ProGo® in the quarter. These trials focused on the benefits of ProGo® for skin wrinkles around the eye, and on assessing the efficacy of ProGo® at a lower dose (1 gram per day for 1 month) to correct iron deficiency and provide iron rich blood. We expect results of these clinical trials to be published by the end of H1 2023. Success from one or both of these trials could provide significant commercial opportunities for HBC, and we will follow their progress with great interest. We take great confidence that our existing science inspires independent players to invest significant capital to further explore the health benefits of our ingredients and enhance the claims and promotion of our ingredients.

Consumer and Pet Health

HBC's finished goods business delivered record fourth quarter and Full Year revenue and cash margin, with revenue at +68 %, NOK 31.7m, compared to 18.8m in the same period in 2021, and the fourth quarter alone delivering NOK 10.7m vs 3.7m last year. Both volume and unit price growth have driven sales trends during 2022, and the outlook for 2023 is for a continued acceleration of both revenue and margins, with the finished goods business now in a position to be able to evolve in all key geographies and take advantage of the premium positioning of Brilliant™ Salmon Oil in its competitive market place.

The Brilliant™ Salmon Oil brand was responsible for over 80% of all finished goods revenues, establishing a number one market position in the UK, and obtaining both regional and national retail chain and distributor listings in over 20 countries worldwide. During Q4 UK E-Commerce drove over 3.5m NOK of sales growth in the quarter via Amazon, and in December an agreement was finalized with the UK'S largest Pet Chain and second largest in Europe, for full distribution of the 300ml variant across the customer's store estate.

In the US there was both accelerated growth in our largest club store, driven by promotional and base volume, and volume expansion in Amazon of the core Brilliant line and in the specialty pet trade via the black 'Professional' label, which is expected to continue organically during 2023. Across Europe, HBC received several repeat orders from major national wholesalers and distributors which feature the brand-new label design with updated packaging and claims.

In consumer health, Cardio® Salmon Oil soft gels have successfully launched onto both UK and US Amazon platforms, and we expect this to help guide future consumer product launches in late 2023.

R&D Update

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

- i. A collaborative study of ProGo® in skin health has shown significant benefit in terms of objective improvement of facial wrinkles and in skin hydration. The results will be published in a peer review journal and this data is supported by previous work showing qualitative benefits of ProGo® in skin, nail and hair health. A second collaborative study that assessed the benefit of lower dose ProGo® on hemoglobin and ferritin levels has also successfully concluded. After completion of underlying biomarker work the results will be published in a peer review journal.
- ii. Planning for clinical trial work of ProGo® as a Medical Food in mild to moderate inflammatory bowel disease continues and trial initiation is expected during 2023. The study will be led by Stanford University.
- iii. For our Covid-19 study, database lock occurred in Q4 2022 and clinical results will be available during Q1 2023. This will provide a raft of data on the impact of OmeGo® in supporting and improving immune health including the resolution of infection and time to discharge. Subsequent to the analysis of these results, our gene expression work will be completed and provide deeper insights into the impact of OmeGo on helping the body restore immune health. We plan to publish these trial results in peer-review journals.
- iv. Following the successful completion of the preclinical trial work with orally administered OmeGo® in allergic inflammation (House Dust Mite model), the data was published in the peer review journal Biomedicines in Q4. The study showed that OmeGo® has a markedly greater benefit on lung health, rebalancing the immune response and reducing inflammation compared to cod liver oil/high dose omega-3.
- v. A preliminary study of OmeGo® in a carrageenan rat paw model, a standard means to assess swelling and inflammation treatments, has been published in the peer-review journal of Biomedical Journal of Scientific & Technical Research in Q4 2022. The study showed that OmeGo® has a similar profile in the resolution of swelling to the non-steroidal anti-inflammatory drug (NSAID) diclofenac. This data further delineates the broad inflammation-resolving profile of OmeGo®, an important property for optimising health.
- vi. We have an oral presentation slot at the Pharma R&D meeting in February 2023 for our preclinical prostate cancer cell assay work of the bioactive peptides in SPH in combination with androgen deprivation therapy. Other keynote speakers include those from major pharmaceutical and biotech companies.
- vii. Following the successful completion of our preclinical assay work with our FTH1 peptides in prostate cancer cell lines planning has commenced for the next stage of development in xenograft models of prostate cancer.
- viii. Preclinical work in restless legs syndrome (RLS / Willis-Ekbom disease) continues following the successful completion of the first assay in human skeletal muscle cells with a positive effect on FTH1 gene expression. Similar to the prostate cancer work, we plan to identify a lead candidate FTH1 peptide for RLS.
- ix. Preclinical trial work with MA-022 as a drug lead in eosinophilic esophagitis will commence in Q1 2023 following successful completion of manufacturing optimisation of the lead eosinophilia modulating lipopeptide MA-022 in Q4 2022.

Research Pipeline

Product	Product Fraction	IP	Discovery (≈1y)	Pre-Clinical (≈2y)	Clinical (≈2-3y)	Reg.appr. (≈1y)
Salmon Protein Hydrolysate (SPH) ProGo	SPH-FTH1	F	Iron Deficiency Anemia Treatment			
	SPH-CollaGo	F	Hair, Nail, Skin Health Treatment & Antioxidant			
	SPH-H01	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⁾	¹⁾ Age-related Sarcopenia treatment ²⁾ Rheumatoid Arthritis co-treatment		
Salmon Oil (SO) OmeGo	SO	F	Improved AREDS Formulations for AMD Treatment			
	SO-LP	F	Asthma Co-treatment			
	SO-LP	P	Acne treatment			
	SO-OxLDL-Gp1	F	Cardiovascular Health			
	SO-CoV19	P	COVID-19 Co-Treatment			
Salmon Bone Powder (SBP) CalGo	SBP-X1	P	Osteoarthritis			
	SBP-CalGo	P	Osteoporosis Treatment			

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

HBC Research

ProGo® peptides for Gastro-Intestinal (GI) health

The collaboration with Stanford has shown that SPH 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. A proof-of-concept clinical trial in IBD patients at Stanford is expected to commence during 2023. We anticipate that this work will enable the granting of health claims for SPH as a medical food in the management of IBD and the protection of gut health. There have been no new options for people with mild to moderate IBD for a number of years and the science behind ProGo® suggests that it can help resolve symptoms and improve quality of life in this patient group.

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. Regulatory feedback in North America has confirmed that we can attain label claims around supporting weight loss and the maintenance of a healthy weight with one more clinical trial. A future study will build upon the benefits for healthy ageing that ProGo® provides including improved lean body mass / reduced body fat, improved metabolism and increased energy & vitality.

CalGo® for bone and joint health

Our osteoporosis and osteoarthritis clinical trials are being conducted by the HBC Clinical Trial Unit (CTU) in Ålesund. Our joint health trial is randomising patients with mild to moderate osteoarthritis (OA) to three groups: (1) hydrolysed Collagen from CalGo®, (2) non-hydrolysed CalGo® containing undenatured collagen, and (3) placebo to assess the potential to reduce joint pain and improve joint function. Data is anticipated in 2023. OA is a common problem with ageing, impacting mobility, fitness and quality of life. Effective interventions are limited pain killers remain a mainstay of treatment.

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

Following the completion of recruitment to our study of OmeGo® in the management of patients hospitalised with Covid-19 results will be available in Q1 2022. Results will include measures of time to recovery, blood markers of inflammation and immune function and changes in gene expression markers related to immune function. Our work to date has shown important and differentiated inflammation-resolving properties of OmeGo® which should help the body better recover from infections, including COVID. The gene expression analyses will provide us with a deeper understanding of the mechanisms by which OmeGo® delivers its health effects and point to future development opportunities. The work will complete after the clinical analyses and hence will be published separately.

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.

OmeGo® softgels for respiratory & overall health

Planning is underway for a study to assess the impact of OmeGo® softgels to reduce pollution-induced coughing. The broad inflammation-resolving profile of OmeGo®, as demonstrated by our prior research, is expected to help reduce lung irritation with an improvement in lung function and quality of life. Particulate matter pollution is a global health problem 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

lung, cardiovascular and overall health.

Novel anti-eosinophilic therapeutic

Our efforts at developing a pharmaceutical lead program around eosinophilia inflammation control is on-going. Our lead analog, MA-022, has shown a clinically significant and enhanced level of eosinophil control in in-vitro. Initial development will focus on eosinophilic esophagitis, an orphan condition that causes pain and difficulty in swallowing. Work for the scaling up of MA-022 synthesis is complete and preclinical in vitro and in vivo work will commence in Q1 2023. There are no licensed oral options for EoE and exclusion diets and topical steroids have limited impact on symptoms.

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. We have completed work on the synthesis of the 8 peptides and in Q2 2022 we initiated SAR (structure-activity relationship) work with in vitro tests to enable the selection of the best candidate for each target indication. Animal model testing for restless leg syndrome (RLS) will start once the preclinical assay work has been completed. Assay work with the individual peptides has also been undertaken in prostate cancer and we have identified two peptides to move into animal testing. RLS has limited treatment options and many patients continue to suffer significant 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 preclinical assay work of the SPH peptides in prostate can-

cer has consistently shown that the SPH peptides enhance the anti-tumour activity of anti-androgen therapy (standard of care / SOC) bicalutamide and enzalutamide. The mode of action is the upregulation of the FTH1 gene system with an associated decrease in transferrin receptor expression, depriving the tumour cells of iron and potentiating the anti-tumour activity of SOC therapy. The data has been accepted for presentation at the Pharma R&D meeting, to be held in the US in February 2023.

During the last two quarters, assays with the individual FTH1 peptides were completed and showed that the two of the FTH1 peptides have significantly greater anti-tumour activity compared to the whole SPH peptide mix. 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 tumour types, at earlier and later stages of the disease process. 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 in the treatment of RLS.

Share information

HBC shares were traded between NOK 2.37 and 3.50 per share in the fourth quarter and the last closing price on 30 December 2022 was NOK 3.29. Based on 395,081,030 outstanding shares, this values HBC's equity at approximately NOK 1,300m. As of 30 December 2022, HBC had 1,407 shareholders. The 20 largest shareholders controlled 86.75 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 2022.

Hofseth BioCare ASA Board of Directors

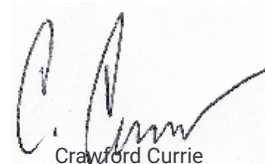
Ålesund, 10 February 2023



Kristin Fjellby Grung
Chair of the board



Torill Standal Eliassen
Board member



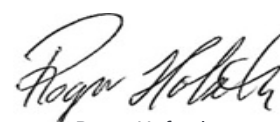
Crawford Currie
Board Member



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 facil-

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

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

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

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

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

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

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

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

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

IP – Intellectual Property

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

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

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

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

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

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

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

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

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

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

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

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

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

PetGo – is HBC’s commercial name for PHP

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

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

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

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

SO – Salmon Oil (or OmeGo)

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

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

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

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

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

Interim Financial Statements

Consolidated



Consolidated statement of comprehensive income

(figures in NOK 1 000, except EPS)	Q4 2022	Q4 2021	2022	2021	Notes
Sales revenue	33 609	15 452	118 890	76 878	8
Other revenue	0	10 628	1 558	10 738	
Gross operating revenue	33 609	26 080	120 448	87 616	
Cost of sales	27 628	20 949	91 934	64 517	9
Salaries and other payroll costs	18 370	12 050	57 043	44 713	11
Other operating expenses	15 881	19 680	69 677	67 600	
EBITDA	-28 269	-26 599	-98 206	-89 214	
Depreciation and Write-down	6 982	7 407	30 412	29 350	
Operating profit/loss (EBIT)	-35 251	-34 007	-128 618	-118 565	
Financial income	1 253	2 067	4 568	3 678	13
Financial expenses	4 016	5 250	13 080	11 577	13
Net financial items	-2 763	-3 183	-8 512	-7 899	13
Profit/loss before taxes	-38 014	-37 190	-137 130	-126 464	
Tax expense	0	0	0	0	
Profit for the period	-38 014	-37 190	-137 130	-126 464	
Total comprehensive income for the period attributable to:					
Non-controlling interests	-1	-1	-1	-1	
Shareholders in HBC (majority)	-38 012	-37 189	-137 129	-126 463	
Total	-38 014	-37 190	-137 130	-126 464	
Earnings per share (EPS)	-0.10	-0.10	-0.37	-0.35	
Basic earnings per share (NOK)	-0.10	-0.10	-0.37	-0.35	

The interim financial information has not been subject to audit.

Consolidated condensed statement of financial position

(figures in NOK 1 000)	Q4 2022	Q4 2021	2022	2021	Notes
Research, patents etc.	60 588	53 055	60 588	53 055	5
Property, plant and equipment	168 794	183 551	168 794	183 551	6
Financial assets	6 858	9 057	6 858	9 057	7
Total non-current assets	236 240	245 663	236 240	245 663	
Inventories	116 525	92 714	116 525	92 714	10
Trade receivables	14 072	10 089	14 072	10 089	12
Other current assets	12 729	19 488	12 729	19 488	
Cash and cash equivalents	32 427	30 572	32 427	30 572	
Total current assets	175 754	170 310	175 754	170 310	
Total assets	411 993	415 973	411 993	415 973	
Share capital	3 951	3 578	3 951	3 578	14
Other Paid in equity (+) Uncovered losses (-)	145 733	137 485	145 733	137 485	
Non-controlling interests	-685	-685	-685	-685	
Total equity	148 999	140 378	148 999	140 378	
Non-current liabilities interest bearing	90 772	124 662	90 772	124 662	
Total non-current liabilities	90 772	124 662	90 772	124 662	
Other Interest-bearing loans, leasing and borrowings	13 395	14 519	13 395	14 519	
Trade payables	145 746	124 165	145 746	124 165	
Other current liabilities	13 081	12 249	13 081	12 249	
Total current liabilities	172 223	150 933	172 223	150 933	
Total equity and liabilities	411 993	415 973	411 993	415 973	

The interim financial information has not been subject to audit.

Consolidated condensed statement of changes in equity

(figures in NOK 1 000)	Q4 2022	Q4 2021	2022	2021	Notes
Equity at start of period	185 950	175 539	140 378	263 764	
Share based payment program costs	931	506	3 447	3 487	
Other changes in equity	0	1 225	0	864	
Issue new shares 07.07.2022	0	0	141 978	0	
Share issue costs	131	0	326	0	
Profit/loss for the period	-38 014	-37 190	-137 130	-126 464	
Other comprehensive income/expenses	0	0	0	0	
Total comprehensive income	-38 014	-37 190	-137 130	-126 464	
Equity at the end of period	148 999	140 378	148 999	140 378	

Earnings per share

(figures in NOK 1 000, except EPS)	Q4 2022	Q4 2021	2022	2021
Number of shares end of period	395 081	357 831	395 081	357 831
Weighted average number of shares	395 081	357 831	374 737	357 831
Effect of employee stock options and warrants	1 000	5 521	1 000	5 521
Weighted average number of shares diluted	396 081	363 352	375 737	363 352
Basic earnings per share (NOK)	-0.10	-0.10	-0.37	-0.35
Diluted earnings per share (NOK)	-0.10	-0.10	-0.37	-0.35

Consolidated condensed cash flow statement

(figures in NOK 1 000)	Q4 2022	Q4 2021	2022	2021
Cash flow from operational activities				
Profit before taxes	-38 014	-37 190	-137 130	-126 464
Depreciation and write-off	6 982	7 407	30 412	29 350
Changes in Inventory	-7 598	-1 837	-25 712	-17 511
Changes in trade debtors	223	1 129	-3 983	4 178
Changes in trade creditors	24 942	7 170	21 581	39 209
Changes in other current bal. sheet items	5 742	3 429	8 118	65
Classified as financial activities	2 221	3 705	9 247	9 394
Net cash flow from operational activities	-5 502	-16 187	-97 466	-61 779
Cash flow from investment activities				
Investments in tangible assets	1 073	-7 618	-3 869	-22 924
Investments in intangible assets	-3 642	-3 937	-13 758	-14 827
Other investments	0	0	0	-188
Net cash flow from investment activities	-2 569	-11 555	-17 627	-37 939
Cash flow from financing activities				
Issurance of share capital	0	0	141 978	0
Transaction cost on issue of shares	-131	0	-326	0
Payment of interest	-2 221	-3 705	-9 247	-9 394
Proceeds from borrowings	642	1 087	29 075	1 087
Repayment of borrowings	-4 007	-5 226	-63 879	-14 890
Net cash flow from financing activities	-5 717	-7 844	97 600	-23 197
Net change in cash and cash equivalents	-13 788	-35 586	-17 493	-122 915
Cash and cash equivalents at the beginning of the period	46 215	85 506	49 920	172 835
Cash and cash equivalents at the end of the period	32 427	49 921	32 427	49 921
Available unused credit facility	37 000	37 000	37 000	37 000
Total cash and unused credit facility	69 427	86 921	69 427	86 921

Selected notes to the condensed financial statements

1. General information and basis for preparation

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

2. Use of estimates and judgements

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

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

5. Intangible assets

(figures in NOK 1 000)	R&D	Systems	Patents	Total
Book value at 30.09.2022	52 691	4 809	1 082	58 404
Additions	3 215	425	0	3 640
Depreciations for the period	1 212	352	70	1 634
Book value at 31.12.2022	54 694	4 882	1 012	60 588
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 30.09.2022	53 314	1 833	61 710
Additions	-1 073	0	-1 073
Depreciations for the period	2 124	148	2 272
Book value at 31.12.2022	50 117	1 685	51 802
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.

3. Taxes

Deferred tax assets are not been recognized in the financial statements. Estimated value is NOK 227.4m.

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 30.09.2022	75 951	33 213	1 548	111 056
Additions	729	0	0	729
Depreciations for the period	2 450	626	0	3 076
Book value at 31.12.2022	74 230	32 587	1 548	3 076
Economic life	13 years	5-10 years	3-5 years	
Method of depreciation	straight line	straight line	straight line	

7. Financial assets

(figures in NOK 1 000)	Q4 2022	Q4 2021	2021
Atlantic Delights Limited	6 517	6 517	6 517
Investments in other companies	25	25	25
Other	316	261	261
Total Financial Assets	6 858	6 803	6 803

8. Segments

(figures in NOK 1 000)	Q4 2022	Q4 2021	2022	2021
Per product				
Salmon oil	27 069	10 417	77 759	43 081
Protein	2 565	1 783	12 578	9 503
Calcium	39	486	2 666	2 716
PHP	3 518	2 535	25 480	20 920
By-product/other	418	5 511	1 965	6 048
Insurance settlement	0	5 348	0	5 348
Total revenues	33 609	26 080	120 448	87 616

9. Cost of sales

(figures in NOK 1 000)	Q4 2022	Q4 2021	2022	2021
Cost of goods sold	22 629	19 210	83 397	64 075
Net obsolete cost	4 999	1 739	8 537	399
Net cost of sales	27 628	20 949	91 934	64 474

10. Inventory

(figures in NOK 1 000)	Q4 2022	Q4 2021	2021
Per product			
Raw material	12 679	5 146	5 146
Finished goods	100 407	83 474	83 474
Spare parts equipment	3 439	2 236	2 236
Total inventory	116 525	90 856	90 856

11. Salaries and other payroll costs

(figures in NOK 1 000)	Q4 2022	Q4 2021	2022	2021
Salaries incl social security and pension	19 094	13 917	57 486	46 649
Share based payment	828	506	2 346	3 487
Activated costs	-1 552	-2 373	-2 760	-5 423
Salaries and other payroll costs	18 370	12 050	57 043	44 713

12. Trade receivables

(figures in NOK 1 000)	Q4 2022	Q4 2021	2021
Trade receivables	14 072	10 089	10 089
Total receivables	14 072	10 089	10 089

Accounts receivable are not interest-bearing receivables and general terms and conditions for payment are from 7 to 90 days. All significant accounts receivables are credit secured by Coface, limited to a maximum of NOK 14m and with a coverage rate of 90 %. Historical credit losses for customers over the past five years are approximately NOK 0.2 million.

13. Finance

(figures in NOK 1 000)	Q4 2022	Q4 2021	2022	2021
Interest expense	2 785	4 304	9 899	9 363
Interest income	564	599	651	613
Net currency exchange	-542	522	735	914
Net financial items	-2 763	-3 183	-8 512	-7 899

14. Shareholders

Largest shareholders as of 31 December 2022

Shareholder	Account Type	Shareholdings	% stake
SIX SIS AG	Nominee	77 528 323	19.62
RH INDUSTRI AS	Ordinary	69 300 190	17.54
HOFSETH INTERNATIONAL AS	Ordinary	58 944 778	14.92
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
GOLDMAN SACHS & CO. LLC	Nominee	9 251 830	2.34
CREDIT SUISSE (SWITZERLAND) LTD.	Nominee	9 195 181	2.33
CITIBANK, N.A.	Nominee	8 015 022	2.03
THE BANK OF NEW YORK MELLON SA/NV	Nominee	4 959 151	1.26
JPMORGAN CHASE BANK, N.A., LONDON	Nominee	4 919 301	1.25
UBS SWITZERLAND AG	Nominee	3 968 288	1.00
LGT BANK AG	Nominee	3 447 692	0.87
BOMI FRAMROZE HOLDING AS	Ordinary	3 253 370	0.82
THE BANK OF NEW YORK MELLON	Nominee	2 802 952	0.71
SAXO BANK A/S	Nominee	2 693 890	0.68
INITIA AB	Ordinary	2 636 340	0.67
CLEARSTREAM BANKING S.A.	Nominee	2 486 470	0.63
VERDIPAPIRFONDET DNB SMB	Ordinary	2 482 035	0.63
THE NORTHERN TRUST COMP, LONDON BR	Nominee	2 433 865	0.62
Total 20 largest		342 720 011	86.75
Total other		52 361 019	13.25
Total no. of outstanding shares		395 081 030	100.00

Total number of shareholders: 1,407

This is Hofseth BioCare

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

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




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

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

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

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

OUR PRODUCTS AND INGREDIENTS

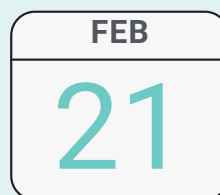
Ingredient	About	Finished products
	Fresh unrefined salmon oil. Produced with 4 years shelf life, full spectrum of omegas and natural antioxidants.	Cardio Salmon Oil™ for human consumption and Brilliant Salmon Oil™ for pets
	Salmon protein hydrolysate. Peptides for fast uptake, and documented BMI reduction,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

IR CONTACTS

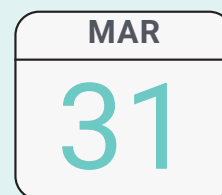
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Keynote speaker
at Pharma R&D,
Las Vegas



Annual Report