Annual Report 2023

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Content

Approved by the Board of Directors in Hofseth BioCare ASA 18 April 2024

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

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

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

This report is part of the company's annual report. The report is also available on Hofseth BioCare's website www.hofsethbiocare.com, along with more information about the company's business.

Corporate governance

CHAPTER 1

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

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

Values and guidelines for business ethics and corporate social responsibility

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

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

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

The company's Code of Ethics deals with the handling of impartiality, conflicts of interest, relationships with customers and suppliers, relations with the media, insider trading and relevant financial interests of a personal nature. The core of the concept of CSR is the company's responsibility for people, communities and environment affected by operations and typically addresses:

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

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

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

› **HSE** (Health, Security and Environment) is the company's top priority. Through guidelines and incorporate routines that safety inspections, preventive maintenance routines, etc. all the employee are involved. A safety delegate system is implemented in the organization.

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

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

Business

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

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

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

› The company shall have an audit committee.

Please refer to the Articles of Association for Hofseth BioCare, last modified 4 January 2024, which are available at the company's website www.hofsethbiocare.com.

Equity and dividend

Equity

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

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

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

As of 31 December 2023, the group had an equity of NOK 97.1 million, corresponding to an equity ratio of 10.6 %. The board considers an equity ratio of more than 25 per cent to be at a satisfactory and prudent level and hence the equity ratio was not at a satisfactory level. The company's long-term debt financing has financial covenant requirements of 25 % equity, including subordinated loans, and the Company was in breach with its financial covenants by 31 December 2023. On 15 December 2023, the Board called for an extraordinary general meeting to convert NOK 144 millions of trade payables into equity, by issuing new class B shares towards Hofseth International. Before 31 December, the Board had already received the necessary voting proxies in favour of the matter. Based on this increase of equity, by 4 January 2024, the Company had an equity ratio of over 25 per cent and not in breach with its financial covenants.

The board will at all times consider various instruments to ensure that the company has sufficient equity, including an authorization given to the board at the general meeting on 28 April 2023 to issue up to approximately 79 million new shares intended to be used in the event of a need for additional equity and liquidity. It is the Board's intention to ask the General Meeting for a similar authorization for the coming period.

Dividend

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

Mandates of the board of directors

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

As of 31 December 2023, the Board of Directors in HBC holds an authorization to increase the company's share capital by issuing new shares with a total face value of up to NOK 790,162 equivalent to 79,016,200 shares, each with a nominal value of NOK 0.01.

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

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

The Board of Directors is given the authority to change the Articles of Association stating the share capital size in accordance with the shares the Board decides under this authorization. The authorization was granted at the Ordinary General Assembly 28 April 2023 and is valid until the Ordinary General Assembly in 2024, however not longer than 30 June 2024.

Equal treatment and transactions with related parties

Hofseth BioCare has two classes of shares, ordinary class A shares with voting rights, and class B shares which not hold any voting rights but will carry a preferential right to receive dividends and a preferred right in the case of liquidation or other distribution of the Company's assets. Each class A share in the Company carries one vote.
As a main rule, all transactions in the company's own shares

shall take place through the stock exchange or at the stock market price if traded outside of the stock exchange, or in a way so all shareholders shall be treated on an equal basis.

Transactions with related parties

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

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

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

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

Freely tradable shares

All ordinary class A shares in Hofseth BioCare are freely tradable with no limitations in the Articles of Association. Any transfer of B-Shares is subject to consent of the Company's board of directors.

The general meeting

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

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

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

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

The Board of Directors, the Nomination Committee and the auditor's attendance at the General Meeting is waived from the recommendation if a review of the agenda, the availability and physical location would suggest this is not practical). Under the General Meeting for the adoption of the financial statements for 2022 one members participated. The auditor did not participate.

Nomination committee

The General Meeting has chosen a Nomination Committee to ensure objectivity regarding the shareholders' interests.
The company shall have a nomination committee consisting of 3 members where the majority of the members shall be independent of the board of directors and the management. The members of the nomination committee shall be elected for terms of two years.
The nomination committee shall propose candidates for the board of directors and the nomination committee, including remuneration to the board of directors and the members of the nomination committee. Members of the Nomination Committee are Geir Even Håberg, Lennart Clausen and Svein Myhre.
The remuneration to the Nominating Committee shall be determined by the General Meeting.
The nomination committee shall evaluate the need for changes of the board and the nomination committee. To have the best possible basis for their deliberations, the committee should be in contact with the directors and the CEO.
Furthermore, the Nomination Committee should consult relevant shareholders for nominations and for consensus in its decision. The board's evaluation report (ref. Paragraph 9 on the Board's work) should be treated separately by the Nomination Committee.
The recommendations of the nomination committee shall include a justification as to how the best interest of the shareholders and the Company has been secured.

The board of directors, composition and independence

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

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

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

Director of the Board, Roger Hofseth, is as of 31 December 2023 CEO of Hofseth International AS, one of the Company's largest shareholders, and director of the Board, Dr. Crawford Currie is Head of Medical R&D in the Company. Both are related to several of the Company's business connections and is thus not considered independent.

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

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

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

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

The work of the board of directors

The Board

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

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

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

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

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

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

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

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

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

Risk management and internal control

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

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

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

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

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

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

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

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

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

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

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

Remuneration of the board of directors

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

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

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

Remuneration of executive personnel

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

Information and communications

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

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

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

The complete annual report and financial statements are made available to shareholders no later than three weeks prior to the annual general meeting, or, at the latest, by 30 April each year, which is the last date permitted by the Securities Trading Act. For 2022 the complete annual report and financial statements were approved and published 31 March 2023.

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

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

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

Take-overs

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

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

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

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

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

Auditor

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

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

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

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

The Audit Committee in conjunction with the annual report in 2023 received a written confirmation from the auditor that he satisfies established and legitimate independence requirements.

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

The board of director's report 2023

CHAPTER 2

Important events in 2023

First quarter

HBC started the year by showing strong growth compared to earlier years, with revenues of NOK 44.8m in the first quarter, a YoY growth of 48 per cent, compared to NOK 30.8m in the first quarter of 2022. Both our ingredients business and finished products channels were significantly higher, as the interest in traceable marine ingredients surged. This resulted in solid demand growth for our products, particularly from human-grade pet food businesses and the nutraceutical categories.

We worked to strengthen our global partnerships, and this has contributed to a growing order book and better long-term visibility. The premium pet segment, which helps diversify the customer portfolio, displayed notable progress. All geographic regions contributed to the growth without any single country or continent dominating. The first quarter also saw multiple significant business visits abroad, including to the US, with a focus on human health products.

The Finished Goods business had a particularly positive performance, with Q1 2023 sales amounting to NOK 10.2m compared to NOK 5.9m in Q1 2022, reflecting a 70 per cent growth and a positive operational margin after sales and marketing costs. Brilliant™ Salmon Oil, accounting for 80 per cent of finished goods revenues, has secured retail chain and distributor listings in over 25 countries worldwide.

Our R&D team made significant advancements at the start of the year. Clinical trials on ProGo® to support gut and overall health in milder forms of inflammatory bowel disease are being planned and led by Stanford University.

The university collaboration showed that ProGo® provides excellent protection against GI tract inflammation in standard models of inflammatory bowel disease (IBD). This work is anticipated to enable the granting of health claims for ProGo® as medical food/medical nutrition in the management of IBD and the protection of gut health.

Second quarter

During the second quarter, we saw a series of strong accomplishments, reflecting financial acumen, market expansion, and advances in R&D. HBC's sales revenues surged to NOK 50.8 million and subsequently accumulated to NOK 95.3 million in the first half of the year. Though the cost of sales reached NOK 27.1 million and operating expenses totalled NOK 20.1 million, cautious cost management was instrumental in containing operational losses, culminating in an EBITDA from ordinary operations of NOK -5.2 million, compared to -18.3 million in the second quarter of 2022.

Despite challenges from supply limitations of salmon off-cuts in the quarter, HBC exhibited resilience, yielding a notable 100 % year-on-year rise in quarterly revenue that exceeded the benchmark of 50 million. HBC's ingredients segment generated of NOK 38 million in revenue, attesting to the effective establishment of exclusive, premium ingredients. Added to this was a significant increase in gross margins of 44 %, a commendable rise from the previous year's 34 %.

Our dedicated focus on R&D led to our first spin-out of a separate company, HBC Immunology LLc (HBCI) in the US during the second quarter. This company will continue its work on prostate cancer as a separate entity and will have access to external funding separate from HBC. The presentation of the paper "Development of a Natural Protein Hydrolysate Supplement" at the esteemed Multinational Association of Supportive Care in Cancer (MASCC) meeting underscored the therapeutic potential of ProGo in addressing muscle atrophy in cancer cachexia and age-related muscle wasting. The successful completion of preclinical trials for MA-022, targeting eosinophilic conditions, marked a significant stride towards potential drug treatments. The successful spin-out resulted in HBC recognising NOK 23.5 million in revenue from sale of patent assets in the second quarter.

Additionally, ongoing clinical trials for ProGo and CalGo promise insights into gastrointestinal health, metabolism enhancement, and skeletal fortification. Investigations into immune health showcased OmeGo softgels' proficiency in inflammation resolution, indicating a promising avenue for immune rejuvenation. Collaborative studies highlighting ProGo's benefits in skin health and hemoglobin levels attest to HBC's interdisciplinary approach to healthcare innovation.

Third quarter

Further exciting progress was made in the third quarter. The gross operating revenues in the quarter was NOK 50 million, marking a forty percent increase compared to the same period last year. This success is largely attributed to our market performance and the positive trajectory of our Finished Goods business, which has reported sales of NOK 11m. While this figure may seem a step down from the previous quarter, it signifies a 20 percent growth year-on-year, showcasing the resilience and strength of our Brilliant™ brand. HBC sales and marketing efforts yielded robust results and attendance at various shows and conferences both improved our presence in the global arena and the relationships with key partners.

Our dedication to financial prudence has also paid off, with net cash burn improving every quarter. Notably, our operational cash flow for Q3 was a positive NOK 11m, a significant improvement from the second quarter.

On the research front, our R&D team deserves commendation for successfully completing the recruitment for our bone health trials. Our focus on research and development is a testament to our commitment to advancing the health and wellness of our customers.

Further highlighting our growth trajectory in 2023, we welcomed several new team members to HBC this quarter. Their diverse expertise spans from administration to international sales.

A noteworthy achievement this quarter was also the successful external funding of our spin-out company, HBCI, now valued at NOK 225 million. With the increased valuation, HBC registered an income from associated companies of NOK 5 million in the quarter.

Fourth quarter

In the final quarter of the year, we cemented the new level of sales by reaching NOK 46 million for the quarter, a 26 % increase YoY, contributing to a total annual revenue of NOK 190 million, a substantial growth of NOK 70 million compared to 2022. 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 and 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 new 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 towards the year end. 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.

Days after year-end, on January 4th 2024, Hofseth International invested in HBC through a new class of preference shares, settled by converting NOK 144 million of debt. This demonstrated our commitment to financial stability and growth and transaction resulted in a strong financial position for HBC.

Financial results

Revenues and profits

The Group generated gross operating revenues of NOK 218.5 million in 2023, including gain on sale of assets of NOK 23.6 million, up from NOK 120.5 million in 2022. Correspondingly, the parent company had gross revenues of NOK 218.4 million including asset sale in 2023, up from NOK 120.0 million in 2022.
Operating costs, excluding depreciation and amortization amounted to NOK 284.6 million in 2023, compared to NOK 218.7 million in 2022. For the parent company operating expenses amounted to NOK 272.7 million in 2023 compared to NOK 206.6 million in 2022. The expenses are mainly cost of sales, salaries and other operating expenses.
The Group had an operating loss of NOK 102.5 million in 2023, compared with a loss of NOK 128.6 million in 2022. Correspondingly, the parent company had an operating loss of NOK 86.4 million compared to NOK 112.6 million in 2022. Net financial result was NOK -4.2 million in 2023, compared with NOK -8.8 million in 2022. Net financial result for the parent company was NOK -6.6 million and -6.8 million in 2023 and 2022, respectively.

The Group had a loss before tax of NOK 106.7 million in 2023, compared to a loss of NOK 137.4 million the year before. For the parent company the loss before tax was NOK 93.0 million in 2023, compared to NOK 119.4 million in 2022.
The group had a tax expense of NOK 0.0 million in both 2023 and 2022. The Group has not recognized any deferred tax assets. Net loss for the year was NOK 106.7 million, compared with a net loss of 137.4 million in 2022. The parent company had a net loss of NOK 93.0 million in 2023,

compared to NOK 119.4 million in 2022.

Financial position

As of 31 December 2023, Hofseth BioCare had a total consolidated balance sheet of NOK 390.1 million, down from NOK 411.0 million at the end of 2022. The parent company had a balance sheet total of NOK 396.7 million compared to NOK 402.6 million in 2022.

Equity amounted to NOK 41.1 million at the end of 2023, which corresponds to an equity ratio of 10.5 %. At the end of 2022, the group had a total equity of NOK 148.0 million and an equity ratio of 36.0 %. The parent company had equity of NOK 74.6 million at the end of 2023, compared to NOK 167.8 million the year before. The equity ratio was correspondingly 18.8 % in 2023 and 41.7 % at the end of 2022 in the parent company. The equity ratio was significantly improved 4 days after the balance sheet date following the investment made by Hofseth International.

As of 31 December 2023, the group had cash and cash equivalents of NOK 23.9 million, compared to NOK 32.4 million at the end of 2022. The parent company had NOK 22.7 million in cash and cash equivalents at the end of 2023, compared to NOK 31.3 million in 2022. NOK 28.4 million of its credit facility was drawn up as of year-end.

At the end of 2023, the group had NOK 0.3 million in long-term interest-bearing debt and NOK 28.9 million in short-term interest-bearing debt following the draw-down on a credit facility, compared to NOK 0.8 million and NOK 0.5 million at the same time the year before, respectively. The parent company had NOK 0 million and NOK 28.4 million in long-term and short-term interest-bearing debt in 2023, respectively. At the end of 2022, the long-term interest-bearing debt was NOK 0.0 million and NOK 0.0 million short-term.

The group has interest-bearing lease obligations of NOK 96.8 million for long-term lease obligations and NOK 10.8 million in short-term lease obligations at the end of the year, compared to NOK 90.0 million and NOK 12.9 million at the end of 2022. The parent company has interest-bearing lease obligations of NOK 80.2million and NOK 9.0 million in short-term lease obligations at the end of 2023, compared to NOK 72.5 million and NOK 10.1 million at the end of 2022. Other current liabilities at year end 2023 were NOK 157 million, including payables to Hofseth International of NOK 144 million which were converted to shares after the balance sheet date.

Cash flows

The group's cash flow from operating activities amounted to NOK 2.8 million in 2023, compared to NOK -45.2 million the year before. The parent company had a positive cash flow of NOK 15.3 million compared to negative NOK 45.2 million the year before.

Net cash flow from investing activities amounted to NOK -15.0 million, compared to NOK -17.8 million in 2022 for the group. In the parent company, cash flow from investing activities was NOK -15.0 million in 2023 compared to NOK -17.3 million in 2022.

Net cash flow from financing activities amounted to NOK 3.7 million in 2023, compared to NOK 45.5 million the year before. Corresponding figures in the parent company were NOK -8.9 million in 2023 and NOK 45.4 million in 2022. The company completed a share issue in 2022, but did not issue any shares in 2023.

Going concern

In accordance with the accounting act § 3-3a we confirm that the condition for continued operations is present and that the annual report have been prepared based on the going concern assumption.

The company has a credit facility of 67 million, whereas 38.6 million is available as of the end of the year. Additionally, the board has been authorized by the general meeting held on 28 April 2023 to issue up to 79,016,200 new shares. These authorizations are intended to be utilized in case the parent company requires additional equity and liquidity.

As of 31 December 2023, the parent company was in breach with its loan agreement covenants, but the breach was repaired on 4 January 2024 following the General meeting resolution whereby accounts payables of 144 million were converted into new Class B shares in HBC. As of the date of this report, the Company is not in breach with any covenants or loan conditions. Refer to note 16 for more details on the group's and the parent company's interest-bearing debt conditions, as well as note 18 for information on liquidity risk and maturity structure of the group's liabilities.

The operations of the Group are subject to uncertainty with respect to its ability to sell products at favourable margins and maintain adequate cash reserves. While the Company has recently achieved higher margins and improved cash flow, the Board of Directors remains vigilant about reviewing the Company's equity and cash balance. If additional resources are needed to ensure continuity of operations and support planned activities aimed at generating positive cash flow and profitability, the Board will consider appropriate measures such as obtaining loans or equity. The current outlook indicates a positive trend, and the Board will take necessary steps to sustain this momentum. If the group and the parent company do not achieve planned market measures adequately, new loan facilities or share issues will be established in 2024. Due to the factors described above, there is uncertainty for the Company to continue as a going concern over the next 12 months.

Assuming a going concern, the group's and the parent company's assets and values are currently present. However, the value of some of the group's and the parent company's assets may be lower than their carrying amounts in a potential forced sale related to liquidation. This uncertainty is primarily related to the value of intangible assets, fixed assets, financial assets, and investments, as well as the value of inventories.

Allocation of earnings

Net loss for the parent company Hofseth BioCare ASA is NOK -93.0 million in 2023. The board proposes the following allocation of the loss:

Uncovered loss	- 93.0 million
Totalt	- 93.0 million

Risk and risk management

Risk management

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

All these risk factors may have a negative impact on the Group's business, financial condition, results and ability to execute projects. Some of the main risk factors facing the Group are briefly described below. We also refer to note 18 «Financial Risk Management» in the financial statements.

Operational risk

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

A competent workforce is an important factor in the work of ensuring continuity in production. Hofseth BioCare's employees have extensive experience and competence in the company's machinery and technology. New employees undergo training and education to gain the necessary expertise.

The group's production processes are mainly located in the Midsund plant and downtime at this plant can have a significant impact on the company's revenues.

Market risk

Hofseth BioCare reduces its market risk through diversifying its geographical and market presence, as well as different market segments. Our distributors are present in more than 60 countries and know their respective local markets, enabling them to identify the factors that are important to ensure that Hofseth BioCare can sell products to end customers in different parts of the world. Consequently, in addition to selling in broad geographic areas such as Europe, North America and Asia, the company offers its products to various segments of the human nutrition market (sports nutrition, supplements, and health food), as well as to nutrition markets for the pet and feed industry. This diversification strategy allows Hofseth BioCare to reduce its dependence on one market segment and geographical area.

Foreign exchange risk

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

Interest rate risk (own financing, deposits)

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

Credit risk

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

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

Financial and liquidity risk

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

Hofseth BioCare had cash and cash equivalents totalling NOK 23.9 million at the end of 2023, compared with NOK

32.4 million at the same time the year before. Cash and cash equivalents largely consist of cash and bank deposits. In addition, the company has a credit facility of NOK 67 million.

Risk insurance

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

Organization

Hofseth BioCare AS was founded in 2009, with the conversion to a publicly listed company (ASA) in 2011. At the end of 2023, Hofseth BioCare Group had a total of 69 employees.

Working environment

The group's working environment is considered good. The Board emphasizes great importance and priority to reduce absenteeism and preventing injuries. One work-related accident occurred during the year that resulted in absence. Long-term absence in 2023 was 2.32%, compared to 2.65 % in 2022, short-term absence was 1.55 %, compared to 1.63 % in 2022.

Total absence was 3.87 % in 2023. Risk analysis is the basis for measures to be taken to prevent damage or other adverse events to occur. This is a key element in Hofseth BioCare's work with HSE. Understanding risk is essential to prevent dangerous situations. This will be handled continuously and HSE training is considered good. Risk analysis work is being followed up continuously. If HSE non-conformities occur, measures will be put in place to prevent such non-conformities from happening again. Further training on preventive measures, food safety procedures and emergency drills were initiated during 2023.

Hofseth BioCare has a partnership with Medi3 who takes care of occupational health in the Group. All employees will also in 2024 undergo a medical examination. For HBC Berkåk AS an occupational health agreement has been established with Falck. This is a requirement for all companies that belong to our industry group ref. Section 13 of the Regulations for organization, leadership, and participation.

Injury and illness absence	Berkåk 2023	Midsund 2023	Adm. 2023	Group 2023
Total absence (%)	2.94	5.09	1.24	3.87
Total working hours (all)	14 831	69 935	27 182	111 948
-specification:				
Short term absence (%)	1.43	1.85	0.83	1.55
Long term absence (%)	1.51	3.23	0.41	2.32
Number of injuries	0	1	0	1
Number of work-related accidents	0	3	0	3

Equality

Hofseth BioCare aims to practice equality and avoid discrimination in all aspects of our HR and recruitment policies. Hofseth BioCare actively works consciously to equally promote recruitment of female and male managers and employees. At the end of 2023, 17 of 69 employees in Hofseth BioCare were female, 2 of 5 members of the management team were female, and on the Board of Directors, 3 of 6 members were female.

Environment

Hofseth BioCare is working to reduce its environmental impact in several areas. The main environmental impact is related to the plant in Midsund. The emissions are mostly associated with the production process which incur some emissions to air and sea, although we aim to always satisfy the restrictions for such emission. Hofseth BioCare is also working on minimizing its total energy consumption.

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

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

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

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

Corporate social responsibility

See separate ESG report prepared about the strategy to take an active responsibility around our business. This is published on the company`s webpage at the date of publication of the Annual report.

Transparancy act

The company will publish a seperate report on the company`s webpage before 30.06.2024.

Shareholders

At the end of the year the company had 1,475 shareholders. For further details about the shareholders, see note 24 to Hofseth BioCare ASA's financial statements. The company has no provisions restricting the right to sell the Company's shares.

Related parties

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

Corporate governance

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

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

Outlook

Hofseth BioCare enters into 2024 with a commitment to further build upon the sustainable business model that is in our mission statement so that we can accomplish our vision which is to improve lives through marine nutrition. Our strong confidence is based on our accomplishments and strategic goals that we reached in 2023 and our belief in our offering. Throughout 2023, HBC demonstrated strong sustainable growth, achieved significant market expansion, and remained true on our pursuit of advancing health and wellness through innovative research and building good business practices. As we look ahead to 2024 and beyond, several key strategic priorities will guide our efforts.

HBC will continue to prioritize market expansion, leveraging its diverse portfolio of traceable marine ingredients and finished products. With a focus on high-value human and pet markets, we hope to penetrate new territories, segments, and client relationships. This will be supported by targeted international promotions and strategic e-commerce initiatives, continued partnership work with DKSH and IMCD, aligning with our overarching goal of sustainable growth and global reach.

The cornerstone of HBC's success lies in its unwavering commitment to R&D. Collaborating with esteemed institutions and research partners, such as Stanford, we will advance our understanding of the therapeutic potential of our products across various health domains. Clinical trials and ongoing studies will provide valuable insights, paving the way for novel therapies and new health claims on top of what we already have built. By remaining at the forefront of healthcare innovation, HBC aims to drive positive impact and improve patient outcomes worldwide.

With a strengthened financial position following the investment made by Hofseth International in preference shares, HBC is poised for sustainable growth and financial stability in 2024. HBC targets a further 50 % growth in sales following new sales initatives and employees as well as higher capacity utilization through new raw material access. This may enable us to deliver a positive EBITDA. Our commitment to prudent financial management and long-term value creation for our stakeholders remains. Reference is made to going concern section.

Innovation remains a key driver of differentiation and market leadership for HBC. We will continue to invest in product development, with a focus on addressing evolving consumer needs and environmental considerations. From recyclable packaging solutions to new formulations targeting prevalent health conditions for humans and pets, our dedication to product excellence and sustainability will remain unwavering.

We recognize the importance of global partnerships and collaborative initiatives in driving forward our mission. By fostering alliances with leading research institutions, universities, and healthcare professionals, we aim to continue healthcare innovation and knowledge exchange. In addition to the spin-out of patents to HBCI during 2023, and potential new spin-offs in the future, collaborative efforts will focus on addressing critical health challenges and advancing healthcare solutions with a global impact. New medical lead spin-out candidates will come to leverage on external funding and expertise to create more value for our shareholders.

HBC remains committed to further growth, based on a business model highly focused on sustainability and circular economy. With a dedicated team, a diverse portfolio of products, and a clear strategic vision, we are well-positioned to achieve new heights of success and make a meaningful impact in the global healthcare landscape. We are here to transform fresh marine products into high value nutrition, founded on real sustainability.

Hofseth BioCare ASA Board of Directors,
Ålesund, 18 April 2024

Roger Hofseth
Chair of the board

Torill Standal Eliassen
Board member

Crawford Currie
Board member

Christoph Baldegger
Board member

Amy Novogratz
Board member

Jon Olav Ødegård
CEO

Financial statements

Consolidated and parent company

CHAPTER 3

Content

Statement of comprehensive income

1 January – 31 December
Hofseth BioCare ASA

		Consolidated (IFRS)		Parent company (IFRS)	
(Amounts in NOK 1000)	**Note**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Operating revenues and expenses					
Sales revenues	3, 6	190 815	119 128	190 720	118 815
Gain on sale of assets	3, 6	23 637	0	23 637	0
Other income	3	4 059	1 320	4 061	1 144
Total operating revenue		218 511	120 448	218 418	119 959
Cost of sales	2, 4, 6	150 686	91 934	149 196	90 785
Salaries and other payroll expenses	5	58 275	57 043	51 659	47 206
Other operating expenses	4, 6, 14	75 665	69 677	71 821	68 617
Depreciation and Write-downs	10, 11, 12	36 413	30 412	32 188	25 965
Operating profit/loss (EBIT)		**-102 529**	**-128 618**	**-86 445**	**-112 614**
Profit/loss(-) from associated company	22	2 541	-204	0	0
Financial income	7	6 597	4 568	7 933	4 768
Financial expenses	6, 7, 12, 22	13 293	13 136	14 484	11 522
Net financial expenses	15, 18	**-4 155**	**-8 772**	**-6 551**	**-6 754**
Loss before taxes		-106 684	-137 390	-92 996	-119 367
Tax expense	8	0	0	0	0
Net loss for the period	2	**-106 684**	**-137 390**	**-92 996**	**-119 367**
Other comprensive income and costs		0	0	0	0
Total comprehensive income		-106 684	-137 390	-92 996	-119 367
Comprehensive income attributable to:					
Shareholders in HBC ASA		-106 683	-137 389		
Non-controlling interest		-1	-1		
Total		-106 684	-137 390		
Earnings per share (NOK)		**2023**	**2022**	**2023**	**2022**
Basic earnings per share	9	-0.27	-0.37	-0.24	-0.32
Diluted earnings per share	9	-0.27	-0.37	-0.24	-0.32

Statement of financial position

1 January – 31 December
Hofseth BioCare ASA

		Consolidated (IFRS)		Parent company (IFRS)	
(Amounts in NOK 1000)	**Note**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
ASSETS					
Non-current assets					
R&D, patents etc.	2, 10	55 284	60 588	55 284	60 588
Total intangible assets		**55 284**	**60 588**	**55 284**	**60 588**
Machinery and equipment	11	52 775	57 836	48 135	51 697
Right of use assets	12	109 638	108 366	90 762	87 266
Fixtures and fittings	11	3 290	2 592	3 290	2 579
Total fixed assets	2	**165 703**	**168 794**	**142 187**	**141 542**
Investment in subsidiary	7, 22	0	0	11 231	11 231
Investment in affiliated company	22	37 691	5 559	33 033	6 517
Non-current financial assets	15	439	340	439	340
Total non-current financial assets		**38 130**	**5 900**	**44 703**	**18 089**
Total non-current assets		**259 116**	**235 282**	**242 174**	**220 219**
Current assets					
Inventory	2, 6, 19	82 542	116 525	81 439	115 983
Trade receivables	2, 6, 20	14 849	14 072	14 094	13 803
Other current receivables	5, 20	9 721	12 724	36 259	21 301
Cash and cash equivalents	21	23 890	32 427	22 751	31 335
Total current assets	14, 15	**131 003**	**175 748**	**154 543**	**182 423**
Total assets	2, 25	**390 119**	**411 030**	**396 716**	**402 642**

		Consolidated (IFRS)		Parent company (IFRS)	
(Amounts in NOK 1000)	Note	31.12.2023	31.12.2022	31.12.2023	31.12.2022
EQUITY AND LIABILITIES					
Equity					
Paid in equity					
Share capital	5, 24	3 951	3 951	3 951	3 951
Share premium		37 876	144 765	70 661	163 872
Other paid in equity		0	0	0	0
Total paid in equity		**41 827**	**148 716**	**74 612**	**167 823**
Retained earnings					
Other paid in equity		0	0	0	0
Total retained earnings (+) Uncovered loss (-) (attributable to equity holders of the parent)		0	0	0	0
Non-controlling interests	22	-687	-686	0	0
Total equity	2, 6	**41 140**	**148 030**	**74 612**	**167 823**
Non-current liabilities					
Interest-bearing loans and borrowings	6, 13	271	812	0	0
Lease liabilities	6, 12, 13	96 831	89 960	80 248	72 492
Total non-current liabilities	16, 17, 18	**97 102**	**90 772**	**80 248**	**72 492**
Current liabilities					
Interest-bearing loans and borrowings	6, 16, 13	28 893	540	28 353	0
Lease liabilities	6, 12, 13	10 794	12 855	8 950	10 055
Trade payables	6, 23	55 161	145 752	49 037	140 551
Other liabilities	23	157 029	13 081	155 518	11 720
Total current liabilities	16, 17, 18	**251 877**	**172 228**	**241 857**	**162 327**
Total liabilities	14, 16, 18	**348 979**	**263 000**	**322 104**	**234 819**
TOTAL EQUITY AND LIABILITIES	2, 25	**390 119**	**411 030**	**396 716**	**402 642**

Hofseth BioCare ASA Board of Directors,
Ålesund, 18 April 2024

Roger Hofseth
Chair of the board

Tofill Standal Eliassen
Board member

Crawford Currie
Board member

Christoph Baldegger
Board member

Amy Novogratz
Board member

Jon Olav Ødegård
CEO

Statement of cash flows

1 January – 31 December

		Consolidated (IFRS)		Parent company (IFRS)	
(Amounts in NOK 1000)	**Note**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Cash flow from operating activities					
Loss before tax		-106 684	-137 390	-92 996	-119 367
Paid tax	8	0	0	0	0
Gain on sale of assets	22	-23 488	0	-23 488	0
Depreciation and impairment	2, 10, 11, 12	36 413	30 412	32 188	25 965
Result from associated company	22	2 541	-204	0	0
Change in inventory	19	33 983	-25 712	34 544	-25 739
Change in trade receivables	20	-777	-3 983	-291	-3 833
Change in trade payables	23	-90 591	70 355	-91 514	67 844
Change in other accruals		141 870	11 400	149 260	1 653
Items classified as financing activities		9 493	9 954	7 626	8 359
Net cash flows from operating activities		**2 761**	**-45 168**	**15 328**	**-45 118**
Cash flow from investing activities					
Aquisition of tangible fixed assets	11	-8 194	-4 020	-8 187	-3 534
Gain on sale of fixed assets		685	0	685	0
Investment in associated company		-1 615	0	-1 615	0
Investment in intangible assets	10	-5 868	-13 758	-5 868	-13 758
Net cash flow from investing activities		**-14 992**	**-17 778**	**-14 985**	**-17 292**
Cash flow from financing activities					
Proceeds from issue of shares		0	70 777	0	70 777
Transaction costs on issue of shares		-215	-326	-215	-326
Payment of interest	6, 7, 12, 13	-9 493	-9 954	-7 626	-8 359
Proceeds from new borrowings	6, 16, 13	28 353	0	28 353	0
Repayment of borrowings	6, 16, 13	-541	-2 420	0	-1 879
Payment of lease liabilities	6, 12, 16, 13	-13 639	-12 625	-11 230	-9 850
Payment borrowings from subsidiary	23	-771	0	-18 210	-4 976
Net cash flow from financing activities	17 18	**3 694**	**45 452**	**-8 928**	**45 386**
Cash and cash equivalents at 1 January		32 427	49 921	31 335	48 359
Net change in cash and cash equivalents		-8 537	-17 494	-8 585	-17 024
Cash and cash equivalents at 31 December	21	**23 890**	**32 427**	**22 751**	**31 335**

Statement of changes in equity

1 January – 31 December

Consolidated (IFRS)

(Amounts in NOK 1000)	Note	Share capital	Share premium	Other paid in capital	Uncovered loss	Non-controlling interests	Total equity
As of 1 January 2022		**3 578**	**137 485**	**0**	**0**	**-685**	**140 378**
Share based payment program	5	0	0	2 773	0	0	2 773
Issue shares 07.07-01.08.2022		373	141 605	0	0	0	141 978
Share issue cost		0	-326	0	0	0	-326
Other changes		0	617	0	0	0	617
Net loss for the period		0	-134 616	-2 773	0	-1	-137 390
Other income and costs		0	0	0	0	0	0
Total comprehensive income		0	-134 616	-2 773	0	-1	-137 390
As of 31 December 2022	2, 5, 24	**3 951**	**144 765**	**0**	**0**	**-686**	**148 030**
As of 1 January 2023		**3 951**	**144 765**	**0**	**0**	**-686**	**148 030**
Share based payment program	5	0	0	0	0	0	0
Share issue cost		0	-215	0	0	0	-215
Other chages		0	9	0	0	0	9
Net loss for the period		0	-106 682	0	0	-1	-106 684
Other income and costs		0	0	0	0	0	0
Total comprehensive income		0	-106 682	0	0	-1	-106 684
As of 31 December 2023	2, 5, 24	**3 951**	**37 876**	**0**	**0**	**-687**	**41 140**

Parent company (IFRS)

(Amounts in NOK 1000)	Note	Share capital	Share premium	Other paid in equity	Uncovered loss	Total equity
As of 1 January 2022	2, 5, 24	**3 578**	**139 187**	**0**	**0**	**142 765**
Share based payment program	5	0	0	2 773	0	2 773
Issue shares 07.07-01.08.2022		373	141 605	0	0	141 978
Share issue cost		0	-326	0	0	-326
Net loss for the period		0	-116 594	-2 773	0	-119 367
Other income and costs		0	0	0	0	0
Total comprehensive income		0	-116 594	-2 773	0	-119 367
As of 31 December 2022	2, 5, 24	**3 951**	**163 872**	**0**	**0**	**167 823**
As of 1 January 2023	2, 5, 24	**3 951**	**163 872**	**0**	**0**	**167 823**
Share based payment program	5	0	0	0	0	0
Share issue cost		0	-215	0	0	-215
Net loss for the period		0	-92 996	0	0	-92 996
Other income and costs		0	0	0	0	0
Total comprehensive income		0	-92 996	0	0	-92 996
As of 31 December 2023	2, 5, 24	**3 951**	**70 661**	**0**	**0**	**74 612**

Note 1: Accounting policies

General information

Hofseth BioCare ASA ia a public limited liability company domiciled in Ålesund, Norway. The company`s headquarter is in Keiser Wilhelmsgate 24 in Ålesund, with one manufacturing facility in the municipality of Molde and one manufacturing facility in the municipality of Rennebu. The annual financial statements were approved for issuance by the board of directors 18 April 2024.

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

The company's consolidated financial statements for 2023 consist of the parent company and the subsidiaries HBC Berkåk AS, HBC Therapeutics AS, HBC Switzerland GmbH, Hofseth Biocare UK Limited. Hofseth Biocare Americas Holdings Inc. and Hofseth BioCare Rørvik AS (the Group).

Basis of preparation

The consolidated financial statements and the parent company financial statements of Hofseth BioCare ASA have been prepared in accordance with IFRS® Accounting Standards and related interpretations as issued by the International Accounting Standards Board (IASB) and as adopted by the EU as of 31 December 2023, as well as the additional disclosure requirements following from the Norwegian accounting act as of 31 December 2023.

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

Basis for consolidation

(i) Subsidiaries

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

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

(ii) Associated companies

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

(iii) Elimination of transactions in the consolidation

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

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

Functional currency and presentation currency

The Group's presentation currency is NOK, which is also the functional currency of all Norwegian companies in the Group. The Companies abrouad uses local currency as their functional currency, this has immaterial value. All amounts are presented in NOK 1 000 unless specifically noted.

Use of estimates when preparing the annual financial statements

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

Foreign currency

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

Revenue recognition policies

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

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

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

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

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

Trade receivables

A receivable represents the Group's right to payment of an amount which is unconditional (i.e. the agreed credit time before payment of the consideration falls due). See accounting principles for financial assets' initial recognition and subsequent measurement. Payment terms in the group's customer contracts vary from 0 days to 90 days.

Segments

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

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

Government grants

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

Employee benefits

Defined contribution pension plan

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

AFP pension plan

The group is affiliated with the AFP scheme, which is a collective pension scheme for the collectively agreed sector in Norway.

Accounting-wise, the scheme is considered a defined benefit multi-employer scheme. However, the group is unable to identify its share of the scheme's underlying financial position and performance with sufficient reliability. Therefore, the scheme is accounted for as a defined contribution scheme. As a result, obligations from the AFP scheme are not recognized on the balance sheet. Premiums to the scheme are expensed as they accrue.

Share based payment arrangements for consultant

The parent company has entered into a share-based payment arrangement with a hired consultant. The arrangement is an option plan with settlement in shares of the company.
The method of recognition varies depending on whether the consultant is determined to be an employee or not. The consultant is determined to be an employee when the agreement

for servies relates to an individual delivering personal services, and that the individual (consultant) either:

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

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

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

Financial income and financial expenses

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

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

Income taxes

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

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

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

Intangible assets

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

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

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

Patents and licences

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

Development activities

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

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

Recognised costs include cost of material, consultant fees and direct salary costs. Other development costs are recognized in the income statement as incurred. Previously expensed development costs are not subsequently capitalized.

Recognised development costs are depreciated on a straight-line basis over the assets / products estimated useful lives.

Fixed assets

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

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

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

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

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

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

Investment in subsidiaries and associated companies

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

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

Leases

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

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

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

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

Lease liabilities

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

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

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

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

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

Right of use assets

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

Cost for the right of use assets comprise:

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

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

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

Impairment of non-financial assets

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

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

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

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

Financial assets

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

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

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

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

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

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

Impairment of financial assets

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

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

Further information on any impairment of financial assets is provided in notes 20, 21 and 22.

Inventory

Inventories are measured at the lower of cost and net realisable value. Net realisable value has been estimated as selling price in the ordinary course of business less the estimated costs of completion and the estimated costs for marketing and distribution. Cost is allocated using the FIFO-method and includes expenditures incurred in purchasing the goods, raw material, costs to bring the goods and the raw material to their current condition and location. Owned goods are valued at manufacturing cost and include raw material costs, as well as other variable and fixed production costs that can be allocated based on normal capacity utilization. See note 2 and 19 for more information.

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are initially recognized as financial liabilities at fair value through profit or loss.

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

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

Derivatives

The Group uses financial forward exchange contracts (derivatives) to hedge the Group's currency risk. The forward exchange contracts are recognized in the balance sheet at fair value at the time the contract is entered into with the credit institutions, and subsequently the portfolio of forward exchange contracts is adjusted continuously at fair value through profit or loss. The forward exchange contracts are capitalized as financial assets when fair value is positive and as financial liabilities when fair value is negative. See notes 7, 15 and 18.

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

Provisions

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

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

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

Contingent liabilities and contingent assets

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

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

Going concern

In accordance with the accounting act § 3-3a we confirm that

the condition for continued operations is present and that the annual report have been prepared based on the going concern assumption.
The company has a credit facility of 67 million, whereas 38.6 million is available as of the end of the year. Additionally, the board has been authorized by the general meeting held on 28 April 2023 to issue up to 79,016,200 new shares. These authorizations are intended to be utilized in case the parent company requires additional equity and liquidity.

As of 31 December 2023, the parent company was in breach with its loan agreement covenants, but the breach was repaired on 4 January 2024 following the General meeting resolution whereby accounts payables of 144 million were converted into new Class B shares in HBC. As of the date of this report, the Company is not in breach with any covenants or loan conditions. The loan with covenant is classified as short term both when the company are in breach or not. Refer to note 16 for more details on the group's and the parent company's interest-bearing debt conditions, as well as note 18 for information on liquidity risk and maturity structure of the group's liabilities.

The operations of the Group are subject to uncertainty with respect to its ability to sell products at favourable margins and maintain adequate cash reserves. While the Company has recently achieved higher margins and improved cash flow, the Board of Directors remains vigilant about reviewing the Company's equity and cash balance. If additional resources are needed to ensure continuity of operations and support planned activities aimed at generating positive cash flow and profitability, the Board will consider appropriate measures such as obtaining loans or equity. The current outlook indicates a positive trend, and the Board will take necessary steps to sustain this momentum. If the group and the parent company do not achieve planned market measures adequately, new loan facilities or share issues will be established in 2024. Due to the factors described above, there is uncertainty for the Company to continue as a going concern over the next 12 months.

Assuming a going concern, the group's and the parent company's assets and values are currently present. However, the value of some of the group's and the parent company's assets may be lower than their carrying amounts in a potential forced sale related to liquidation. This uncertainty is primarily related to the value of intangible assets, fixed assets, financial assets, and investments, as well as the value of inventories.

Financial implications of climate change

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

While changes associated with a transition to a lower-carbon economy present risk, HBC also create significant opportunities in the nature of our business model. Turning waste streams into high-end human and pet nutrition is important for the environment and out teams at the facilities are focused on climate change mitigation and adaptation of new technology solutions.
Circular economy initiatives which HBC is a part of, and the strive to reduce greenhouse gases is high on the agenda with the Board and management of HBC and the Group has invested significant amounts in both machinery and knowledge since we joined the Global Reporting Initiative (GRI) in 2019.

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

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

As previously mentioned, these risks are also great opportunities for HBC. However, risks and opportunities HBC as an organization face today related to climate change, are difficult to estimate, and mitigate or explore. HBC has a work group among the management team, led by the head of Sustainability, that analyse climate risks and utilize the opportunities that arise from climate change. As of the end of 2023, the financial implications of climate change are very limited. As of today, there are few requirements for sustainability in the finished product, no distinctly strict emission rules at the factories, no external influence (e.g. sea level rise). The management expect increased focus on impairment testing as the Group grow and increase its asset base in the future.

Subsequent events

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

New accounting standards

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how measurement techniques and inputs to develop accounting estimates.

The amendment had no impact on the Group`s consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materially Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entites provide accounting policy disclosures that are more useful by replacing the requirements for entities to disclosure their "significant" accounting poilicies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materially in making decisions about accounting policy disclosures.

The amendments have had an impact on the Groupg`s disclosure of accounting policies, but not in the measurement, recognition or presentation of any items in the Group`s financial statements.

Note 2: Accounting estimates and management judgement and assumptions

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

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

- Allocation of production costs in manufactruring cost of finished product cost
- Transactions with related parties
- Recognition of intangible assets
- Inventory - obsolescence

Allocation of production costs in manufactruring cost of finished product cost

Four types of finished products are produced from a common production process based on the same input factors. The value of the individual finished product is based on the allocation of production costs determined based on the finished product's relative share of production yield multiplied by the expected sales value. The same model has been used for allocating production costs over several years. The determination of expected sales value as a basis for allocating production costs has significant discretionary assessments and has a significant effect on the calculation of the cost of production of the various finished product products. The group and the parent company are still in a start-up and development phase, but management's judgment has based on agreed prices in historical sales transactions and expected sales value at the reporting date. See notes 4, 6 and 19.

Transactions with related parties

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

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

Hofseth BioCare ASA has a 5 years agreement starting 01.01.2022, and gives the company the exclusive right to buy all the by-products from the production of Hofseth Sales AS. Judgment has been applied when setting conditions for the purchase of raw materials. See notes 4 and 6.

Hofseth BioCare ASA has sold finished goods to related parties in 2022 and 2023. Prices are determined on the basis of current and historical transactions with independent parties in 2022 and 2023. Discretion has been used in determining conditions for the sale of finished goods, see notes 3 and 6.

Leases of production equipment, leases of factory facilities at Midsund and Berkåk, as well as agreements for long-term and subordinated loans. When agreeing financial terms in leases, agreements for long-term loans in 2019 and 2020 a subordinated loan in 2019, historical terms with third parties, achieved by the group and the parent company, have been referred to. Judgement has been applied when setting the financial terms. See notes 6, 12, 13, 16 and 18.

Recognition of intangible assets

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

Inventories

Goods in stock are valued at the lower of cost and net realisable value. It is used judgment in relation to quality and durability. The Group uses a model in which provision is made for obsolescence gradually if goods in stock approach the expiration of the shelf life. It is set aside TNOK 39,646 for obsolescence, see note 19.

Note 3: Segment information

The processing plants of the parent company are situated in Norway, where the production is adjusted to meet the standard for human consumption. The Group operates solely in the production of four main products, namely salmon oil (OmeGo®), soluble protein (ProGo®), Calcium (CalGo®), and non-water-soluble protein (PetGo™), all of which are produced in the Midsund plant. For the production of salmon oil, the raw material is sourced fresh, and a closed feeding system is employed to maintain high quality with low oxidation levels. The oil is stored in nitrogen-filled tanks to preserve its quality after the manufacturing process. The unique production process involves the release of oil from the raw material using enzymes, resulting in fresh salmon oil with a long shelf life.
The Group also produces hydrolyzed salmon protein, which is quickly absorbed by the body and has good solubility in water. The manufacturing process has been optimized for increased capacity and quality in earlier years and smaller improvements are made on a continuous basis. The Midsund factory expansion, completed in 2021, has replaced the drying process previously carried out at Berkåk.
In 2018, the Group installed a fully automated process line to produce calcium powder, resulting in increased yield and improved quality and reliability in 2019-2022. The process involves the separation of bone fraction, which is then dried and milled to pure calcium powder.
The non-soluble protein, known as the PHP fraction, is separated and dried to produce high-quality fishmeal.
Although all four products are produced in the same process and from the same raw material supply, the revenue is split by product for informational purposes. The management monitors the cost of sales as total cost of sales but split in this way. The Production Manager manages production by tracking the raw material input and finished goods output of the four product types to calculate the margin by product.

REVENUE PER PRODUCT	**Group**		**Parent**	
(Amounts in NOK 1000)	**2023**	**2022**	**2023**	**2022**
By product				
Salmon Oil (OmeGo®)	129 469	77 759	129 730	77 759
Soluble Protein Hydrolysate (ProGo®)	23 901	12 598	23 901	12 598
Calcium (CalGo®)	2 603	2 914	2 603	2 914
Non-soluble Protein (PetGo™)	33 254	25 480	33 254	25 480
Other income	2 387	1 697	2 033	1 208
Sum revenue	191 614	120 448	191 521	119 959
Gain on sale of asset	23 637	0	23 637	0
Insurance claim settlement*	3 260	0	3 260	0
Total revenues	**218 511**	**120 448**	**218 418**	**119 959**
By region				
Norway	9 096	6 991	8 742	6 502
UK	19 890	14 537	20 151	14 537
France	40 342	13 117	40 342	13 117
Belgium	26 493	31 026	26 493	31 026
Europe excl. No, UK, FR, BE	25 048	21 312	25 048	21 312
Japan	18 331	11 294	18 331	11 294
Asia excl. JP	5 775	1 040	5 775	1 040
USA	46 639	21 131	46 639	21 131
Total revenues	**191 614**	**120 448**	**191 521**	**119 959**

* the group recieved TNOK 3 260 in 2023 for calcium and non-soluble protein damaged in 2023.

In 2023 goods totaling TNOK 106,768 were sold to three customers, each of which accounted for more than 10 % of total turnover. The sales to each of these customers are TNOK 40,342, TNOK 39,933, and TNOK 26,493, respectively. In 2022, goods totaling TNOK 59,196 were sold to three customers, each of which accounted for more than 10 % of total turnover. The sales to each of these customers are TNOK 28,329, TNOK 17,750 and TNOK 13,117. The company has no contractual assets or liabilities as of 31 December 2023.

Note 4: Cost of sales and other operating expenses

COST OF SALES	Group		Parent	
(Amounts in NOK 1000)	2023	2022	2023	2022
Raw material	58 356	55 704	59 011	55 662
Freight	33 066	26 252	32 590	26 252
Purchased services	24 044	26 953	22 374	25 846
Obsolescence cost	20 501	8 537	20 501	8 537
Change in inventory	14 721	-25 512	14 721	-25 512
Total cost of sales	**150 686**	**91 934**	**149 196**	**90 785**

OTHER OPERATING EXPENSES	Group		Parent	
(Amounts in NOK 1000)	2023	2022	2023	2022
Leases of equipment	2 342	1 707	2 179	1 611
Leases of warehouses and factories	2 151	2 239	2 164	2 094
Travelling cost	3 310	2 651	3 226	2 510
Internal consultant fees	9 481	6 442	9 481	6 442
Consultant fees and tax advisory	2 341	2 110	2 094	1 956
Lawyers	2 651	1 263	2 651	1 263
Consulting	7 520	8 057	7 315	10 486
Advertising	13 486	15 042	12 306	15 040
R&D and patents	11 012	13 635	10 998	13 630
Repair and maintenance	14 311	10 555	12 749	9 007
Other operating expenses	7 889	7 855	7 488	6 419
Public grants	-830	-1 879	-830	-1 840
Total	**75 665**	**69 677**	**71 821**	**68 617**

The Group recieved public grants of TNOK 2,255 (TNOK 4,324 in 2022), split by TNOK 830 in other operating expenses and TNOK 1,674 in salaries. Corresponding numbers was TNOK 2,255 (TNOK 4,132 in 2022) for parent company, split by TNOK 580 in other operating expenses and TNOK 1,674 in salaries. See note 5.

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

SALARIES	Group		Parent	
(Amounts in NOK 1000)	**2023**	**2022**	**2023**	**2022**
Salaries	47 773	44 346	42 235	35 346
Social security costs	6 096	5 369	5 685	4 972
Pension costs	3 924	5 387	3 513	5 024
Share based payments and bonus costs consultant	0	2 346	0	2 346
Other employee benefits	2 157	2 039	1 901	1 808
Public grants	-1 674	-2 445	-1 674	-2 292
Total employee benefit expenses	**58 275**	**57 043**	**51 659**	**47 205**
Average number of FTE`s	65	62	57	53

REMUNERATION TO EXECUTIVE MANAGEMENT TEAM

(Amounts in NOK 1000) - Group	2023	2022
Management team		
Salaries	9 172	7 152
Bonus	1 229	0
Benefits in kind	81	191
Pension costs	230	173
Share based payments	0	2 346
Other employee benefits	5 924*	4 778*
Total remuneration	**16 635**	**14 640**

* Includes remuneration of TNOK 5 924 for managing R&D (TNOK 4 138 in 2022). Remuneration for R&D is split in other operating expenses and capitalized development costs in 2023 and 2022

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

Defined contribution pension scheme

The parent company and the group have a statutory obligation to comply with the law on mandatory occupational pensions and have a pension scheme that satisfies the requirements of this Act. Contributions have been expensed in the Group by TNOK 3,420 in 2023 (TNOK 2,787 in 2022), in the parent company TNOK 3,009 (TNOK 2,424 in 2022). The parent company and the group had cost for AFP of TNOK 504 in 2023 (TNOK 2,620 in 2022). The cost in 2022 had provisions for the year 2017-2021 of TNOK 2,131, and TNOK 489 for 2022.

Options

The fair value of Jon Olav Ødegård's options have been calculated at the time of grant, 30 August 2022, and expensed over the vesting period up until 1 November 2022. The fair value of the program has been estimated to TNOK 1,170 in 2022. Fair value of the options has been estimated using the Black-Scholes option pricing model. The options exerciable up until 31 October 2025. Other inputs used in the model are:

-Spot price: NOK 3.39 per option

-Strike price: NOK 3.63 per option

-Volatility: 48.0%

-Dividend: 0.0%

-Risk-free rate: 3.58%

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

A total of TNOK 0 (TNOK 1,176 in 2022) was expensed in connection with the option program in 2023. No share options were exercised in 2022 and 2023, and per 31.12.23 all options under this agreement has expired.

As partial payment for work performed for the company, Tenet Brandlogic Corp. was granted options in the company. The options are expensed over the vesting period in 2021(TNOK 1,462). Total expensed in 2023 is TNOK 0 (TNOK 0 in 2022). The options under this agreement is exerciable per year end, and there is TNOK 172 options outstanding per 31.12.2023.

OPTIONS				
(Amounts in NOK 1000) GROUP	2023 number	2023 WAEP	2022 number	2022 WAEP
Outstandig 01.01.	1 172	3.10	5 523	0.01
Exerciable 01.01	1 172	3.10	172	0.01
Granted during the year	0	0	1 000	3.63
Forfeited during the year	0	0	0	-
Exercised during the year	0	0	0	-
Expired during the year	0	0	5 351	0.01
Outstandig 31.12.	1 172	3.10	1 172	3.10
Exerciable 31.12.	1 172	3.10	1 172	3.10

AUDITOR'S FEES	Group		Parent	
(Amounts in NOK 1000)	2023	2022	2023	2022
Audit fees	1 804	1 621	1 632	1 537
Other confirmations	0	45	0	45
Tax advice	0	0	0	0
Other services	0	0	0	0
Total	**1 804**	**1 666**	**1 632**	**1 582**

VAT is not included in the amounts above.

Note 6: Related party transactions

The Group's related parties include shareholders, board members and the senior management and their related parties. RH Industri AS, Hofseth Property AS, Hofseth International AS, Hofseth Logistics AS, Hofseth AS, Hofseth Sales AS, Hofseth Aalesund AS, Hofseth North America, Hofseth Asia, Hofseth Processing AS, Ålesund Kipervikgate 13 AS and Hofseth Aqua AS are considered to be related parties to Hofseth BioCare ASA. In these companies, CEO (up until 29.07.2022), board member and shareholder in Hofseth Biocare ASA, Roger Hofseth, has significant influence through ownership interests, leading positions and board memberships. Further is shareholder Yokorei CO. Ltd. considered a related party.

All related party transactions have been made in the ordinary course of the business at the arms length principle. The main transactions made in 2022 and 2023:

- Purchase of raw materials from Hofseth Sales AS. See further details in the agreement below.
- 15 of the company's (18 in the group) lease agreement for production equipment that are active in 2023 have been entered into with Hofseth AS, Hofseth International AS and RH Industri AS and subleased to Hofseth BioCare ASA with a mark-up of 5-10 % on monthly instalments.
- Other minor administration costs are invoiced from Hofseth International AS.
- RH Industri AS had provided a subordinated loan to the group with an outstanding amount of TNOK 22,432 as of 31 December 2021. The loan expired 30 September 2024 and carries an interest rate of Nibor + 4.5 %, but the full amount was converted to shares in he share issue in July 2022.
- Hofseth North America has purchased goods worth TNOK 39,933 in 2023 (TNOK 17,750 in 2022).
- Yokorei Co. Ltd. has purchased goods worth TNOK 47 in 2023 (TNOK 247 in 2022).
- The Group rents factory buildings at Midsund and Berkåk from Hofseth Property AS at a cost of TNOK 12,070 in 2023 (TNOK 12,071 in 2022). The agreement is signed for 15 years, until 2032.

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

BALANCE SHEET ITEMS	Group		Parent	
(Amounts in NOK 1000)	2023	2022	2023	2022
Right of use assets	106 574	108 938	88 829	88 176
Trade receivables	3 458	2 354	3 458	2 243
Loan from shareholders	-144 000	0	-144 000	0
Other receivables	0	0	27 787	9 577
Leasing liabilities	-99 050	-101 661	-80 734	-81 929
Trade payables	-41 828	-125 842	-37 485	-122 979
Total	**-174 846**	**-116 210**	**-142 145**	**-104 913**

PROFIT AND LOSS ITEMS	Group		Parent	
(Amounts in NOK 1000)	2023	2022	2023	2022
Sales revenue	41 391	18 881	41 391	18 881
Total revenue	**41 391**	**18 881**	**41 391**	**18 881**
Cost of sales	55 651	51 381	55 651	51 381
Other operating expenses	8 675	5 353	5 817	5 271
Financial expenses	8 507	7 960	6 618	6 562
Total costs	**72 833**	**64 694**	**68 086**	**63 214**

Raw Material agreement

The company has a 5-year agreement with Hofseth Sales AS on exclusive rights to all by-products from Hofseth Sales`s suppliers starting 01.01.2022. Hofseth Sales AS is a 100 % subsidiary of RH Investments AS, which is closely related to Roger Hofseth.

The statement of profit and loss and the balance sheet include the following transactions between parent companies, subsidiaries and associated companies:

BALANCE SHEET ITEMS	Parent		PROFIT AND LOSS ITEMS	Parent	
(Amounts in NOK 1000)	2023	2022		2023	2022
Loan from parent to			**Sold services and goods**		
HBC Berkåk AS	24 283	9 477		0	40
HBC Therapeutics AS	0	25		0	0
Hofseth Biocare Rørvik AS	0	75		0	0
Hofseth Biocare UK Limited	2 733	0		2 647	0
HBC Immunology Inc.	771	0		0	0
Trade receivables from parent			**Bought services**		
HBC Berkåk AS	0	0		220	996
Hofseth Biocare UK Limited	0	0		607	0
HBC Switzerland GmbH	-156	0		378	3 447
Total	**27 787**	**9 577**		**2 867**	**1 036**

Note 7: Financial income and expenses

FINANCIAL INCOME	Group		Parent	
(Amounts in NOK 1000)	**2023**	**2022**	**2023**	**2022**
Interest income	550	651	1 890	855
Foreign exchange gains	6 047	3 917	6 043	3 913
Total	**6 597**	**4 568**	**7 933**	**4 768**

FINANCIAL EXPENSES	Group		Parent	
(Amounts in NOK 1000)	**2023**	**2022**	**2023**	**2022**
Interest expenses	7 543	9 954	5 506	8 359
Impairment of shares in associated company	0	0	3 074	0
Impairment of financial assets	0	0	162	0
Foreign exchange losses	5 750	3 182	5 742	3 163
Total	**13 293**	**13 136**	**14 484**	**11 522**

Note 8: Income taxes

INCOME TAXES	Group		Parent	
(Amounts in NOK 1000)	2023	2022	2023	2022
Income tax expense				
Prior year taxes	0	0	0	0
Tax expense	0	0	0	0
Calculation of taxable income				
Loss before tax	-106 684	-137 390	-92 996	-119 367
Permanent differences	1 230	-1 937	1 230	-1 937
Change in temporary differences	32 555	22 581	21 840	10 505
Taxable result	-72 899	-116 745	-69 926	-110 799
Temporary differences				
Fixed assets	6 839	19 546	711	2 703
Loss carry forward	-1 107 683	-1 034 784	-1 041 082	-971 157
Other temporary differences	-40 372	-20 524	-40 372	-20 524
Total	-1 141 216	-1 035 763	-1 080 743	-988 978
Calculated deferred tax asset 22 %	251 068	227 868	237 763	217 575

Deferred tax assets are not recognised in the balance sheet.

RECONCILITATION OF TAX EXPENSE	Konsern		Morselskap	
(Amounts in NOK 1000)	2023	2022	2023	2022
Loss before tax	-106 684	-137 390	-92 996	-119 367
Tax 22%	-23 470	-30 226	-20 459	-26 261
Permanent differences	271	-426	271	-426
Defered tax assest, not recognized	23 200	30 652	20 189	26 687
Total tax expense	0	0	0	0

Note 9: Earnings per share

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

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

EARNINGS PER SHARE	Group		Parent	
(Amounts in NOK 1000)	2023	2022	2023	2022
Profit attributable to share holders	**-106 684**	**-139 390**	**-92 996**	**-119 367**
Weighted average number of shares outstanding	395 081	374 737	395 081	374 737
Earnings per share				
-ordinary	-0.27	-0.37	-0.24	-0.32
-diluted	-0.27	-0.37	-0.24	-0.32

Note 10: Intangible asset

2022			Group and Parent		
(Amounts in NOK 1000)	**R&D**	**IT-systems**	**Patents**	**Other**	**Sum**
Cost at 01.01.2022	66 341	4 425	4 914	2 627	78 307
Additions	0	2 355	0	0	2 355
Internally developed	11 237	0	0	0	11 237
Cost at 31.12.2022	77 579	6 780	4 914	2 627	91 899
Depreciation at 01.01.2022	18 169	759	3 622	2 627	25 178
Depreciation charge of the year	5 282	531	132	0	5 945
Impairment	0	188	0	0	188
Impairment and depreciation at 31.12.2022	23 451	1 478	3 754	2 627	31 311
Net book value at 31.12.2022	54 128	5 302	1 159	0	60 588
Economic life	10 years	5-10 years	10 years	5-10 years	5-10 years
Method of depreciaton	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation

2023			Group and Parent		
(Amounts in NOK 1000)	**R&D**	**IT-systems**	**Patents**	**Other**	**Sum**
Cost at 01.01.2023	77 579	6 780	4 914	2 627	91 899
Additions	0	325	0	0	325
Internally developed	5 543*	0	0	0	5 543
Disposal	4 486**	0	0	0	4 486
Cost at 31.12.2023	78 635	7 105	4 914	2 627	93 281
Depreciation at 01.01.2023	23 451	1 478	3 754	2 627	31 311
Depreciation charge of the year	5 333	1 208	145	0	6 686
Impairment	0	0	0	0	0
Impairment and depreciation at 31.12.2023	28 784	2 686	3 899	2 627	37 996
Net book value at 31.12.2023	49 851	4 418	1 014	0	55 284
Economic life	10 years	5-10 years	10 years	5-10 years	5-10 years
Method of depreciaton	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation

* Some development projects is under development.

**Project sold to HBCI, see note 23 for more information.

Throughout 2023, HBC R&D has focused on developing, improving, and refining their products and processes. Through extensive research, positive health effects have been uncovered in the ingredients, making development a critical aspect that sets HBC's products apart from others. Core activities such as research, development, and documentation are integral to HBC's R&D work. Additionally, ongoing investments were made in 2023 towards documenting and testing the trademarked products including ProGo®, CollaGo®, OmeGo®, and CalGo®. This work is vital to demonstrate the efficacy and unique properties of the products for marketing and sales.

Research and development

R&D is crucial for the production of the company's products, which involves advanced equipment with downtime needed during the testing and production of new, efficient solutions to enhance profits and reduce costs. The aim to increase the processing volume of raw materials necessitates the optimization of all production stages.

In 2023, HBC continued to enhance their knowledge through studies and analyzing the ingredients' fractions that provide the desired biological effect. The laboratory and factory spent more time studying and testing these effects, resulting in some health effects being recognized by international health authorities.

The company's operations and products must meet environmental and health requirements, regulations, agreements, and conventions. Meeting these standards required extensive development activities. The company has ongoing R&D efforts to develop more efficient production methods and improve the products' human use.

The R&D process consists of five steps, which are to further develop the enzymatic hydrolysis of salmon off-cuts to produce products with unique health effects, optimize the handling of raw materials and finished products in the value chain, develop technology to produce higher quality product fractions of protein, calcium, and oil, identify, research, and document bioactivity in the products, and document biosafety, bioavailability, and biological effects through "in-vitro" and "in-vivo" studies.

Total research and development costs for 2023 were TNOK 20,917 (2022 TNOK 28,521). Of this, TNOK 5,543 has been capitalized in 2023 (2022: TNOK 11,237).

The following were the most significant development projects with related capitalized development expenditures:

The R&D process is divided into tree steps:

1. OmeGo® as a natural anti-allergic treatment, that, decrease inflammation in the body. Our efforts at developing a pharmaceutical lead program around eosinophilic inflammation control is on-going. Our lead analog, MA-022, has shown a clinically significant and enhanced level of eosinophil control in in-vitro and in vivo. Initial development will focus on eosinophilic esophagitis (EoE), 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 commenced in 2023. There are no licensed oral options for EoE and exclusion diets and topical steroids have limited impact on symptoms. The capitalized development costs for 2023 were TNOK 2,541.
2. HBC's OmeGo whole salmon oil's underlying drivers of immune health, respiratory & overall health. 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 lung, cardiovascular and overall health. The capitalized development costs for 2023 were TNOK 3,002.
3. The Clinical Trial Unit (CTU) in Ålesund has performed several clinical trials whitch are still ongoing. This includes studies for Asthma, Osteopenia(early bone thinning) and Osteoarthritis. The costs related to the CTU in 2022 have not been capitalized in 2022.

Trademarks

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

Note 11: Fixed assets

2022	Group			Parent		
(Amounts in NOK 1000)	**Machinery and equipment**	**Fixtures and fittings**	**Total**	**Machinery and equipment**	**Fixtures and fittings**	**Total**
Cost at 01.01.2022	186 084	13 432	199 516	176 356	11 282	187 639
Additions	2 631	2 149	4 780	1 746	2 149	3 895
Cost at 31.12.2022	188 715	15 581	204 296	178 102	13 431	191 534
Depreciations at 01.01.2022	124 916	9 110	134 027	119 972	9 027	129 000
Depreciations for the year	7 692	2 149	9 841	6 109	2 149	8 258
Depreciations at 31.12.2022	132 608	11 259	143 868	126 081	11 176	137 258
Book value 31.12.2022	**56 107**	**4 322**	**60 428**	**52 021**	**2 255**	**54 276**
Economic life	5-10 years	3-10 years		5-10 years	3-10 years	
Method of depreciation	Straigt line depreciation	Straigt line depreciation		Straigt line depreciation	Straigt line depreciation	

2023	Group			Parent		
(Amounts in NOK 1000)	**Machinery and equipment**	**Fixtures and fittings**	**Total**	**Machinery and equipment**	**Fixtures and fittings**	**Total**
Cost at 01.01.2023	188 715	15 581	204 296	178 102	13 431	191 534
Additions	8 194	0	8 194	8 187	0	8 187
Cost at 31.12.2023	196 909	15 581	212 490	186 289	13 431	199 720
Depreciations at 01.01.2023	132 608	11 259	143 868	126 081	11 176	137 258
Depreciations for the year	11 608	949	12 557	10 101	936	11 038
Depreciations at 31.12.2023	144 216	12 209	156 425	136 183	12 113	148 295
Book value 31.12.2023	**52 693**	**3 372**	**56 065**	**50 107**	**1 318**	**51 425**
Economic life	5-10 years	3-10 years		5-10 years	3-10 years	
Method of depreciation	Straigt line depreciation	Straigt line depreciation		Straigt line depreciation	Straigt line depreciation	

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

Note 12: Leases

The company and the group as lessee

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

2022	Group				Parent			
(Amounts in NOK 1000)	**Manu-facturing facilities**	**Machinery and equipment**	**Fixtures and fittings**	**Total**	**Land, manu-facturing facilities**	**Machinery and equipment**	**Fixtures and fittings**	**Total**
Cost 01.01.2022	100 594	55 949	2 118	158 661	77 054	50 438	1 585	129 077
Additions	0	2 464	0	2 464	0	2 254	0	2 254
Disposals	0	0	0	0	0	0	0	0
Costs at 31.12.2022	100 594	58 416	2 118	161 125	77 054	52 692	1 585	131 331
Depreciations 01.01.2022	16 990	20 799	532	38 321	12 366	19 416	478	32 303
Depreciations for the year	8 682	5 711	45	14 438	6 799	4 918	45	11 762
Disposals	0	0	0	0	0	0	0	0
Depreciations per 31.12.2022	25 672	26 510	577	52 759	19 165	24 377	523	44 065
Carrying amounts 31.12.2022	**74 922**	**31 903**	**1 541**	**108 366**	**57 889**	**28 315**	**1 062**	**87 266**
Shortest of lease term or economic life	15 years	5 years	3-5 years		15 years	5 years	3-5 years	
Depreciation method	Straigt line	Straigt line	Straigt line		Straigt line	Straigt line	Straigt line	

2023	Group				Parent			
(Amounts in NOK 1000)	**Manu-facturing facilities**	**Machinery and equipment**	**Fixtures and fittings**	**Total**	**Land, manu-facturing facilities**	**Machinery and equipment**	**Fixtures and fittings**	**Total**
Cost 01.01.2023	100 594	58 413	2 118	161 125	77 054	52 692	1 585	131 331
Additions	7 608	10 834	0	18 442	7 608	10 352	0	17 960
Disposals	0	0	0	0	0	0	0	0
Costs at 31.12.2023	108 202	69 247	2 118	179 567	84 662	63 044	1 585	149 291
Depreciations 01.01.2023	25 672	26 510	577	52 759	19 165	24 377	523	44 065
Depreciations for the year	9 267	7 858	45	17 170	7 413	7 006	45	14 464
Disposals	0	0	0	0	0	0	0	0
Depreciations per 31.12.2023	34 939	34 368	622	69 929	26 578	31 383	568	58 529
Carrying amounts 31.12.2023	**73 263**	**34 879**	**1 496**	**109 638**	**58 084**	**31 661**	**1 017**	**90 762**
Shortest of lease term or economic life	15 years	5 years	3-5 years		15 years	5 years	3-5 years	
Depreciation method	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation		Straigt line depreciation	Straigt line depreciation	Straigt line depreciation	

Lease liabilities:

	Group		Parent	
(Amounts in NOK 1000)	**2023**	**2022**	**2023**	**2022**
Undiscounted lease liabilities and due dates for payments				
Less than 1 year	15 423	19 496	11 890	14 653
2-5 years	56 527	54 272	50 315	45 237
More than 5 years	23 583	49 479	19 098	39 576
Total undiscounted lease liabilities 31.12	**95 534**	**123 247**	**81 303**	**99 465**
Changes in lease liabilities				
Total lease liabilities 1.1	102 815	112 977	82 547	90 144
New/changed lease liabilities recognized in the period	18 442	2 464	17 960	2 254
Payment of principal amounts	-13 632	-12 625	-11 310	-9 850
Payment of interest amounts	-8 775	-8 592	-7 000	-7 053
Interest related to the lease liabilities	8 775	8 592	7 000	7 053
Total lease liabilities 31.12	**107 625**	**102 815**	**89 197**	**82 547**
Current lease liabilities 31.12 (note 16)	10 794	12 855	8 950	10 055
Non-current lease liabilities 31.12 (note 16)	96 831	89 960	80 248	72 492
Cash outflows for lease liabilities	-22 414	-19 496	-18 230	-14 653
Total cash outflows for leases	-23 480	-22 924	-20 381	-16 892

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

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

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

Leases of fixtures and fittings in the table above contain no extension or purchase options. The group's potential future lease payments which have not been included in the lease liabilities relating to purchase options were TNOK 0 as of 31 December 2023.

Applied practical expedients

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

Lease payments for the abovementioned leases amounted to TNOK 1,066 (TNOK 1,707 in 2022) for fixture and fittings for the Group and TNOK 2,151 (TNOK 2,239 in 2022) for storage, and for the parent company TNOK 903 (TNOK 1,611 in 2022) for fixture and fittings TNOK 2,164(TNOK 2,094 i 2022) for storage (see note 4). Cash flow from these lease obligations is approximately equal to the amount expensed and is included in net cash flow from operating activities.

Note 13: Changes in liabilities from financial activities

GROUP

(Amounts in NOK 1000)	1.1.2022	Downpayment	Withdrawals	New leases	Adjustments	31.12.2022
Short-term interestbearing liabilities (excl. posts below)	3 425	-3 425	0	0	540	540
Short-term leasing liabilities	12 099	0	0	0	756	12 855
Long-term interest-bearing debt (excl. posts below)	1 352	-540	0	0	0	812
Long-term leasing liabilities	100 878	-12 625	0	2 464	-757	89 960
Subordinary loan	22 433	-1 879	0	0	-20 554	0
Total	140 187	-18 469	0	2 464	26 836	104 167

PARENT

(Amounts in NOK 1000)	1.1.2022	Downpayment	Withdrawals	New leases	Adjustments	31.12.2022
Short-term interest-bearing liabilities(excl. posts below)	1 879	-1 879	0	0	0	0
Short term leasing liabilities	9 801	0	0	0	254	10 055
Long-term interest-bearing debt (excl. posts below)	0	0	0	0	0	0
Long-term leasing liabilities	80 343	-9 850	0	2 254	-255	72 492
Subordinary loan	22 433	-1 879	0	0	-20 554	0
Total	114 456	-13 608	0	2 464	-20 555	82 547

GROUP

(Amounts in NOK 1000)	1.1.2023	Downpayment	Withdrawals	New leases	Adjustments	31.12.2023
Short-term interestbearing liabilities (excl. posts below)	540	-540	28 353	0	540	28 893
Short-term leasing liabilities	12 855	-13 632	0	0	11 571	10 794
Long-term interest-bearing debt (excl. posts below)	812	0	0	0	-540	-272
Long-term leasing liabilities	89 960	0	0	18 442	-11 571	96 831
Total	104 167	-14 172	28 353	18 442	0	136 790

PARENT

(Amounts in NOK 1000)	1.1.2023	Downpayment	Withdrawals	New leases	Adjustments	31.12.2023
Short-term interest-bearing liabilities(excl. posts below)	0	0	28 353	0	0	28 353
Short-term leasing liabilities	10 055	-11 310	0	0	10 205	8 950
Long-term interest-bearing debt (excl. posts below)	0	0	0	0	0	0
Long-term leasing liabilities	72 492	0	0	17 960	-10 205	80 247
Total	82 547	-11 310	28 353	17 960	0	117 550

Note 14: Fair value measurement

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

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

LIABILITIES MEASURED AT FAIR VALUE, GROUP

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Liabilities in which fair value is stated in note 18:					
Interest-bearing loans					
Interest-bearing loans floating interest rate	31.12.22	1 352	0	0	1 352
Interest-bearing loans fixed interest rate	31.12.22	0	0	0	0

LIABILITIES MEASURED AT FAIR VALUE, PARENT COMPANY

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Liabilities in which fair value is stated in note 18:					
Interest-bearing loans					
Interest-bearing loans floating interest rate	31.12.22	0	0	0	0
Interest-bearing loans fixed interest rate	31.12.22	0	0	0	0
Interest-bearing loans floating interest rate from subsidiaries	31.12.22	0	0	0	0

LIABILITIES MEASURED AT FAIR VALUE, GROUP

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Liabilities of which the fair value has been provided in note 18:					
Interes-bearing loan					
Interest-bearing loan floating interest rates	31.12.23	811	0	0	811
Interest-bearing loan fixed interest rates	31.12.23	0	0	0	0

LIABILITIES MEASURED AT FAIR VALUE, PARENT COMPANY

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Liabilities of which the fair value has been provided in note 18:					
Interes-bearing loan					
Interest-bearing loan floating interest rates	31.12.23	0	0	0	0
Interest-bearing loan fixed interest rates	31.12.23	0	0	0	0
Interest-bearing loan from subsidiary floating interest rates	31.12.23	0	0	0	0

Note 15: Financial assets

FINANCIAL ASSETS	Group		Parent	
(Amounts in NOK 1000)	2023	2022	2023	2022
Amortized cost receivables:				
Accounts receivable	14 849	14 072	14 094	13 803
Other current receivable	771	0	27 787	9 577
Total financial assets	**15 620**	**14 072**	**41 881**	**23 380**
Total current financial assets	**15 620**	**14 072**	**41 881**	**23 380**
Total non-current financial assets	**0**	**0**	**0**	**0**

IFRS 9 requires the Group's to recognize a provision for expected credit losses for all debt instruments that are not held at fair value through profit or loss, and for contract assets. The company and the group have a high degree of collateral for credit insurance on all accounts receivables and collaterals on other receivables and loans and, hence, no significant provisions have been made in relation to these, see note 20.

Note 16: Interest-bearing debt and borrowings

NON-CURRENT DEBT			Group		Parent	
(Amounts in NOK 1000)	**Effective interest rate**	**Maturity**	**2023**	**2022**	**2023**	**2022**
Rennebu Municipality	NIBOR+2.0%	2025-	271	812	0	0
Lease liability	6% - 8%	2025-	96 831	89 960	80 248	72 492
Total			**97 102**	**90 772**	**80 248**	**72 492**

CURRENT DEBT			Group		Parent	
(Amounts in NOK 1000)	**Effective interest rate**	**Maturity**	**2023**	**2022**	**2023**	**2022**
Rennebu Municipality	NIBOR+2,0%	2024	540	540	0	0
Credit facility	6.6%	2024	28 353	0	28 353	0
Lease liability	6% - 8%	2024	10 794	12 855	8 950	10 055
Total			**39 687**	**13 395**	**37 303**	**10 055**
Sum interest-bearing debt			**136 789**	**104 167**	**117 550**	**82 548**

The parent company has a credit facility in bank with a credit limit of TNOK 67,000. As of 31 December 2023 the company have used TNOK 28,353 of this credit (TNOK 0 as of 31 December 2022)

In addition to the above, the parent company had a current interest-bearing liabilities towards the subsidiary HBC Berkåk AS amounting to TNOK 24,283 as of 31 December 2023 (TNOK 9,477 as of 31 December 2022). The interest rate had been agreed to NIBOR + 3 %.

Collaterals

Credit facility in parent company is secured in trade receivable and inventory.

(Amounts in NOK 1000)	2023	2022
Fixed assets	51 425	54 276
Trade receivable	14 094	13 803
Inventory	81 439	115 983
Total	**146 958**	**184 062**

The Group insures significant receivables against credit risk. The insurance is limited to a maximum of TNOK 13,600 and a coverage rate of 90 %.

Financial covenants

Credit facility Sparebank1 Nordmøre

As of 30 June and 31 December each year, the company will have a liquidity reserve of at least NOK 5 million in the form of cash and unused drawing rights in operating credit facility. The book value of equity in Hofseth BioCare ASA shall at all times amount to at least 25 % of the book value of the company's assets. The company had an equity ratio of 18.8 % and was thus in breach of covenants given in the loan agreement with Sparebank1 per 31 December 2023. the breach was fixed after the general meetning held 4th January 2024, where Hofseth International AS`s investment was approved.

Note 17: Financial assets and liabilities by category

	Group		Parent	
(Amounts in NOK 1000)	2023	2022	2023	2022
Financial assets at amortized cost:				
Long-term financial lending and deposit	0	0	0	0
Accounts receivable	14 849	14 072	14 094	13 803
Other financial loans (see note 15)	771	0	27 787	9 577
Total financial assets amortized cost	**15 620**	**14 072**	**41 881**	**23 380**
Total financial assets	**15 620**	**14 072**	**41 881**	**23 380**

Fair value is equal to carrying amount.

	Group		Parent	
Financial liabilities at amortized cost:				
Interest-bearing short-term debt	0	0	0	0
Accounts payable	55 161	145 752	49 037	140 551
Interest-bearing short-term debt subsidiaries	0	0	0	0
Other short-term debt (note 23)	157 029	13 081	155 518	11 720
Non-current interest-bearing debt	271	812	0	0
Non-current leasing obligations	96 831	89 960	80 248	72 492
Total financial liabilities amortized cost	**309 292**	**249 605**	**248 802**	**224 764**

LEVEL 3, PARENT	2023		2022	
(Amounts in NOK 1000)	Booked value	Fair value	Booked value	Fair value
Current interest-bearing liabilities	37 303	37 303	10 055	10 055
Non-current interest-bearing liabilities	80 248	80 248	72 492	72 492
LEVEL 3, GROUP				
Current interest-bearing liabilities	39 687	39 687	13 395	13 395
Non-current interest-bearing liabilities	97 102	97 102	90 772	90 772

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

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

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

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

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

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

Note 18: Financial risk management

Financial risk

Through its activities, the Group is exposed to various types of financial risks: market risk, credit risk and liquidity risk. Management monitors these risks continuously and establishes guidelines for their management. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the Group's financial results.

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

Interest rate risk

Since the company and the group have no significant interest-bearing assets, the exposure to interest rate risk is through their financing activities. The company's and the group's interest rate risk is related to non-current interest-bearing loans, current interest-bearing loans and lease liabilities. Loans with floating interest rates lead to interest rate risk for the company's and the Group's cash flow. See note 17 for the book value and fair value of the financing activities and note 16 for interest rate terms relating to interest-bearing financing obligations as of 31 december 2023.

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

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

Interest rate – sensitivity year	Effect on interest rate – basis-point	Effect on profit – before tax (Amounts in NOK 1000)
2022	+100	-1 042
	-100	1 042
2023	+100	-1 344
	-100	1 344

Average interest rates on financial instruments were as follows:

Average interest rate in %	2023	2022
Loan from shareholders	n/a	4.00
Credit line	7.99	n/a
Secured debt	6.73	6.64
Lease liabilities	5.45	5.30

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

Interest rate – sensitivity year	Effect on interest rate – basis-point	Effect on profit – before tax (Amounts in NOK 1000)
2022	+100	-1 036
	-100	1 036
2023	+100	-1 176
	-100	1 176

Foreign exchange risk

The parent company and the group had a foreign exchange loan in JPY (repaid in full in 2022) and a large part of their operating income in foreign currency and, to a lesser extent, the purchase of input factors in foreign currency, and are therefore exposed to currency risk. Management has monitored movements in the foreign exchange market and has assessed hedging strategies in 2023 based on the parent company's and the group's contractual and predictable income streams. The parent company and the group therefore entered into forward exchange contracts both in 2022 and in 2023 in order to secure the Group's budgeted future sales in foreign currency (Euro and USD), but have not used hedge accounting. The Group and the parent company had the following forwards per 31.12.2023:

Date	amount	Rate
15.02.24	EUR 300,000	11.912
25.04.24	EUR 300,000	11.922
13.06.24	EUR 300,000	11.926
22.08.24	EUR 300,000	11.928

The parent company and the group had no positions per 31 December 2022.

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

Change in currency	Change in NOK	Effect on profit before tax			Effect on balance		
(Amounts in NOK 1000)	to foreign currency	EUR	USD	GBP	USD	EUR	JPY
2022	+10%	6 864	3 174	1 452	n/a	n/a	n/a
	-10 %	-6 864	-3 174	-1 452	n/a	n/a	n/a
2023	+10%	9 722	6 414	1 941	n/a	1 355	n/a
	-10 %	-9 722	-6 414	-1 941	n/a	-1 355	n/a

Credit risk

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

The Group limits its exposure to credit risk through a credit rating of its customers before credit is given. The Group has credit insurance for all its significant accounts receivable through Coface Norway (see 20 for further information on credit exposure and maturity analyzes on accounts receivable).

The maximum risk exposure of trade receivables for the group as of 31 December 2023 is TNOK 14,849 (TNOK 14,072 as of 31 December 2022), and for parent company TNOK 14,094 (TNOK 13,803 as of 31 December 2022). The risk of loss on accounts receivable is considered low and there has been no need to provide for losses. See note 20 for further information.

Loan to subsidary of TNOK 27,787 (TNOK 9,577 in 2022), where credit risk is considered low. (see note 15, 17 and 20 for further information on financial loans and other current receivables).

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

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to liquidity management is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Cash flows are regularly monitored by the finance department to ensure that the parent company has sufficient cash to meet operational commitments, and at any time to maintain sufficient flexibility in the form of credit facilities so that it does not violate limits or covenants for any of the loans. The parent company and the Group aims to have sufficient cash, cash equivalents or credit opportunities in the medium term to cover interest and principal payments in the short term. Please also refer to note 1 section Going concern.

As of 31 December 2023 the group had MNOK 23,9 in cash, of which MNOK 3,0 were restricted cash as of 31 December 2023. As of 31 December 2022 the group had MNOK 32,4 in cash, of which MNOK 2,6 were restricted cash.

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

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

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

2022					Group					
(Amounts in NOK 1000)	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**2024**	**2025**	**2026**	**2027**	**> 5 years**	**Total**
Interest bearing debt to financial institutions	0	291	0	287	561	274	0	0	0	1 412
Loan and subordinated loan from shareholders	0	0	0	0	0	0	0	0	0	0
Lease libilities	4 659	4 593	4 464	4 429	16 089	13 867	12 540	11 777	49 479	121 895
Trade payables	145 752	0	0	0	0	0	0	0	0	145 752
Other current liabilities	8 692	4 389	0	0	0	0	0	0	0	13 081
Total	**159 103**	**9 273**	**4 464**	**4 715**	**16 650**	**14 141**	**12 540**	**11 777**	**49 479**	**282 140**

2023					Group					
(Amounts in NOK 1000)	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**2025**	**2026**	**2027**	**2028**	**> 5 years**	**Total**
Interest bearing debt to financial institutions	0	298	0	289	280	0	0	0	0	866
Credit line	28 353	0	0	0	0	0	0	0	0	28 353
Lease libilities	5 311	5 171	4 996	4 924	18 828	17 876	17 128	14 157	39 857	128 247
Trade payables	50 160	0	0	0	0	0	0	0	0	50 160
Other current liabilities	7 851	5 178	0	0	0	0	0	0	0	13 029
Total	**86 675**	**10 646**	**4 996**	**5 213**	**19 107**	**17 876**	**17 128**	**14 157**	**39 857**	**220 655**

2022					Parent					
(Amounts in NOK 1000)	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**2024**	**2025**	**2026**	**2027**	**> 5 years**	**Total**
Interest bearing debt to financial institutions	0	0	0	0	0	0	0	0	0	0
Loan and subordinated loan from shareholders	0	0	0	0	0	0	0	0	0	0
Lease libilities	3 740	3 680	3 629	3 605	13 263	11 576	10 541	9 856	39 576	99 465
Trade payables	140 551	0	0	0	0	0	0	0	0	140 551
Other current liabilities	7 817	3 903	0	0	0	0	0	0	0	11 720
Total	**152 108**	**7 538**	**3 629**	**3 605**	**13 263**	**11 576**	**10 541**	**9 856**	**39 576**	**251 737**

2023					Parent					
(Amounts in NOK 1000)	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**2025**	**2026**	**2027**	**2028**	**> 5 years**	**Total**
Interest bearing debt to financial institutions										
Credit line	28 353	0	0	0	0	0	0	0	0	28 353
Lease libilities	4 342	4 200	4 103	4 038	15 747	15 008	14 264	11 329	23 383	96 414
Trade payables	49 001	0	0	0	0	0	0	0	0	49 001
Other current liabilities	6 952	4 566	0	0	0	0	0	0	0	11 518
Total	**83 648**	**8 766**	**4 103**	**4 038**	**15 747**	**15 008**	**14 264**	**11 329**	**23 383**	**185 285**

The group and the parent company signed in December 2023 a increased credit facility for up until TNOK 67,000 with SpareBank 1 Nordmøre for working capital need related to future sales contracts. In addition to the available cash and cash equivalents as of 31 December 2023, this secures the group and the company sufficient liquidity for 2024. See note 16 on interest-bearing debt for further information.

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

Capital structure and equity

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

The parent company manages its capital structure and makes necessary changes to it on the basis of an ongoing assessment of the financial conditions under which the business is run, and the prospects seen in the short and medium term, including any adjustment of dividend shares, buyback of own shares, reduction of share capital or issuance of new shares. There has been no change in the policy in this area in 2023. The Group's equity ratio was 10.6 % as of 31 December 2023 and (36.0 % as of 31 December 2022). The parent company's equity ratio was 18.8 % as of 31 December 2023 (41.7 % as of 31 December 2022). The Group completed a convertion of debt to equity 4 January 2024, and strengthened the equity with TNOK 144,000.

Note 19: Inventory

INVENTORY	Group		Parent	
(Amounts in NOK 1000)	2023	2022	2023	2022
Salmon oil	10 645	4 803	10 645	4 803
Soulible protein	29 735	32 083	29 735	32 083
Calcium	15 499	48 268	15 499	48 268
Non-soluble protein and other	1 913	3 558	1 913	3 558
Consumer products	10 488	11 694	9 817	11 694
Total finished goods	**68 280**	**100 407**	**67 610**	**100 407**
Packaging and auxiliary materials	14 262	16 118	13 829	15 577
Total inventory	**82 542**	**116 525**	**81 439**	**115 983**

Provision for obsolescence of TNOK 39,646 as of 31 December 2023 compared to TNOK 19,145 as of 31 December 2022. Profit effect change in obsolescence provisions is included in cost of goods with TNOK 20,501 in 2023 (TNOK 8 537 in 2022). See notes 2, 3 and 4 for more information.

The Group has stored water-soluble protein and calcium. The contracted sales value amounts to TNOK 64,035 and has been recognized as revenue in 2017, 2018 and 2019, as and when the customers are taking over the risk and control of the goods. Of an incoming stock of 1,785 tonnes, 128 tonnes were taken out of stock during 2023 (49 tonnes in 2022, 589 tonnes in 2021, and 689 tonnes in 2020) It has not been sales through 2021,2022 and 2023 that have increased the stock.

Note 20: Trade receivables and other current receivables

TRADE RECEIVABLES	Group		Parent	
(Amounts in NOK 1000)	2023	2022	2023	2022
Trade receivables USA	3 458	1 087	3 458	1 087
Trade receivables France	4 170	3 845	4 170	3 845
Trade receivables other	7 220	9 140	6 466	8 871
Sum trade receivables	**14 849**	**14 072**	**14 094**	**13 803**
Trade receivables related parties	3 458	2 243	3 458	2 243
Provision for expected credit losses	0	0	0	0

Accounts receivable are not interest-bearing receivables and general terms and conditions for payment are from 7 to 120 days. All significant accounts receivables are credit secured by Coface Norway, limited to a maximum of MNOK 11.5 and with a coverage rate of 90 %. Historical credit losses for customers over the past five years are approximately TNOK 210.

AGING OF TRADE RECEIVABLES - Group

(Amounts in NOK 1000)	Total	Not due	<30d	30-60d	60-90d	>90d
2023						
Accounts receivables	14 849	13 287	692	345	32	492
Credit-secured share	10 260	8 746	692	316	31	475
Expected credit loss	0	0	0	0	0	0
2022						
Accounts receivables	14 072	10 449	2 657	196	35	734
Credit-secured share	11 453	7 850	2 842	170	27	564
Expected credit loss	0	0	0	0	0	0

AGING OF TRADE RECEIVABLES - PARENT

(Amounts in NOK 1000)	Total	Not due	<30d	30-60d	60-90d	>90d
2023						
Accounts receivables	14 094	12 532	692	345	32	492
Credit-secured share	10 260	8 746	692	316	31	475
Expected credit loss	0	0	0	0	0	0
2022						
Accounts receivables	13 803	10 181	2 657	196	35	734
Credit-secured share	11 453	7 850	2 842	170	27	564
Expected credit loss	0	0	0	0	0	0

The Group has established a model in which the Group calculates provisions for credit losses by multiplying the expected credit losses by the proportion of non-credit-secured accounts receivable. The Group uses an increasing factor for expected credit losses according to maturity analyzes above. When analyzing future information about the Group's customers and markets, no future challenges are listed today which indicate that there will be a significant credit loss in the future (see and note 18 on credit risk). The Group and the parent company have TNOK 0 in provisions for losses on accounts receivable both in 2023 and 2022.

OTHER CURRENT RECEIVABLES	Group		Parent	
(Amounts in NOK 1000)	2023	2022	2023	2022
Prepayments	2 551	1 505	2 585	1 209
VAT receivable	3 292	6 110	2 906	5 580
Intercompany Group	0	0	27 016	9 577
Benefit funds	2 255	4 383	2 255	4 209
Other	1 623	726	1 497	727
Total	**9 721**	**12 724**	**36 259**	**21 301**

Note 21: Cash and cash equivalents

Deposits with a credit institution totaled TNOK 23,890 as of 31 December 2023 and TNOK 32,427 as of 31 December 2022 and the Group earns interest income according to agreed floating interest rate terms.

At 31 December 2023, restricted funds for the Group amounted to TNOK 3,019 which derives from the employees' tax deductions. As of 31 December 2022, this amounted to TNOK 2,546.

Note 22: Equity investments

Subsidiaries	Country	Head office	Share capital	Ownership	Voting share	Earnings 2023	Equity 31.12.2023
HBC Berkåk AS	Norway	Rennebu	100	100%	100%	-17 492	-23 547
HBC Therapeutics AS	Norway	Ålesund	2 000	100%	100%	-22	-289
HBC Switzerland GmbH	Switzerland	Zürich	CFH20	100%	100%	38	79
Hofseth BioCare Rørvik AS	Norway	Rørvik	100	51%	51%	3	-1 418
Hofseth Biocare Americas Holdings Inc.	USA	Mendham, NJ	0	100%	100%	n/a	n/a
Hofseth Biocare UK Ltd.	UK	Brentford	0	100%	100%	-1 301	-1 301

Company	Country	Head office	Share capital	Ownership	Voting share
HBC Immunology Inc.	USA	Delaware	0	71%	50%
Atlantic Delights Ltd.	Hong Kong	Hong Kong	HKD 6 163	34%	34%

Atlantic Delights ltd

The parent company and the group acquired 34 % of Atlantic Delights Ltd., Hong Kong on 27 August 2020, through a share issue with a nominal value of TNOK 6,517 in the company. Estimated surplus value related to customer base amounts to TNOK 3,395 calculated at the time of acquisition and which is depreciated on a straight-line basis over 5 years. Profit share from the company in the ownership period is included after tax expense and amortization of surplus value.

HBC Immunology Inc.

During Q2 2023 HBC established HBCI. HBC transfered one patent, and a licence free non-exclusive right to apply data from another of HBC`s patent. Hofseth Biocare ASA's contribution in kind of intangible assets was accounted as a partial gain, since the ownership after the transaction was 75%. 25% gain on the transaction of TNOK 23,488 is classified as other income.

The Group has as at 31 December 2023 71% interest in HBCI, a joint venture that aims to develop a co-treatment for use in treatment of prostate cancer. Since HBC only votes for 50% of the shares, and one other party votes for the remaining 50%, the interest is accounted for under the equity method in the consolidated financial statements. During Q3 and Q4 the ownership percentage has been diluted from 75% to 71% ownership as a result of external capital increases in HBCI. The dilution effect is accounted for under share of profit and loss. Summarised financial information of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

INVESTMENT IN ASSOCIATED COMPANY ATLANTIC DELIGHTS LTD	Group		Parent	
(Amounts in NOK 1000)	2023	2022	2023	2022
Net asset 1.1.	5 559	5 764	6 517	6 517
Access	0	0	0	0
Amitization added value	-679	-679	0	0
Profit share after tax	-1 438	474	0	0
Impairment shares	0	0	-3 074	0
Net asset 31.12.	**3 443**	**5 559**	**3 443**	**6 517**

INVESTMENT IN ASSOCIATED COMPANY HBC IMMUNOLOGY INC.	Group		Parent	
(Amounts in NOK 1000)	2023	2022	2023	2022
Net asset 1.1.	0	n/a	0	n/a
Access	29 589	n/a	29 589	n/a
Dillution effect	5 789	n/a	0	n/a
Profit share after tax	-1 130	n/a	0	n/a
Net asset 31.12.	**34 247**	**n/a**	**29 589**	**n/a**

FINANCIAL INFORMATION IN ASSOCIATED COMPANY	Atlantic Delights Ltd.		HBC Immunology Inc.	
(Amounts in NOK 1000)	2023	2022	2023	2022
Current assets	3 358	9 886	8 801	n/a
Fixed assets	65	3 863	0	n/a
Current liabilities	1 468	-2	0	n/a
Non-current liabilities	9 595	-2 717	1 020	n/a
Operating revenue	1 700	2 668	0	n/a
Total earnings	-4 228	777	-1 602	n/a

Note 23: Accounts payable and other short-term liabilities

ACCOUNTS PAYABLE	Group		Parent	
(Amounts in NOK 1000)	2023	2022	2023	2022
Accounts payable	13 560	19 910	11 787	17 572
Accounts payable related companies	41 601	125 842	37 249	122 979
Total	**55 161**	**145 752**	**49 037**	**140 551**

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

OTHER SHORT-TERM LIABILITIES	Group		Parent	
(Amounts in NOK 1000)	2023	2022	2023	2022
Public duties payable	4 903	4 003	4 251	3 476
Accrued holiday pay	5 178	4 546	4 566	3 903
Other accrued costs	2 948	4 532	2 701	4 340
Short-term debt to related companies	144 000	0	144 000	0
Total	**157 029**	**13 081**	**155 518**	**11 720**

Note 24: Share capital, shareholders and dividends

As of 31 December 2023, Hofseth BioCare ASA had NOK 3,950,810 in share capital, divided into 395,081,030 shares, each with a nominal value of NOK 0.01. All shares are fully paid.

There is only one class of shares and all shares have equal voting rights and equal rights to dividends. The 20 largest shareholders of Hofseth BioCare ASA as of 31 December 2023 are:

Largest shareholders	# of shares	% share
SIX SIS AG	81 625 211	20.66
RH INDUSTRI AS	69 300 190	17.54
HOFSETH INTERNATIONAL AS	59 176 565	14.98
YOKOREI CO. LTD	40 951 333	10.37
GOLDMAN SACHS INTERNATIONAL	22 450 000	5.68
BRILLIANT INVEST AS	11 000 000	2.78
CREDIT SUISSE (SWITZERLAND) LTD.	9 566 920	2.42
GOLDMAN SACHS & CO. LLC	9 251 830	2.34
CITIBANK, N.A.	7 871 762	1.99
THE BANK OF NEW YORK MELLON SA/NV	5 060 227	1.28
JPMORGAN CHASE BANK, N.A., LONDON	4 823 941	1.22
UBS SWITZERLAND AG	3 937 425	1.00
BOMI FRAMROZE HOLDING AS	3 453 370	0.87
SAXO BANK A/S	3 354 431	0.85
LGT BANK AG	3 266 329	0.83
THE NORTHERN TRUST COMP, LONDON BR	2 433 865	0.62
VERDIPAPIRFONDET DNB SMB	2 372 594	0.60
ØDEGÅRD PROSJEKT AS	2 174 039	0.55
INTERACTIVE BROKERS LLC	1 905 107	0.48
CLEARSTREAM BANKING S.A.	1 890 896	0.48
In total, the 20 largest shareholders	**345 866 035**	**87.54**
Total others	49 214 995	12.46
Total number of shareholders	**395 081 030**	**100.00**

Total no. of shareholders: 1,475

Shares owned by CEO and the Board	2023	2022
Jon Olav Ødegård*	3 084 039	2 964 039
Roger Hofseth*	128 863 421	128 444 968
Christoph Baldegger	800 000	700 000
Kristin Fjellby Grung	0	0
Torill Standal Eliassen*	200 000	200 000
Crawford Currie*	750 000	750 000
Total	**156 147 460**	**154 449 007**

*Includes shares owned by related companies and persons.

Note 25: New accounting standards with future effective date

The standards and interpretations that have been adopted up to the time of presentation of the consolidated financial statements, but where the date of entry into force is forthcoming, are stated below. The Group's intention is to implement the relevant changes at the date of entry into force, provided that the EU approves the changes before the presentation of the consolidated financial statements.

Note 26: Subsequent events

On January 4th the General meeting approved the transaction converting NOK 144m short therm debt to preference B-shares. The equity ratio of HBC consequently imporoved.

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

We confirm that the financial statements for the period 1 January to 31 December 2023 to the best of our knowledge, have been prepared in accordance with IFRS® Accounting Standards as adopted by the EU / applicable accounting standards and that the financial statements give a true and fair view of the Group's assets, liabilities, financial position and results of operations, and that the annual report gives a fair view of the financial performance and position of the Group, together with a description of the main risks and uncertainties faced by the Group.

Hofseth BioCare ASA Board of Directors,
Ålesund, 18 April 2024

Roger Hofseth
Chair of the board

Torill Standal Eliassen
Board member

Crawford Currie
Board member

Christoph Baldegger
Board member

Amy Novogratz
Board member

Jon Olav Ødegård
CEO

Auditors report

CHAPTER 4

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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Hofseth Biocare ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hofseth Biocare ASA (the Company), which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company and the Group comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company and the Group as at 31 December 2023 and their financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

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

Basis for opinion

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

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

We have been the auditor of the Company for 10 years from the election by the general meeting of the shareholders on 22 July 2014 for the accounting year 2014.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements and the Board of Director's report, which describes that the Company and Group are dependent on increased production and sales with a higher average price, and or additional capital inflows through loans or equity in 2024 to continue as going concern. These events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2023. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit

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

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

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

Basis for the key audit matter
The Hofseth BioCare Group had inventory of TNOK 82 542 and the parent company had inventory of TNOK 81 439 per 31 December 2023. Four types of finished goods are produced from a common production process based on the same input factors. Allocation of production costs is calculated on the basis of the expected sales values of the individual finished products multiplied with the relative share of the production yield. As the allocation of production costs involve significant judgement, this was a key audit matter.

Our audit response
We evaluated the management`s sales values in the model, by comparing the sales values against representative prices achieved through sales in 2023. We tested the production yield in the model against reported numbers from factory, and production costs in the model against actual costs. We tested the model for allocation of production costs being mathematically correct. We refer to note 2, 3, 6 and 19.

Recognition of intangible assets

Basis for the key audit matter
The Group`s recognized intangible assets was TNOK 55 284 for group and for the parent company per 31 December 2023, where additions related to capitalized development costs in 2023 were TNOK 5 543 in group and in parent. Management exercises judgement in determining when the recognition criteria for the intangible assets is met. The group start to capitalize when there is an identifiable intangible asset or product, which is in the group`s control, and probable future economic benefits is expected. Management also exercises judgement in determining the cost of the product development to be capitalized. Based on the size of this year`s additions and the recognition of developed intangible assets is based on management`s judgment and assumptions, this was a key audit matter.

Our audit response
We assessed management`s principles and assumptions for recognition of development cost with criteria in IAS 38, especially the criteria for recognition and the transition from research to development. We evaluated this year's development projects against available information about the progress of the development of the product. We compared the management's assessments of the projects against the company's strategy and plans. Further on we tested a sample of all recognized development cost against underlying documentation and evaluated if the criteria for recognition was met. We refer to note 2 and 10.

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Other information

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

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

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

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

Report on other legal and regulatory requirements

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

Opinion

As part of the audit of the financial statements of Hofseth Biocare ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name hofsethbiocareasa-2023-12-31-en.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

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

Management's responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's responsibilities

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

As part of our work, we perform procedures to obtain an understanding of the company's processes for preparing the financial statements in accordance with the ESEF Regulation. We test whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Bergen, 18 April 2024
ERNST & YOUNG AS

Jørn Knutsen
State Authorised Public Accountant (Norway)

Hofseth BioCare ASA
Keiser Wilhelms gate 24, 6003 Aalesund, Norway