Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	994 464 663
Organisasjonsform:	Allmennaksjeselskap
Foretaksnavn:	HOFSETH BIOCARE ASA
Forretningsadresse:	Keiser Wilhelms gate 24 6003 ÅLESUND

Regnskapsår

Årsregnskapets periode:	01.01.2022 - 31.12.2022

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Leif Arne Giske
Dato for fastsettelse av årsregnskapet:	30.03.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 09.06.2024

Resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	3,6	118 815 000	76 689 000
Annen driftsinntekt	3	1 144 000	11 359 000
Sum inntekter		**119 959 000**	**88 048 000**
Kostnader			
Varekostnad	2,4,6	90 785 000	72 152 000
Lønnskostnad	5	47 206 000	37 796 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	10,11, 12	25 965 000	25 710 000
Annen driftskostnad	4,6,14	68 616 000	63 100 000
Sum kostnader		**232 572 000**	**198 758 000**
Driftsresultat		**-112 613 000**	**-110 710 000**
Finansinntekter og finanskostnader			
Annen renteinntekt	7	4 768 000	3 651 000
Sum finansinntekter		**4 768 000**	**3 651 000**
Annen rentekostnad	6,7,12	11 522 000	15 182 000
Sum finanskostnader		**11 522 000**	**15 182 000**
Netto finans		**-6 754 000**	**-11 531 000**
Ordinært resultat før skattekostnad		**-119 367 000**	**-122 241 000**
Skattekostnad på ordinært resultat	8	0	0
Ordinært resultat etter skattekostnad		**-119 367 000**	**-122 241 000**
Årsresultat		**-119 367 000**	**-122 241 000**
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-119 367 000	-122 241 000
Sum overføringer og disponeringer		**-119 367 000**	**-122 241 000**

Balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utvikling	2,10	60 588 000	52 867 000
Sum immaterielle eiendeler		**60 588 000**	**52 867 000**
Varige driftsmidler			
Maskiner og anlegg	11,12	138 963 000	153 158 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	11	2 579 000	2 255 000
Sum varige driftsmidler		**141 542 000**	**155 413 000**
Finansielle anleggsmidler			
Investering i datterselskap	7,22	11 231 000	11 231 000
Investeringer i tilknyttet selskap	22	6 517 000	6 517 000
Andre fordringer	15	340 000	1 012 000
Sum finansielle anleggsmidler		**18 088 000**	**18 760 000**
Sum anleggsmidler		**220 218 000**	**227 040 000**
Omløpsmidler			
Varer			
Varer	2,6,19	115 985 000	90 246 000
Sum varer		**115 985 000**	**90 246 000**
Fordringer			
Kundefordringer	2,6,20	13 803 000	9 970 000
Andre fordringer	5,20	21 301 000	18 449 000
Sum fordringer		**35 104 000**	**28 419 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	21	31 335 000	48 359 000
Sum bankinnskudd, kontanter og lignende		**31 335 000**	**48 359 000**
Sum omløpsmidler		**182 424 000**	**167 024 000**
SUM EIENDELER		**402 642 000**	**394 064 000**

Balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	5,24	3 951 000	3 578 000
Annen innskutt egenkapital		163 872 000	139 187 000
Sum innskutt egenkapital		**167 823 000**	**142 765 000**
Sum egenkapital		**167 823 000**	**142 765 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	6,12,13	72 492 000	80 343 000
Ansvarlig lånekapital	6,13	0	22 433 000
Sum annen langsiktig gjeld		**72 492 000**	**102 776 000**
Sum langsiktig gjeld		**72 492 000**	**102 776 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	6,12,13,16	10 055 000	16 656 000
Leverandørgjeld	6,23	140 551 000	121 476 000
Annen kortsiktig gjeld	23	11 721 000	10 391 000
Sum kortsiktig gjeld		**162 327 000**	**148 523 000**
Sum gjeld		**234 819 000**	**251 299 000**
SUM EGENKAPITAL OG GJELD		**402 642 000**	**394 064 000**

Konsernets resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	3,6	119 128 000	76 878 000
Annen driftsinntekt	3	1 320 000	10 738 000
Sum inntekter		**120 448 000**	**87 616 000**
Kostnader			
Varekostnad	2,4,6	91 934 000	64 517 000
Lønnskostnad	5	57 043 000	44 713 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	4,6,14	30 412 000	29 350 000
Annen driftskostnad	10,11, 12	69 677 000	67 600 000
Sum kostnader		**249 066 000**	**206 180 000**
Driftsresultat		**-128 618 000**	**-118 564 000**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap	22	-204 000	31 000
Annen renteinntekt	7	4 568 000	3 647 000
Sum finansinntekter		**4 364 000**	**3 678 000**
Annen rentekostnad	6,7,12	13 136 000	11 578 000
Sum finanskostnader		**13 136 000**	**11 578 000**
Netto finans		**-8 772 000**	**-7 900 000**
Ordinært resultat før skattekostnad		**-137 390 000**	**-126 464 000**
Skattekostnad på ordinært resultat	8	0	0
Ordinært resultat etter skattekostnad		**-137 390 000**	**-126 464 000**
Årsresultat		**-137 390 000**	**-126 464 000**
Minoritetsinteresser		-1 000	-1 000
Årsresultat etter minoritetsinteresser		**-137 389 000**	**-126 463 000**
Overføringer og disponeringer			

Konsernets resultatregnskap

Beløp i: NOK	Note	2022	2021
Overføringer til/fra annen egenkapital		137 389 000	126 463 000
Sum overføringer og disponeringer		**137 389 000**	**126 463 000**

Konsernets balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utvikling	2,10	60 588 000	53 055 000
Sum immaterielle eiendeler		**60 588 000**	**53 055 000**
Varige driftsmidler			
Maskiner og anlegg	11	166 202 000	183 550 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	11	2 592 000	2 281 000
Sum varige driftsmidler		**168 794 000**	**185 831 000**
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap	22	5 559 000	5 764 000
Andre fordringer	15	340 000	1 012 000
Sum finansielle anleggsmidler		**5 899 000**	**6 776 000**
Sum anleggsmidler		**235 281 000**	**245 662 000**
Omløpsmidler			
Varer			
Varer	2,6,19	116 525 000	90 813 000
Sum varer		**116 525 000**	**90 813 000**
Fordringer			
Kundefordringer	2,6,20	14 072 000	10 089 000
Andre fordringer	5,20	12 724 000	19 488 000
Sum fordringer		**26 796 000**	**29 577 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	21	32 428 000	49 921 000
Sum bankinnskudd, kontanter og lignende		**32 428 000**	**49 921 000**
Sum omløpsmidler		**175 749 000**	**170 311 000**
SUM EIENDELER		**411 030 000**	**415 973 000**

Konsernets balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	5,24	3 951 000	3 578 000
Annen innskutt egenkapital		144 765 000	137 485 000
Sum innskutt egenkapital		**148 716 000**	**141 063 000**
Minoritetsinteresser		-686 000	-685 000
Sum egenkapital		**148 030 000**	**140 378 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	6,13	812 000	1 352 000
Ansvarlig lånekapital	6,13	0	22 433 000
Øvrig langsiktig gjeld	6,12,13	89 960 000	100 877 000
Sum annen langsiktig gjeld		**90 772 000**	**124 662 000**
Sum langsiktig gjeld		**90 772 000**	**124 662 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	6,16,13	13 395 000	14 519 000
Leverandørgjeld	6,23	145 752 000	124 165 000
Annen kortsiktig gjeld	23	13 081 000	12 249 000
Sum kortsiktig gjeld		**172 228 000**	**150 933 000**
Sum gjeld		**263 000 000**	**275 595 000**
SUM EGENKAPITAL OG GJELD		**411 030 000**	**415 973 000**

HBC

Annual Report 2022

Published:
31.03.2023

HBC

Content

Approved by the Board of Directors in Hofseth BioCare ASA 30 March 2023

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 tailored Code of Conduct and internal guidance provide a suitable separation of roles and responsibilities, promoting efficient collaboration between the company's shareholders, the Board of Directors, and its management team, and ensuring that the business is subject to satisfactory controls and monitoring. 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 addresses the management of neutrality, conflict of interest situations, interactions with clients and vendors, communication with the press, insider trading, and pertinent personal financial interests.

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 3 July 2022, 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 2022, the group had an equity of NOK 148.0 million, corresponding to an equity ratio of 36.0 %. The board considers an equity ratio of more than 25.0 per cent to be at a satisfactory and prudent level. The company's long-term debt financing has financial covenant requirements of 25 % equity, including subordinated loans. The main shareholders have, if necessary, provided subordinated loans to ensure that the company is not in breach of covenant requirements from the banks. The board will at all times consider various instruments to ensure that the company has sufficient equity, including an authorization given to the board at the general meeting on 30 august 2022 to issue up to approximately 39.5 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 2022, 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 395,081.03 equivalent to 39,508,103 shares, each with a nominal value of NOK 0.01.

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

In accordance with this power of attorney to the Board of Directors, the company 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 30 August 2022 and is valid until the Ordinary General Assembly in 2023, however not longer than 30 June 2023.

Equal treatment and transactions with related parties

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

As a general principle, all transactions involving the company's own shares should be conducted through the stock exchange or at the stock market price if traded outside of the stock exchange, or in a manner that ensures all shareholders are treated equitably.

Transactions with related parties

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

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

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

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

Freely tradable shares

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

The general meeting

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

The annual general meeting is held every 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 for the annual general meeting is 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 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 2021 financial statements for two 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 instructions) shall 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 threefrom each gender, 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 2022 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 are 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. A distinct division of responsibilities exists between the board and the CEO. 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. The Audit Committee has a defined instrution for their work.

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 through the Board of Directors work and the operational management of the Company.

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

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

During the budgeting process and budget approval, the board ensures that internal control systems and key risk factors the company may face are considered. Given the company's growth strategy, the board emphasizes that the internal control systems encompass all facets of the company's operations, including strategic, operational, and financial risks. The board also evaluates the necessity for additional actions concerning 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 Intrado/Notified).

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 2021 the complete annual report and financial statements were approved and published 25 March 2022.

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

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

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

Take-overs

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

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

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

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

Any transaction that is in effect a disposal of the Company's activities should be decided by a general meeting.

Auditor

EY is the auditor for Hofseth BioCare and is appointed by the 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 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 non-audit services provided by the auditor, as well as the fees for these.

The Audit Committee in conjunction with the annual report in 2022 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 2022

CHAPTER 2

Important events in 2022

First quarter

In the first quarter, the ingredient business saw an impressive growth of 93.5% in sales, in comparison to the same period in the previous year. Alongside this, the company had a record order book, indicating a strong demand for their products. During this quarter, the company's researchers made significant progress in their studies on SPH peptides. They published their first preclinical assay work on the use of SPH peptides in prostate cancer in the Marine Drugs journal. The study showcased the positive results of combining SPH peptides with androgen deprivation therapy to enhance anti-tumour activity. This breakthrough discovery opens new possibilities for treating prostate cancer.

Furthermore, the company's first clinical trial for CalGo® has been accepted for publication in the Biomedical Journal of Scientific and Technical Research. The trial demonstrated the enhanced absorbability of CalGo® when compared to calcium carbonate, particularly in post-menopausal women. This finding suggests that CalGo® could be an effective treatment option for individuals with calcium deficiencies.

The company has also identified eight structurally similar peptides that are responsible for driving the FTH1 actions of SPH. These peptides have previously unknown structures and have the potential to be claimed as a novel composition of matter. This breakthrough could lead to a broader IP claim set for HBC and further research into SPH peptides and their potential uses.

Overall, the company has made significant progress in its research and development efforts in the first quarter of the year. With the positive results seen in the studies on SPH peptides and the clinical trial for CalGo®, the company is poised to make further strides in the health and wellness industry.

Second quarter

In the second quarter, the company faced challenges due to a constrained supply of salmon off-cuts, which was caused by a price spike in salmon. This resulted in unusually low production volumes of raw materials. Despite this, the company experienced a strong demand and favourable market prices, resulting in net sales of NOK 25m with a gross margin of 31%. This was an improvement compared to the same period last year, where the gross margin was 21%.

The company made significant progress in their research and development efforts during this quarter. They successfully completed their second preclinical assay of the bioactive peptides in SPH in prostate cancer after publishing the results from their first preclinical assay in the journal Marine Drugs. The results demonstrated that the addition of the peptides to standard of care enhanced anti-tumour activity in drug-sensitive and drug-resistant cell lines. This breakthrough could potentially lead to new and more effective treatments for prostate cancer.

In addition, the company completed the manufacturing optimization of the lead eosinophilia modulating lipopeptide MA-022. Preclinical trial work with MA-022 as a drug lead in eosinophilic esophagitis is planned. This progress is significant as eosinophilic esophagitis is a chronic inflammatory disease of the esophagus, which is difficult to manage with existing treatments. The development of a new treatment option could significantly improve the quality of life for individuals with this condition.

Overall, despite the challenges faced by the company in the second quarter, they made significant progress in their research and development efforts. With the successful completion of preclinical assays and manufacturing optimization, the company is poised to make further strides in the health and wellness industry.

Third quarter

During the third quarter, HBC achieved an impressive 105% year-on-year growth in revenue, demonstrating the strength of their business in uncertain times. The company also signed contracts with new salmon processors to ensure increased access to salmon off-cut for their production process. This move will help the company meet the growing demand for their products and further expand their business.

In July, HBC successfully completed a private placement of 35,490,000 new shares at a subscription price of NOK 4.00 per share, raising gross proceeds of NOK 141 million. This move will provide the company with additional funding to support their research and development efforts and fuel their growth in the industry.

In August, the company appointed Mr. Jon Olav Ødegård as CEO, following the election of Mr. Roger Hofseth as director to the Board after the general meeting on August 30. These changes in leadership are expected to further strengthen the company's position in the market and help drive their growth strategy.

Furthermore, the company delivered record organic revenue and profits in the Consumer and Pet health segment during the third quarter. The segment saw over a fourfold improvement year-on-year, indicating the strong demand for their products and the effectiveness of their research and development efforts.

Overall, the third quarter was a successful period for HBC, with significant achievements in revenue growth, fundraising, leadership appointments, and segment performance. The company is well-positioned to continue making strides in the health and wellness industry and delivering value to their customers and shareholders.

Fourth quarter

The ingredients business of HBC showed favourable momentum in Q4 with an 87% growth compared to the same quarter last year on an underlying basis. This growth generated sales revenues of NOK 34m, which is a significant increase from NOK 18m in the same period last year. Additionally, the finished goods business delivered record fourth quarter and full-year revenue and cash margin, with revenue at +68% reaching NOK 31.7m compared to NOK 18.8m in the same period in 2021. The fourth quarter alone delivered NOK 10.7m, a significant increase from NOK 3.7m last year.

In October, Stanford School of Medicine successfully completed pre-clinical trial work testing ProGo® bioactive peptides in effective gut health support. This is an important development for HBC and underscores their commitment to developing innovative products that promote overall health and wellness.

HBC has also made a significant addition to its leadership team with the hiring of Mrs. Christel Kanli as the new CFO/COO. She brings extensive global experience from Orkla ASA and several start-ups and will begin her tenure in March 2023.

Finally, the first significant ProGo® order from China for iron deficiency applications commenced in Q4, and the pipeline is building. This highlights the growing demand for HBC's products and the company's ability to expand its business into new markets.

Overall, the fourth quarter was a successful period for HBC, with strong growth in the ingredients and finished goods businesses, significant progress in product development and research, and a key addition to the leadership team. The company's continued focus on innovation and expansion is expected to drive growth and deliver value to customers and shareholders alike.

Financial results

Revenues and profits

The Group generated gross operating revenues of NOK 120.5 million in 2022, up from NOK 87.6 million in 2021. Correspondingly, the parent company had gross revenues of NOK 120.0 million in 2022, up from NOK 88.1 million in 2021.

Operating costs, excluding depreciation and amortization amounted to NOK 218.7 million in 2022, compared to NOK 176.8 million in 2021. For the parent company operating expenses amounted to NOK 206.6 million in 2022 compared to NOK 173.0 million in 2021. The expenses are mainly cost of sales, salaries and other operating expenses.

The Group had an operating loss of NOK 128.6 million in 2022, compared with a loss of NOK 118.6 million in 2021. Correspondingly, the parent company had an operating loss of NOK 112.6 million compared to NOK 110.7 million in 2021.

Net financial result was NOK -8.8 million in 2022, compared with NOK -7.9 million in 2021. Net financial result for the parent company was NOK -6.8 million and -11.5 million in 2022 and 2021, respectively.

The Group had a loss before tax of NOK 137.4 million in 2022, compared to a loss of NOK 126.5 million the year before. For the parent company the loss before tax was NOK 119.4 million in 2022, compared to NOK 122.2 million in 2021.

The group had a tax expense of NOK 0.0 million in 2022, equal to NOK 0.0 million in tax expense in 2021. The Group has not recognized any deferred tax assets. Net loss for the year was NOK 137.4 million, compared to a net loss of 126.5 million in 2021. The parent company had a net loss of NOK 119.4 million in 2022, compared to NOK 122.3 million in 2021.

Financial position

As of 31 December 2022, Hofseth BioCare had a total consolidated balance sheet of NOK 411.0 million, down from NOK 416.0 million at the end of 2021. The parent company had a balance sheet total of NOK 402.6 million compared to NOK 394.1 million in 2021.

Equity amounted to NOK 148.0 million at the end of 2022, which corresponds to an equity ratio of 36.0 %. At the end of 2021, the group had a total equity of NOK 140.4 million and an equity ratio of 33.7 %. The parent company had equity of NOK 167.8 million at the end of 2022, compared with NOK 142.8 million the year before. The equity ratio was correspondingly 41.7 % in 2022 and 36.2 % at the end of 2021 in the parent company.

As of 31 December 2022, the group had cash and cash equivalents of NOK 32.4 million, compared with NOK 49.9 million at the end of last year. The parent company had NOK 31.3 million in cash and cash equivalents at the end of 2022, compared with NOK 48.4 million in 2021.

At the end of 2022, the group had NOK 0.8 million in long-term interest-bearing debt and NOK 0.5 million in short-term interest-bearing debt, compared with NOK 23.8 million and NOK 2.4 million at the same time the year before, respectively. The parent company had NOK 0 million and NOK 6.9 million in long-term and short-term interest-bearing debt in 2022, respectively. At the end of 2021, the long-term share was NOK 22.4 million and NOK 1.9 million short-term.

The group has interest-bearing lease obligations of NOK 90.0 million for long-term lease obligations and NOK 12.9 million in short-term lease obligations at the end of the year, compared with NOK 100.9 million and NOK 12.1 million at the end of 2021. The parent company has interest-bearing lease obligations with NOK 72.5 million and NOK 10.1 million in short-term lease obligations at the end of 2022, compared with NOK 80.3 million and NOK 9.8 million at the end of 2021.

Cash flows

The group's cash flow from operating activities amounted to NOK -45.2 million in 2022, compared with NOK -61.8 million the year before. The parent company had a negative cash flow of NOK -45.1 million compared to negative NOK 61.3 million the year before.

Net cash flow from investing activities amounted to NOK -17.8 million, compared with NOK -38.0 million in 2021 for the group. In the parent company, cash flow from investing activities was NOK -17.3 million in 2022 compared to NOK -35.0 million in 2021.

Net cash flow from financing activities amounted to NOK 45.5 million in 2022, compared with NOK -23.2 million the year before. Corresponding figures in the parent company were NOK 45.4 million in 2022 and NOK -27.2 million in 2021. The company completed a share issue in 2022.

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 an unused credit facility of NOK 37 million. Additionally, the board has been authorized by the general meeting held on 30 August 2022 to issue up to 39,508,103 new shares. These authorizations are intended to be utilized in case the parent company and the Group requires additional equity and liquidity.

As of 31 December 2022, the parent company meets all requirements in its loan agreements and is not in violation of any loan conditions. Although the parent company and the Group has negative results in the first two months of 2023, it is still not in breach of the terms of any of the loans. Refer to note 16 for more details on the Group's and the parent company's interest-bearing debt conditions, as well as note 19 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 sufficient product volumes 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 2023. Therefore there is an uncertainty with regards to the going concenr assumption.

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 -119.4 million in 2022. The board proposes the following allocation of the loss:

Uncovered loss	- 119.4 million
Totalt	- 119.4 million

Risk and risk management

Risk management

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

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

Operational risk

The biotechnology industry is characterized by integration and interdependence between different steps in the production process. In Hofseth BioCare, there is a high degree of integration between the various stages of production. Any interruption in one production stage can therefore result in all or part of the production stopping. Hofseth BioCare has installed comprehensive monitoring and employees work continuously 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 continuous 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 expertise in the company's technology, and new employees undergo training and education to build up the necessary expertise.

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

Market risk

Hofseth BioCare reduces its market risk through geographical and market presence, and are currently selling in different market segments. Our distributors are present in 60 countries and know the local markets and are able to identify the factors that are important for Hofseth BioCare to be able to sell products to end customers in different parts of the world. In addition to focusing on sales to Europe, North America and Asia, the company sells its products to various segments of the human nutrition market (sports nutrition, supplements, and health food), as well as to the market in nutrition for the pet and feed industry. This strategy allows Hofseth BioCare to reduce its dependence on one market segment and geographical area.

Foreign exchange risk

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

Interest rate risk (own financing, deposits)

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

Credit risk

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

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

Financial and liquidity risk

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

Hofseth BioCare had cash and cash equivalents totalling NOK 32.4 million at the end of 2022, compared with NOK 49.9 million at the same time the year before. Cash and cash equivalents largely consist of cash and bank deposits. In addition, the company has an unused credit facility of NOK 37 million.

Risk insurance

Although Hofseth BioCare seeks to reduce the impact of adverse events using its risk management system, a certain risk remains exist which cannot be eliminated through preventive measures. The company covers such risks to a certain extent through the purchase of insurance. The Hofseth BioCare insurance portfolio is covering areas such as business interruption, damage to equipment and property, third party liability and other risks, product liability insurance, board 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. In 2022, Hofseth BioCare Group had a total of 62 employees. The companys work related to the Equality statement(ARP statement) is described in the company`s ESG report, witch is avaliable on the companys webpage.

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 2022 was 2.65%, compared to 5.12 % in 2021, short-term absence was 1.63 %, compared to 1.26 % in 2021.

Total absence was 4.28 % in 2022. 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.

Hofseth BioCare has a partnership with Medi3 who takes care of occupational health in the Group. All employees will also in 2023 undergo a medical examination. For HBC Berkåk AS an occupational health agreement has been established with AktiMed. 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 2022	Midsund 2022	Adm. 2022	Group 2022
Total absence (%)	3.55	6.56	0.62	4.28
Total working hours (all)	16 525	59 508	33 584	109 617
-specification:				
Short term absence (%)	2.14	2.07	0.62	1.63
Long term absence (%)	1.40	4.49	0.00	2.65
Number of injuries	0	1	0	1
Number of work-related accidents	0	1	0	1

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 promote recruitment of female managers and employees. At the end of 2022, 13 of 62 employees in Hofseth BioCare were female, and on the Board of Directors 3 of 6 members were female.

Environment

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

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

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

Organic waste from the process is delivered to approved manufacturers of biogas. Residual waste is collected in a separate compactor and delivered to the incinerator. 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 the inbound transport of raw materials and outbound products to our customers around the world. Through the optimization of transport and raw material sourcing within Møre og Romsdal, the group aims to reduce the need for long-haul operations. Transport of finished products are mainly to Europe, Asia and the United States. For Europe, transport by road and by sea is used and 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. A new project started late 2022 aim to transport more goods in rail to southern Europe in the future.

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 30.06.2023.

Shareholders

At the end of the year the company had 1,407 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

The first half of 2022 was operationally challenging due to lower production caused by high spot salmon prices, which spiked at the beginning of the year along with all commodities. The global business outlook and confidence also took a hit, with significant supply chain disruptions complicating business execution and deliveries due to the ongoing tragedy of war in Ukraine. These factors had a noticeable impact on our business, as well as on all other businesses involved in raw material production, logistics, and supply. However, as the environment began to stabilize, salmon production volumes picked up in the second half of 2022, resulting in higher capacity utilization and stronger sales and margins. Furthermore, we have diversified our sources of raw material, reducing our dependency on just one provider to grow and broaden our business in the coming months.

In response to the market volatility in early 2022, we proactively optimized our organization and supply chain management by implementing an internal review of all our respective business units at HBC. This review has resulted in several personnel changes and a meaningful re-organization of responsibilities to improve accountability, efficiency, and communication within the company. The project is almost completed and will be finalized before the end of Q1 2023.

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

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

Our sales strategy is the distribution of products in three segments: animal feed, pets and human. This diversification will ensure higher revenues and cash flows in the years ahead. At the same time, further research and development will increase future sales in the core business area of ingredients and finished products for human nutrition. HBC have seen a strong increase in sales, and we have lowered the cost base and increased gross margins on all products. We expect the current trends to continue from H2 2022 into 2023, with revenues and gross margins growing, as well as recurring revenues from a strong evolving Brilliant Salmon oil business direct to the consumer. New nutraceutical customer projects are being initiated weekly, and the pet health business is also expected to grow significantly next year.

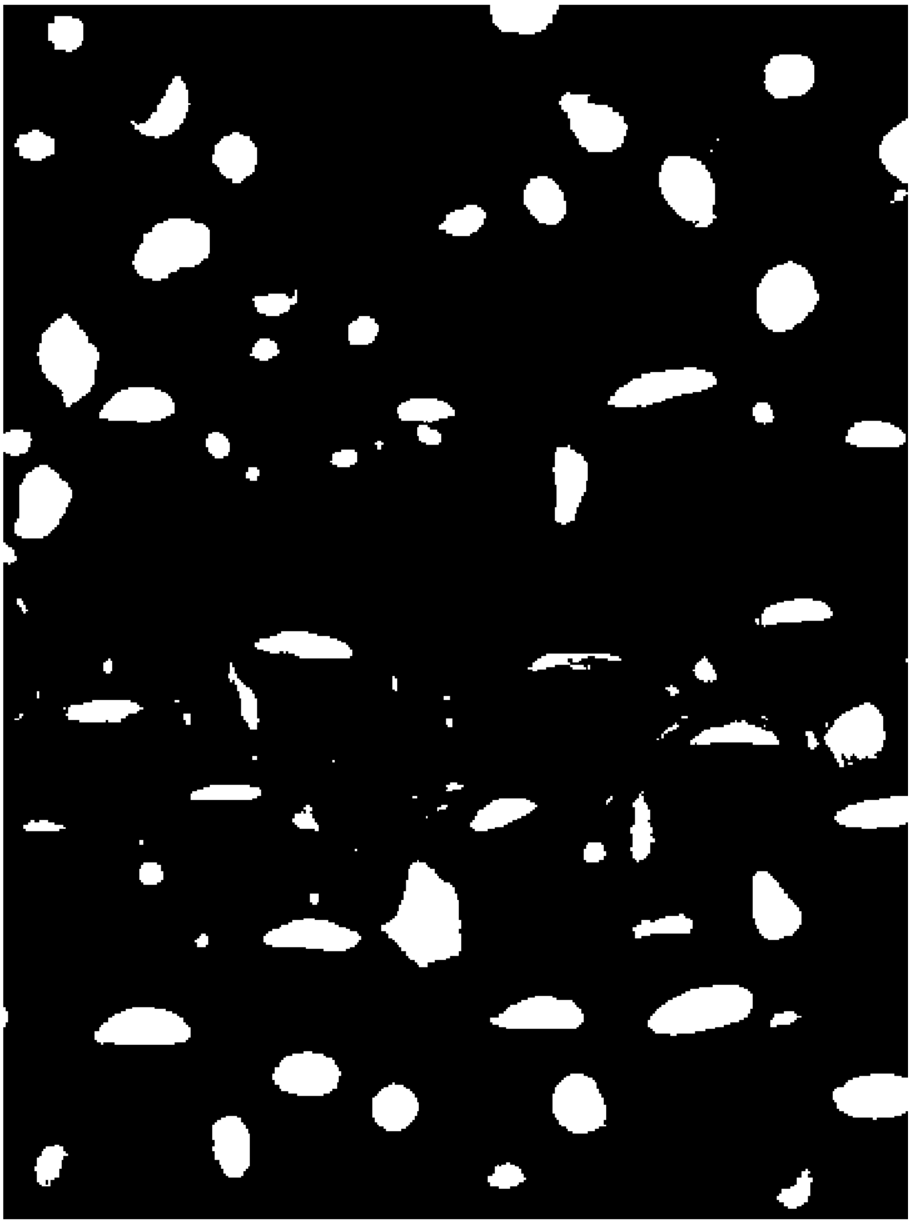
Hofseth BioCare ASA Board of Directors,
Ålesund, 30 March 2023

Kristin Fjellby Grung Chair of the board	Torill Standal Eliassen Board member	Crawford Currie Board member	Christoph Baldegger Board member
Amy Novogratz Board member	Roger Hofseth Board member		Jon Olav Ødegård CEO

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	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Operating revenues and expenses					
Sales revenues	3, 6	119 128	76 878	118 815	76 689
Other income	3	1 320	10 738	1 144	11 359
Total operating revenue		120 448	87 616	119 959	88 048
Cost of sales	2, 4, 6	91 934	64 517	90 785	72 152
Salaries and other payroll expenses	5	57 043	44 713	47 206	37 796
Other operating expenses	4, 6, 14	69 677	67 600	68 617	63 100
Depreciation and Write-downs	10, 11, 12	30 412	29 350	25 965	25 710
Operating profit/loss (EBIT)		**-128 618**	**-118 565**	**-112 613**	**-110 710**
Loss from associated company	22	204	31	0	0
Financial income	7	4 568	3 647	4 768	3 651
Financial expenses	6, 7, 12	13 136	11 577	11 522	15 182
Net financial expenses	15, 18	**-8 772**	**-7 900**	**-6 754**	**-11 531**
Loss before taxes		-137 390	-126 464	-119 367	-122 241
Tax expense	8	0	0	0	0
Net loss for the period	2	**-137 390**	**-126 464**	**-119 367**	**-122 241**
Other comprensive income and costs		0	0	0	0
Total comprehensive income		-137 390	-126 464	-119 367	-122 241
Comprehensive income attributable to:					
Shareholders in HBC ASA		-137 389	-126 463		
Non-controlling interest		-1	-1		
Total		-137 390	-126 464		

Earnings per share (NOK)		**2022**	**2021**	**2022**	**2021**
Basic earnings per share	9	-0.37	-0.35	-0.32	-0.34
Diluted earnings per share	9	-0.37	-0.35	-0.32	-0.34

Statement of financial position

1 January – 31 December
Hofseth BioCare ASA

		Consolidated (IFRS)		Parent company (IFRS)	
(Amounts in NOK 1000)	**Note**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
ASSETS					
Non-current assets					
R&D, patents etc.	2, 10	60 588	53 055	60 588	52 867
Total intangible assets		**60 588**	**53 055**	**60 588**	**52 867**
Machinery and equipment	11	57 836	63 209	51 697	56 384
Right of use assets	12	108 366	120 342	87 266	96 774
Fixtures and fittings	11	2 592	2 281	2 579	2 255
Total fixed assets	2	**168 794**	**185 831**	**141 542**	**155 413**
Investment in subsidiary	7, 22	0	0	11 231	11 231
Investment in affiliated company	22	5 559	5 764	6 517	6 517
Non-current financial assets	15	340	1 012	340	1 012
Total non-current financial assets		**5 900**	**6 776**	**18 089**	**18 761**
Total non-current assets		**235 282**	**245 662**	**220 219**	**227 041**
Current assets					
Inventory	2, 6, 19	116 525	90 813	115 983	90 244
Trade receivables	2, 6, 20	14 072	10 089	13 803	9 970
Other current receivables	5, 20	12 724	19 488	21 301	18 449
Cash and cash equivalents	21	32 427	49 921	31 335	48 359
Total current assets	14, 15	**175 748**	**170 311**	**182 423**	**167 023**
Total assets	2, 25	**411 030**	**415 973**	**402 642**	**394 064**

		Consolidated (IFRS)		Parent company (IFRS)	
(Amounts in NOK 1000)	Note	31.12.2022	31.12.2021	31.12.2022	31.12.2021
EQUITY AND LIABILITIES					
Equity					
Paid in equity					
Share capital	5, 24	3 951	3 578	3 951	3 578
Share premium		144 765	137 485	163 872	139 187
Other paid in equity		0	0	0	0
Total paid in equity		**148 716**	**141 063**	**167 823**	**142 765**
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	-686	-685	0	0
Total equity	2, 6	**148 030**	**140 378**	**167 823**	**142 765**
Non-current liabilities					
Subordinated debt	6, 13	0	22 433	0	22 433
Interest-bearing loans and borrowings	6, 13	812	1 352	0	0
Lease liabilities	6, 12, 13	89 960	100 878	72 492	80 343
Total non-current liabilities	16, 17, 18	**90 772**	**124 662**	**72 492**	**102 776**
Current liabilities					
Interest-bearing loans and borrowings	6, 16, 13	540	2 420	0	6 855
Lease liabilities	6, 12, 13	12 855	12 099	10 055	9 801
Trade payables	6, 23	145 752	124 165	140 551	121 476
Other liabilities	23	13 081	12 249	11 720	10 391
Total current liabilities	16, 17, 18	**172 228**	**150 933**	**162 327**	**148 523**
Total liabilities	14, 16, 18	**263 000**	**275 595**	**234 819**	**251 298**
TOTAL EQUITY AND LIABILITIES	2, 25	**411 030**	**415 973**	**402 642**	**394 064**

Hofseth BioCare ASA Board of Directors,
Ålesund, 30 March 2023

Kristin Fjellby Grung
Chair of the board

Torill Standal Eliassen
Board member

Crawford Currie
Board member

Christoph Baldegger
Board member

Amy Novogratz
Board member

Roger Hofseth
Board member

Jon Olav Ødegård
CEO

FINANCIAL STATEMENTS — CONSOLIDATED AND PARENT COMPANY

Statement of cash flows

1 January – 31 December

		Consolidated (IFRS)		Parent company (IFRS)	
(Amounts in NOK 1000)	**Note**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Cash flow from operating activities					
Loss before tax		-137 390	-126 464	-119 367	-122 241
Paid tax	8	0	0	0	0
Depreciation and impairment	2, 10, 11, 12	30 412	29 350	25 965	25 710
Impairment/reversal shares	7, 22	0	0	0	4 889
Loss from associated company	22	-204	-31	0	0
Change in inventory	19	-25 712	-17 511	-25 739	-18 019
Change in trade receivables	20	-3 983	4 178	-3 833	4 026
Change in trade payables	23	70 355	39 208	67 844	38 238
Change in other accruals		11 400	96	1 653	-2 099
Items classified as financing activities		9 954	9 394	8 359	8 175
Net cash flows from operating activities		**-45 168**	**-61 779**	**-45 118**	**-61 320**
Cash flow frwom investing activities					
Aquisition of tangible fixed assets	11	-4 020	-22 924	-3 534	-19 929
Investment in other companies	22	0	-188	0	-188
Investment in intangible assets	10	-13 758	-14 827	-13 758	-14 827
Net cash flow from investing activities		**-17 778**	**-37 939**	**-17 292**	**-34 945**
Cash flow from financing activities					
Proceeds from issue of shares		70 777	0	70 777	0
Transaction costs on issue of shares		-326	0	-326	0
Payment of interest	6, 7, 13	-1 362	-1 799	-1 307	-2 277
Proceeds from new borrowings	6, 16, 13	0	1 087	0	1 087
Repayment of borrowings	6, 16, 13	-2 420	-3 421	-1 879	-2 880
Payment of lease liabilities	6, 12, 16, 13	-12 625	-11 469	-9 850	-8 686
Payment of interest on lease liabilities	12, 13	-8 592	-7 595	-7 053	-5 898
Payment borrowings from subsidiary	23	0	0	-4 976	-8 498
Net cash flow from financing activities	17 18	**45 452**	**-23 197**	**45 386**	**-27 152**
Cash and cash equivalents at 1 January		49 921	172 835	48 359	171 777
Net change in cash and cash equivalents		-17 494	-122 914	-17 024	-123 418
Cash and cash equivalents at 31 December	21	**32 427**	**49 921**	**31 335**	**48 359**

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 2021		**3 578**	**236 709**	**8 684**	**15 477**	**-684**	**263 764**
Share based payment program	5	0	0	3 487	0	0	3 487
Other changes		0	0	0	-409	0	-409
Net loss for the period		0	-99 224	-12 171	-15 068	-1	-126 464
Other income and costs		0	0	0	0	0	0
Total comprehensive income		0	-99 224	-12 171	-15 068	-1	-126 464
As of 31 December 2021	2, 5, 24	**3 578**	**137 485**	**0**	**0**	**-685**	**140 378**
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 chages		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**

Parent company (IFRS)

(Amounts in NOK 1000)	Note	Share capital	Share premium	Other paid in equity	Uncovered loss	Total equity
As of 1 January 2021	2, 5, 24	**3 578**	**236 709**	**8 684**	**12 650**	**261 621**
Share based payment program	5	0	0	3 487	0	3 487
Other changes		0	0	0	-102	-102
Net loss for the period		0	-97 522	-12 171	-12 548	-122 241
Other income and costs		0	0	0	0	0
Total comprehensive income		0	-97 522	-12 171	-12 548	-122 241
As of 31 December 2021	2, 5, 24	**3 578**	**139 187**	**0**	**0**	**142 765**
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**

Note 1: Accounting policies

General information

Hofseth BioCare ASA ia a public limited liability company domicilied in Ålesund, Norway. The company`s headquarter is in Kipervikgata 13 in Ålesund, with one manufacturing facility in the municipality of Molde and one manufacturing facility in the municipality of Rennebu. The annual financial statements were approved for issuance by the board of directors 30 March 2023.

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 2022 consist of the parent company and the subsidiaries HBC Berkåk AS, HBC Therapeutics AS, HBC Switzerland GmbH and Hofseth BioCare Rørvik AS (the Group). In addition the subsidiarie HBC Americas LLC, which is registered, but has no trasactions and are therefore not consolidated in 2022.

Basis of preparation

The consolidated financial statements and the parent company financial statements of Hofseth BioCare ASA have been prepared in accordance with IFRSs and related interpretations as issued by the International Accounting Standards Board (IASB) and as adopted by the EU as of 31 December 2022, as well as the additional disclosure requirements following from the Norwegian accounting act as of 31 December 2022.

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 companies in the Group. All amounts are presented in NOK 1 000 unless specifically noted.

Use of estimates when preparing the annual financial statements

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

Foreign currency

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

Revenue recognition policies

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

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

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

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

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

Contract assets

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

Trade receivables

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

Contract liabilities

A contract liability may be an obligation to deliver goods or services to the customer, from whom the group has received consideration (or an amount of the consideration is overdue). If a customer pays the consideration before the Group delivers goods or services to the customer, a contractual obligation is recognized at the time of payment or at the time payment of the consideration is due (whichever takes place first). Contract liabilities are not recognized until the Group delivers goods and services in accordance with the contract. The group has not identified contractual obligations in the delivery contracts entered into as of 31 December 2022.

Segments

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

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

Government grants

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

Employee benefits

Defined contribution pension plan

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

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 excemptions elected under the standard:
- Short-term leases (lease term of 12 months or less)
- Low value assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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, subordinated loans, interest-bearing liabilities, lease liabilities, derivatives, trade payables, or other current liabilities.

Interest-bearing debt and other liabilities are recognized at fair value less transaction costs at the time of establishment. In subsequent periods, loans are recognized at amortized cost using the effective interest rate. For more information see 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 an unused credit facility of NOK 37 million.

Additionally, the board has been authorized by the general meeting held on 30 August 2022 to issue up to 39,508,103 new shares. These authorizations are intended to be utilized in case the parent company and the Group requires additional equity and liquidity.

As of 31 December 2022, the parent company meets all requirements in its loan agreements and is not in violation of any loan conditions. Although the parent company and the Group has negative results in the first two months of 2023, it is still not in breach of the terms of any of the loans. Refer to note 16 for more details on the group's and the parent company's interest-bearing debt conditions, as well as note 19 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 sufficient product volumes 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 2023. Therefore there is an uncertainty with regards to th eging concern assumption.

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 2022, 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.

Financial implications of the war in Ukraine

Apart from a general increase in energy-prices, the Group is not direct affected by the conflict.

Subsequent events

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

New accounting standards

Standards with changes that apply to the accounting period January 1, 2022 has not had any material impact for the financial year 2022. The group and the company have not implemented early standards released but not yet active.

Note 2: Accounting estimates and management judgement and assumptions

The preparation of financial statements in accordance with IFRS requires management to make judgments when choosing and applying accounting principles. Further, IFRS requires the management to make estimates based on judgments, and that estimates and assumptions are realistic. All estimates are considered to be the 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
- Assessment of losses on accounts receivables

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 startig 01.01.2022, and gives the parent company the exclusive right to get all the by-products from the production of Hofseth Sales AS's suppliers. Judgment has been applied when setting conditions for the purchase of raw materials. See notes 4 and 6.

Hofseth BioCare ASA has sold finished goods to related parties in 2021 and 2022. Prices are determined on the basis of current and historical transactions with independent parties in 2021 and 2022. 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 research and development activities are capitalized when there is an identifiable asset or product that is controlled by the company that is expected to result in future economic benefits. Uncertainties also exist relating to the assessment and estimation of the cost price for the intangible assets, and mainly relating to the estimation of cost price for developing intangible assets and product development. Development activities that qualify for capitalization are capitalized both in the Group and parent company. See note 10.

Inventories

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

Assessment of loss relating to accounts receivables

At the end of 2022, the Group had no significant overdue accounts receivables. All significant accounts receivables are credit secured by Coface Norway, limited to a maximum of TNOK 13,600 and with a coverage rate of 90 %. When analyzing future information about the Group's customers and markets, future challenges are not listed today, which indicate that there will be a significant credit loss in the future. See note 18 on credit risk and note 20 on accounts receivables and other receivables.

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 during 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, with improvements made in 2021 and 2022. 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 the 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 by product. 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)	2022	2021	2022	2021
By product				
Salmon Oil (OmeGo®)	77 759	43 433	77 759	43 433
Soluble Protein Hydrolysate (ProGo®)	12 598	9 504	12 598	9 504
Calcium (CalGo®)	2 914	2 716	2 914	2 716
Non-soluble Protein (PetGo™)	25 480	20 920	25 480	20 920
Other income	1 697	5 696	1 208	6 128
Sum revenue	120 448	82 268	119 959	82 700
Insurance claim settlement	0	5 348	0	5 348
Total revenues	**120 448**	**87 616**	**119 959**	**88 048**
By region				
Norway	6 991	13 772	6 502	14 207
Asia	14 164	3 974	14 164	3 974
Europe excl Norway	78 162	39 974	78 162	39 974
America	21 131	24 548	21 131	24 548
Total revenues	**120 448**	**82 268**	**119 959**	**82 700**

* the group recieved TNOK 5 348 in 2021 for calcium damaged in 2021.

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, respectively. In 2021, goods totaling TNOK 44,472 were sold to three customers, each of which accounted for more than 10 % of total turnover. The sales to each of these customers are TNOK 20,219, TNOK 14,282 and TNOK 9,971. The company has no contractual assets or liabilities as of 31 December 2022.

Note 4: Cost of sales and other operating expenses

COST OF SALES	Group		Parent	
(Amounts in NOK 1000)	2022	2021	2022	2021
Raw material	55 704	38 559	55 662	38 559
Freight	26 252	17 700	26 252	17 750
Purchased services	26 953	24 374	25 846	32 009
Obsolescence cost	8 537	399	8 537	399
Change in inventory	-25 512	-16 515	-25 512	-16 566
Total cost of sales	**91 934**	**64 517**	**90 785**	**72 152**

OTHER OPERATING EXPENSES	Group		Parent	
(Amounts in NOK 1000)	2022	2021	2022	2021
Leases of equipment	1 707	1 159	1 611	1 046
Leases of warehouses and factories	2 239	1 450	2 094	1 062
Travelling cost	2 651	1 187	2 510	1 008
Consultant fees and tax advisory	2 110	1 671	1 956	1 577
Lawyers	1 263	2 354	1 263	2 354
Consulting	14 498	18 921	16 927	18 069
Advertising	15 042	13 031	15 040	13 031
R&D and patents	13 635	8 869	13 630	8 800
Repair and maintenance	10 555	12 533	9 007	10 950
Other operating expenses	7 855	9 319	6 419	7 792
Government grants	-1 879	-2 894	-1 840	-2 587
Total	**69 677**	**67 600**	**68 617**	**63 100**

The Group recieved grants from skattefunn of TNOK 4 324 (TNOK 4 509 in 2021), split by TNOK 1 879 in other operating expenses and TNOK 2 445 in salaries. Corresponding numbers was TNOK 4 132 (TNOK 4 122 in 2021) for parent company, split by TNOK 1 840 in other operating expenses and TNOK 2 292 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)	2022	2021	2022	2021
Salaries	**44 346**	38 172	35 346	32 000
Social security costs	5 369	4 836	4 972	4 407
Pension costs	5 387	2 272	5 024	1 950
Share based payments and bonus costs consultant	2 346	1 634	2 346	1 634
Other employee benefits	2 039	1 369	1 808	1 187
Capitalized cost in associated with development	0	-1 954	0	-1 847
Public grants from Skattefunn	-2 445	-1 615	-2 292	-1 535
Total employee benefit expenses	**57 043**	**44 714**	**47 205**	**37 796**
Average number of FTE`s	62	57	53	47

REMUNERATION TO EXECUTIVE MANAGEMENT TEAM

(Amounts in NOK 1000) - Group	2022	2021
Management team		
Salaries	6 622	5 615
Benefits in kind	191	80
Pension costs	173	142
Share based payments	2 346	1 634
Other employee benefits	4 778*	16 169*
Total remuneration	**14 110**	**23 640**

* Includes remuneration of TNOK 4 138 for managing R&D (TNOK 15 209 in 2021). Remuneration for R&D is split in other operating expenses and capitalized development costs in 2022 and 2021

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 2 787 in 2022 (TNOK 2 272 in 2021), in the parent company TNOK 2 424 (TNOK 1 950 in 2021). The parent company and the group had cost for AFP of TNOK 2 620 in 2022 (TNOK 0 in 2021). 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 1,176 (TNOK 1,633 in 2021) was expensed in connection with the option program in 2022. No share options were exercised in 2022, and per 31.12.22 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. Total expensed in 2022 is TNOK 0 (TNOK 1,462 in 2021). The options under this agreement is exerciable per year end, and there is TNOK 172 options outstanding per 31.12.2022.

OPTIONS

(Amounts in NOK 1000) GROUP	2022 number	2022 WAEP	2021 number	2021 WAEP
Outstandig 01.01.	5 523	0.01	5 351	0.01
Exerciable 01.01	172	0.01	0	-
Granted during the year	1 000	0.01	172	0.01
Forfeited during the year	0	-	0	-
Exercised during the year	0	-	0	-
Expired during the year	5 351	0.01	0	-
Outstandig 31.12.	1 172	0.01	5 523	0.01
Exerciable 31.12.	1 172	0.01	172	0.01

AUDITOR'S FEES	Group		Parent	
(Amounts in NOK 1000)	2022	2021	2022	2021
Audit fees	1 621	1 260	1 537	1 215
Other confirmations	45	0	45	0
Tax advice	0	33	0	31
Other services	0	6	0	6
Total	**1 666**	**1 299**	**1 582**	**1 252**

VAT is not included in the amounts above. TNOK 24 of the total amount is capitalized direct against equity.

Note 6: Related party transactions

The Group's related parties include shareholders, board members and the senior management and their related parties. RH Industri AS, Hofseth Property AS, Hofseth International AS, Hofseth Logistics AS, Seafood Farmers of Norway AS, Hofseth AS, Hofseth Sales AS, Hofseth Aalesund AS, Hofseth North 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 2021 and 2022:

- Purchase of raw materials from Hofseth Sales AS. See further details in the agreement below.
- 13 of the company's (16 in the group) lease agreement for production equipment that are active in 2022 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.

- Yokorei Co. Ltd. had a loan to the Group wich has been repaid in full during 2022 (TNOK 1,879 as of 31 December 2021). The loan expired on 30 September 2022 and had a fixed interest rate of 4 %.
- 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 has been convertes to shares in he share issue in July 2022.
- RH Industri AS and Hofseth Sales AS have paid storage rent of TNOK 0 in 2022 (TNOK 646 in 2021), for goods purchased from the company in 2020.
- Hofseth BioCare ASA had a agent agreement with Hofseth International AS, Hofseth Sales AS and RH Industri AS recieved agent fees of total TNOK 0 (TNOK 190 in 2021) for sale of goods stored at the companys storage.
- Hofseth North America has purchased goods worth TNOK 17,750 in 2022 (TNOK 9,971 in 2021).
- Yokorei Co. Ltd. has purchased goods worth TNOK 247 in 2022 (TNOK 207 in 2021).
- The Group rents factory buildings at Midsund and Berkåk from Hofseth Property AS at a cost of TNOK 12,071 in 2022 (TNOK 10,150 in 2021). 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)	2022	2021	2022	2021
Right of use assets	108 938	109 917	88 176	89 085
Trade receivables	2 354	2 325	2 243	2 325
Subordinated loan	0	-22 433	0	-22 433
Loan from shareholders	0	-1 879	0	-1 879
Other receivables	0	0	9 577	75
Leasing liabilities	-101 661	-109 917	-81 929	-89 085
Trade payables	-125 842	-107 094	-122 979	-106 086
Total	**-116 210**	**-128 074**	**-104 913**	**-127 999**

PROFIT AND LOSS ITEMS	Group		Parent	
(Amounts in NOK 1000)	2022	2021	2022	2021
Sales revenue	18 881	14 269	18 881	14 269
Total revenue	**18 881**	**14 269**	**18 881**	**14 269**
Cost of sales	51 381	68 548	51 381	68 548
Other operating expenses	5 353	12 910	5 271	10 675
Financial expenses	7 960	8 383	6 562	6 762
Total costs	**64 694**	**89 840**	**63 214**	**85 985**

Raw Material agreements
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.

Transactions and balances between parent companies and subsidiaries
The company has sold goods and services to subsidiaries HBC Berkåk AS for TNOK 40 in 2022 (TNOK 815 in 2021). The subsidiaries HBC Switzerland GmbH has sold services to the parent company of TNOK 3 447 (TNOK 0 in 2021) and HBC Berkåk AS for TNOK 996 in 2022 (TNOK 10 211 in 2021).

The company has agreed on a loan to with HBC Berkåk with a balance of TNOK 0 as of 31 December 2022 (TNOK 4 976 as of 31 December 2021), with an agreed interest rate of Nibor + 3.0 %. Balance to HBC Therapeutics AS was TNOK 25 as of 31 December 2022 (TNOK 0 as of 31 December 2021) and a Balance to Hofseth Biocare Rørvik AS was TNOK 75 as of 31 December 2022 (TNOK 75 as of 31 December 2021) Balance to HBC Switzerland GmbH was TNOK 0 as of 31 December 2022 (TNOK 0 as of 31 December 2021).

Note 7: Financial income and expenses

FINANCIAL INCOME	Group		Parent	
(Amounts in NOK 1000)	2022	2021	2022	2021
Interest income	651	613	855	617
Foreign exchange gains	3 917	3 034	3 913	3 034
Total	**4 568**	**3 647**	**4 768**	**3 651**

FINANCIAL EXPENSES	Group		Parent	
(Amounts in NOK 1000)	2022	2021	2022	2021
Interest expenses	9 954	9 394	8 359	8 175
Impairment of financial assets	0	0	0	4 889
Foreign exchange losses	3 182	2 120	3 163	2 118
Total	**13 136**	**11 577**	**11 522**	**15 182**

Note 8: Income taxes

INCOME TAXES	Group		Parent	
(Amounts in NOK 1000)	2022	2021	2022	2021
Income tax expense				
Prior year taxes	0	0	0	0
Tax expense	0	0	0	0
Calculation of taxable income				
Loss before tax	-137 390	-126 464	-119 367	-122 241
Permanent differences	-1 937	4 050	-1 937	4 437
Change in temporary differences	22 581	-16 588	10 505	3 544
Taxable result	-116 745	-139 002	-110 799	-114 260
Temporary differences				
Fixed assets	19 546	33 932	7 533	9 862
Loss carry forward	-1 034 784	-918 039	-976 315	-865 516
Other temporary differences	-20 524	-12 329	-20 524	-12 348
Total	-1 035 763	-897 436	-989 306	-868 002
Calculated deferred tax asset 22 %	227 868	197 436	217 647	190 960

Deferred tax assets are not recognised in the balance sheet.

RECONCILITATION OF TAX EXPENSE	Konsern		Morselskap	
(Amounts in NOK 1000)	2022	2021	2022	2021
Loss before tax	-137 390	-126 464	-119 367	-122 241
Tax 22%	-30 226	-27 822	-26 261	-26 893
Permanent differences	-426	891	-426	976
Defered tax assest, not recognized	30 652	26 931	26 687	25 917
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)	2022	2021	2022	2021
Profit attributable to share holders	**-137 390**	**-126 464**	**-119 367**	**-122 241**
Weighted average number of shares outstanding	374 737	357 831	374 737	357 831
Earnings per share				
-ordinary	-0.37	-0.35	-0.32	-0.34
-diluted	-0.37	-0.35	-0.32	-0.34

Note 10: Intangible asset

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

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

* Some development projects and IT system is under development.

Included in the group's intangible assets is a webshop developed in the subsidiary HBC Therapeutics AS, the carrying amount was TNOK 0 as of 31 December 2022 (TNOK 188 as of 31 December 2021). The asset in the subsidiary was written down in full in 2022.

Throughout 2022, 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. Core activities such as research, development, and documentation are integral to HBC's R&D work. Additionally, significant investments were made in 2022 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 during marketing and sales.

Research and development
is crucial for the industrial process of producing the company's products, as it involves advanced equipment that may experience downtime during the testing and production of new, efficient solutions to enhance profits and reduce costs. The aim to increase the volume of raw materials necessitates the optimization of all production stages.
In 2022, HBC continued to enhance their knowledge through studies and analyzing the ingredients' elements 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 cutting to produce unique products with proven 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 2022 were TNOK 28,521 (2021 TNOK 26,859). Of this, TNOK 11,237 has been capitalized in 2022 (2021: TNOK 12,598).

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

The R&D process is divided into four steps:

1. The development of ProGo® peptides for Gastro-Intestinal (GI) health. The collaboration with Stanford has shown that SPH provides excellent protection against GI tract inflammation in standard models of inflammatory bowel disease (IBD). The mode of action is an upregulation of the anti-inflammatory gene system, HMOX1. A proof-of-concept clinical trial in IBD patients at Stanford is expected to commence during 2023. The capitalized development costs for 2022 were TNOK 3,027.
2. OmeGo® as a Novel anti-eosinophilic therapeutic, as it has shown through clinical studies to decrease inflammation in the body. Our efforts at developing a pharmaceutical lead program around eosinophilia inflammation control is on-going. Our lead analog, MA-022, has shown a clinically significant and enhanced level of eosinophil control in in-vitro. Initial development will focus on eosinophilic esophagitis, an orphan condition that causes pain and difficulty in swallowing. Work for the scaling up of MA-022 synthesis is complete and preclinical in vitro and in vivo work will commence in 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 2022 were TNOK 2,572.
3. 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 2022 were TNOK 5,638.
4. The Clinical Trial Unit (CTU) in Ålesund has performed several clinical trials and they are still ongoing. This includes studies for Asthma, Osteopenia and Arthritis. 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

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

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	

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:

2021	Group				Parent			
(Amounts in NOK 1000)	Manu-facturing facilities	Machinery and equipment	Fixtures and fittings	Total	Land, manu-facturing facilities	Machinery and equipment	Fixtures and fittings	Total
Cost 01.01.2021	66 078	38 321	2 118	106 517	42 538	35 121	1 585	79 244
Additions	34 516	17 628	0	52 144	34 516	15 317	0	49 833
Disposals	0	0	0	0	0	0	0	0
Costs at 31.12.2021	100 594	55 949	2 118	158 661	77 054	50 438	1 585	129 077
Depreciations 01.01.2021	10 037	16 103	457	26 597	6 867	15 491	446	22 803
Depreciations fot the year	6 953	4 696	75	11 723	5 499	3 925	32	9 457
Disposals	0	0	0	0	0	0	0	0
Depreciations per 31.12.2021	16 990	20 798	532	38 320	12 366	19 416	478	32 303
Carrying amounts 31.12.2021	83 604	35 151	1 586	120 342	64 688	31 022	1 107	96 774
Shortest of lease term or economic life	15 years	5 years	3-5 years		15 years	5 years	3-5 years	
Depreciation method	Straigt line depreciation	Straigt line depreciation	Straigt line depreciation		Straigt line depreciation	Straigt line depreciation	Straigt line depreciation	

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 fot 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 depreciation	Straigt line depreciation	Straigt line depreciation		Straigt line depreciation	Straigt line depreciation	Straigt line depreciation	

Lease liabilities:

	Group		Parent	
(Amounts in NOK 1000)	**2022**	**2021**	**2022**	**2021**
Undiscounted lease liabilities and due dates for payments				
Less than 1 year	19 496	19 496	14 653	15 939
2-5 years	54 272	62 288	45 237	50 369
More than 5 years	49 479	52 968	39 576	41 154
Total undiscounted lease liabilities 31.12	**123 247**	**134 752**	**99 465**	**107 462**
Changes in lease liabilities				
Total lease liabilities 1.1	112 977	72 302	90 144	48 997
New/changed lease liabilities recognized in the period	2 464	52 144	2 254	49 833
Payment of principal amounts	-12 625	-11 469	-9 850	-8 686
Payment of interest amounts	-8 592	-7 595	-7 053	-5 898
Interest related to the lease liabilities	8 592	7 595	7 053	5 898
Total lease liabilities 31.12	**102 815**	**112 977**	**82 547**	**90 144**
Current lease liabilities 31.12 (note 16)	12 855	12 099	10 055	9 801
Non-current lease liabilities 31.12 (note 16)	89 960	100 878	72 492	80 343
Cash outflows for lease liabilities	19 496	19 064	14 653	14 584

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 2022.

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 1,707 (TNOK 1,159 in 2021) for fixture and fittings for the Group and TNOK 2,239 (TNOK 1,450 in 2021) for storage, and for the parent company TNOK 1,611 (TNOK 1,046 in 2021) for fixture and fittings TNOK 2,094 (TNOK 1,062 i 2021) 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)	1.1.2021	Downpayment	Withdrawals	New leases	Otheradjustments	31.12.2021
Short-term interestbearing liabilities (excl. posts below)	64 078	-3 428	0	0	3 425	3 425
Short-term leasing liabilities	8 224	0	0	0	3 875	12 099
Long-term interest-bearing debt (excl. posts below)	3 768	-2 416	0	0	0	1 352
Long-term leasing liabilities	64 078	-10 255	0	50 980	-3 925	100 878
Subordinary loan	21 346	0	1 087	0	0	22 433
Total	100 844	-16 099	1 087	50 980	3 375	140 187

PARENT

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

GROUP

(Amounts in NOK 1000)	1.1.2022	Downpayment	Withdrawals	New leases	Otheradjustments	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	Otheradjustments	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

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	31.12.21	23 784	0	0	23 784
Interest-bearing loans fixed interest rate	31.12.21	1 879	0	0	1 879

LIABILITIES MEASURED AT FAIR VALUE, PARENT COMPANY

(Amounts in NOK 1000)	Date of measurement	Amount	Active markets (Level 1)	Observed market prices (Level 2)	Non-observed input (Level 3)
Liabilities in which fair value is stated in note 18:					
Interest-bearing loans					
Interest-bearing loans floating interest rate	31.12.21	22 433	0	0	22 433
Interest-bearing loans fixed interest rate	31.12.21	1 879	0	0	1 879
Interest-bearing loans floating interest rate from subsidiaries	31.12.21	4 979	0	0	4 979

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	31.12.22	1 352	0	0	1 352
Interest-bearing loan fixed interest rates	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 of which the fair value has been provided in note 18:					
Interes-bearing loan					
Interest-bearing loan floating interest rates	31.12.22	0	0	0	0
Interest-bearing loan fixed interest rates	31.12.22	0	0	0	0
Interest-bearingloanfromsubsidiaryfloatinginterest rates	31.12.22	0	0	0	0

Note 15: Financial assets

FINANCIAL ASSETS	Group		Parent	
(Amounts in NOK 1000)	2022	2021	2022	2021
Amortized cost receivables:				
Accounts receivable	14 072	10 089	13 803	9 970
Other current receivable	0	0	9 577	75
Total financial assets	**14 072**	**10 089**	**23 380**	**10 045**
Total current financial assets	**14 072**	**10 089**	**23 380**	**10 045**
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	2022	2021	2022	2021
Rennebu Municipality	NIBOR+2,0%	2024-	812	1 352	0	0
Loan from shareholder	4,0%	2024-	0	0	0	0
Subordinary loan	NIBOR+4,5%	2024-	0	22 433	0	22 433
Lease liability	6% - 8%	2024-	89 960	100 878	72 492	80 343
Total			**90 772**	**124 662**	**72 492**	**102 776**

CURRENT DEBT			Group		Parent	
(Amounts in NOK 1000)	Effective interest rate	Maturity	2022	2021	2022	2021
Rennebu Municipality	NIBOR+2,0%	2023	540	541	0	0
Loan from shareholder*	4,0%	2023	0	1 879	0	1 879
Subordinary loan	6,6%	2023	0	0	0	0
Lease liability	6% - 8%	2023	12 855	12 099	10 055	9 801
Total			**13 395**	**14 519**	**10 055**	**11 680**
Sum interest-bearing debt			**104 167**	**139 181**	**82 548**	**114 456**

*Loan is issued in JPY - unrealized loss calculated to TNOK 0 per 31.12.2021, repaid per 31.12.2022.

The parent company has a credit facility in bank with a credit limit of TNOK 37,000. The credit limit was unused as of 31 December 2022.

In addition to the above, the parent company had a current interest-bearing liabilities towards the subsidiary HBC Berkåk AS amounting to TNOK 0 as of 31 December 2022 (TNOK 4,976 as of 31 December 2021). The interest rate had been agreed to NIBOR + 3 %.

Collaterals

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

(Amounts in NOK 1000)	2022	2021
Trade receivable	13 803	9 970
Inventory	115 983	90 244
Total	**129 786**	**100 215**

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 Nordvest

As of 30 June and 31 December each year, the company will have a liquidity reserve of at least NOK 5 million in the form of cash and unused drawing rights in operating credit facility. The book value of equity in Hofseth BioCare ASA shall at all times amount to at least 25 % of the book value of the company's assets. The company had an equity ratio of 41.7 % and was thus not in breach of covenants given in the loan agreement with Sparebank1 per 31 December 2022.

Note 17: Financial assets and liabilities by category

	Group		Parent	
(Amounts in NOK 1000)	2022	2021	2022	2021
Financial assets at amortized cost:				
Long-term financial lending and deposit	0	987	0	987
Accounts receivable	14 072	10 089	13 803	9 970
Other financial loans (see note 15)	0	0	9 577	75
Total financial assets amortized cost	**14 072**	**11 076**	**23 380**	**11 033**
Total financial assets	**14 072**	**11 076**	**23 380**	**11 033**

Fair value is equal to carrying amount.

Financial liabilities at amortized cost:				
Interest-bearing short-term debt	0	1 879	0	1 879
Accounts payable	145 752	124 165	140 551	121 476
Interest-bearing short-term debt subsidiaries	0	0	0	4 976
Other short-term debt (note 23)	13 081	12 249	11 720	15 367
Non-current interest-bearing debt	812	23 784	0	22 433
Non-current leasing obligations	89 960	100 878	72 492	80 343
Total financial liabilities amortized cost	**249 605**	**262 955**	**224 764**	**246 473**

LEVEL 3, PARENT	2022		2021	
(Amounts in NOK 1000)	Booked value	Fair value	Booked value	Fair value
Current interest-bearing liabilities	10 055	10 055	11 680	11 663
Non-current interest-bearing liabilities	72 492	72 492	102 776	103 511
Interest-bearing short-term debt of subsidiaries	0	0	4 976	4 881
LEVEL 3, GROUP				
Non-current interest-bearing liabilities	13 395	13 395	14 519	14 502
Interest-bearing short-term debt of subsidiaries	90 772	90 772	124 662	125 398

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 2022.

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)
2021	+100	-1 130
	-100	1 130
2022	+100	-1 042
	-100	1 042

Average interest rates on financial instruments were as follows:

Average interest rate in %	2022	2021
Loan from shareholders	4.00	4.00
Secured debt	6.64	5.09
Lease liabilities	5.30	5.97

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)
2021	+100	-901
	-100	901
2022	+100	-1 036
	-100	1 036

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 2022 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 2021 and in 2022 in order to secure the Group's budgeted future sales in foreign currency (Euro and USD), but have not used hedge accounting. The parent company and the group had no positions per 31 December 2022 or 31 December 2021.

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

Change in currency	Change in NOK	Effect on profit before tax			Effect on balance		
(Amounts in NOK 1000)	to foreign currency	EUR	USD	JPY	USD	EUR	JPY
2021	+10%	2 581	2 425	-8	n/a	n/a	188
	-10 %	-2 581	-2 425	8	n/a	n/a	-188
2022	+10%	556	306	-5	n/a	n/a	n/a
	-10 %	-556	-306	5	n/a	n/a	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 2022 is TNOK 14,072 (TNOK 10,089 as of 31 December 2021), and for parent company TNOK 13,803 (TNOK 9,970 as of 31 December 2021). 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 9,577 (TNOK 75 in 2021), 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 2022 the group had MNOK 32,4 in cash, of which MNOK 2,6 were restricted cash as of 31 December 2022. As of 31 December 2021 the group had MNOK 49.9 in cash, of which MNOK 2,7 were restricted cash.

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

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

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

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

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**

2021					Parent					
(Amounts in NOK 1000)	1-3 months	4-6 months	7-9 months	10-12 months	2022	2023	2024	2025	> 5 years	Total
Interest bearing debt to financial institutions	0	0	0	0	0	0	0	0	0	0
Loan and subordinated loan from shareholders	864	858	947	252	1 009	22 517	0	0	0	26 448
Lease libilities	4 025	3 998	3 971	3 944	14 460	12 833	12 187	10 889	41 154	107 462
Trade payables	121 476	0	0	0	0	0	0	0	0	121 476
Other current liabilities	11 715	3 652	0	0	0	0	0	0	0	15 367
Total	**138 080**	**8 509**	**4 918**	**4 196**	**15 470**	**35 350**	**12 187**	**10 889**	**41 154**	**270 753**

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**

The group and the parent company signed in February 2020 a new credit facility for up until TNOK 37,000 with SpareBank 1 Nordvest for working capital need related to future sales contracts. In addition to the available cash and cash equivalents as of 31 December 2022, this secures the group and the company sufficient liquidity for 2023. 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 2022. The Group's equity ratio was 36.0 % as of 31 December 2022 and (33.7 % as of 31 December 2021). The parent company's equity ratio was 41.7 % as of 31 December 2022 (36.2 % as of 31 December 2021).

Note 19: Inventory

INVENTORY	Group		Parent	
(Amounts in NOK 1000)	**2022**	**2021**	**2022**	**2021**
Salmon oil	4 803	1 611	4 803	1 611
Soulible protein	32 083	34 492	32 083	34 492
Calcium	48 268	43 517	48 268	43 517
Non-soluble protein and other	3 558	2 647	3 558	2 647
Webshop products	11 694	1 164	11 694	1 164
Total finished goods	**100 407**	**83 431**	**100 407**	**83 431**
Packaging and auxiliary materials	16 118	7 382	15 577	6 813
Total inventory	**116 525**	**90 813**	**115 983**	**90 244**

Provision for obsolescence of TNOK 19,145 as of 31 December 2022 compared to TNOK 10,608 as of 31 December 2021. Profit effect change in obsolescence provisions is included in cost of goods with TNOK 8 537 in 2022 (TNOK 400 in 2021). 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, 49 tonnes were taken out of stock during 2022 (589 tonnes in 2021, and 689 tonnes in 2020) It has not been sales through 2021 and 2022 that have increased the stock.

Note 20: Trade receivables and other current receivables

TRADE RECEIVABLES	Group		Parent	
(Amounts in NOK 1000)	2022	2021	2022	2021
Trade receivables related parties	2 243	2 324	2 243	2 324
Trade receivables other	11 827	7 765	11 560	7 646
Sum trade receivables	14 072	10 089	13 803	9 970
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
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						
2021						
Accounts receivables	10 089	8 346	1 743	0	0	0
Credit-secured share	7 625	5 896	1 729	0	0	0
Expected credit loss	0	0	0	0	0	0

AGING OF TRADE RECEIVABLES - PARENT

(Amounts in NOK 1000)	Total	Not due	<30d	30-60d	60-90d	>90d
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
2021						
Accounts receivables	9 970	8 271	1 699	0	0	0
Credit-secured share	7 625	5 896	1 729	0	0	0
Expected credit loss	0	0	0	0	0	0

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 2022 and 2021.

OTHER CURRENT RECEIVABLES	Group		Parent	
(Amounts in NOK 1000)	2022	2021	2022	2021
Prepayments	1 505	1 610	1 209	1 356
VAT receivable	6 110	5 535	5 580	5 063
Intercompany Group	0	0	9 577	75
Benefit funds	4 383	4 509	4 209	4 122
Other	726	7 833	727	7 833
Total	**12 724**	**19 488**	**21 301**	**18 449**

Note 21: Cash and cash equivalents

Deposits with a credit institution totaled TNOK 32,427 as of 31 December 2022 and TNOK 49,921 as of 31 December 2021 and the Group earns interest income according to agreed floating interest rate terms.

At 31 December 2022, restricted funds for the Group amounted to TNOK 2,546 which derives from the employees' tax deductions. As of 31 December 2021, this amounted to TNOK 2,710.

Note 22: Equity investments

Subsidiaries	Country	Head office	Share capital	Ownership	Voting share	Earnings 2022	Equity 31.12.2022
HBC Berkåk AS	Norway	Rennebu	100	100%	100%	-17 117	-6 074
HBC Therapeutics AS	Norway	Ålesund	2 000	100%	100%	-266	-267
HBC Switzerland GmbH	Switzerland	Zürich	CFH20	100%	100%	-185	3
Hofseth BioCare Rørvik AS	Norway	Rørvik	100	51%	51%	-3	-1 411
Hofseth Biocare Americas Holdings Inc.	USA	Mendham, NJ	0	100%	100%	n/a	n/a

Current liabilities to subsidiaries amount to TNOK 0 as of 31 December 2022 (current liabilities TNOK 4,976 in 2021). The shares in the subsidiary HBC Berkåk AS have been written down to book equity as of 31 December 2021.

Company	Country	Head office	Share capital	Ownership	Voting share
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.

INVESTMENT IN ASSOCIATED COMPANY ATLANTIC DELIGHTS LTD	Group		Parent	
(Amounts in NOK 1000)	2022	2021	2022	2021
Net asset 1.1.	5 764	5 733	6 517	6 517
Access	0	0	0	0
Amitization added value	-679	-679	0	0
Profit share after tax	475	709	0	0
Dividend	0	0	0	0
Net asset 31.12.	**5 560**	**5 764**	**6 517**	**6 517**

FINANCIAL INFORMATION IN ASSOCIATED COMPANY ATLANTIC DELIGHTS LTD	Group	
(Amounts in NOK 1000)	2022	2021
Current assets	9 886	6 456
Fixed assets	3 863	5 083
Current liabilities	-2	-636
Non-current liabilities	-2 717	-1 268
Operating revenue	2 668	3 220
Total earnings	777	-456

Note 23: Accounts payable and other short-term liabilities

ACCOUNTS PAYABLE	Group		Parent	
(Amounts in NOK 1000)	2022	2021	2022	2021
Accounts payable	19 910	17 071	17 572	15 390
Accounts payable related companies	125 842	107 094	122 979	106 086
Total	**145 752**	**124 165**	**140 551**	**121 476**

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)	2022	2021	2022	2021
Public duties payable	4 003	4 101	3 476	3 507
Accrued holiday pay	4 546	4 328	3 903	3 652
Other accrued costs	4 532	3 820	4 340	3 232
Short-term debt to group companies	0	0	0	4 976
Total	**13 081**	**12 249**	**11 720**	**15 367**

Note 24: Share capital, shareholders and dividends

As of 31 December 2022, 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 2022 are:

Largest shareholders	# of shares	% share
SIX SIS AG	77 528 323	19.62
RH INDUSTRI AS	69 300 190	17.54
HOFSETH INTERNATIONAL AS	58 944 778	14.92
YOKOREI CO. LTD	40 951 333	10.37
GOLDMAN SACHS INTERNATIONAL	22 450 000	5.68
BRILLIANT INVEST AS	11 000 000	2.78
GOLDMAN SACHS & CO. LLC	9 251 830	2.34
CREDIT SUISSE(Switzerland) LTD.	9 195 181	2.33
CITIBANK, N.A.	8 015 022	2.03
The Bank of New York Mellon SA/NV	4 959 151	1.26
JPMorgan Chase Bank, N.A., London	4 919 301	1.25
UBS Switzerland AG	3 968 288	1.00
LGT BANK AG	3 447 692	0.87
BOMI FRAMROZE HOLDING AS	3 253 370	0.82
The Bank of New York Mellon	2 802 952	0.71
Saxo Bank A/S	2 693 890	0.68
INITIA AB	2 636 340	0.67
CLEARSTREAM BANKING S.A.	2 486 470	0.63
VERDIPAPIRFONDET DNB SMB	2 482 035	0.63
The Northern Trust Comp, London Br	2 433 865	0.62
In total, the 20 largest shareholders	**342 720 011**	**86.75**
Total others	52 361 019	13.25
Total number of shareholders	**395 081 030**	**100.00**

Total no. of shareholders: 1,407

Shares owned by CEO and the Board	2022	2021
Jon Olav Ødegård*	2 964 039	2 894 039
Roger Hofseth*	128 444 968	110 723 444
Christoph Baldegger	700 000	700 000
Kristin Fjellby Grung	0	0
Torill Standal Eliassen*	200 000	200 000
Crawford Currie*	750 000	750 000
Amy Novogratz*	22 450 000	12 100 000
Total	**154 449 007**	**127 437 483**

*Includes shares owned by related companies and persons.

NOTES TO THE ACCOUNTS

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

No major events have occoured between 31.12.2022 and the date of this Annual report.

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 2022 to the best of our knowledge, have been prepared in accordance with IFRS as adopted by the EU / applicable accounting standards and that the financial statements give a true and fair view of the Group's assets, liabilities, financial position and results of operations, and that the annual report gives a fair view of the financial performance and position of the Group, together with a description of the main risks and uncertainties faced by the Group.

Hofseth BioCare ASA Board of Directors,
Ålesund, 30 March 2023

Kristin Fjellby Grung Chair of the board	Torill Standal Eliassen Board member	Crawford Currie Board member	Christoph Baldegger Board member
Amy Novogratz Board member	Roger Hofseth Board member		Jon Olav Ødegård CEO

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Auditors report

CHAPTER 4

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Hofseth Biocare ASA

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 2022 and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company and the Group as at 31 December 2022 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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

Basis for opinion

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

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

We have been the auditor of the Company for 9 years from the election by the general meeting of the shareholders on 22.07.2014 for the accounting year 2014.

Material uncertainty related to going concern

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 2023 to continue as going concern. These events or conditions, along with other matters as set forth in note 1 and the Board of Director's report, indicate that a material uncertainty exists that may cast significant doubt on the Company'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 2022. 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 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

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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 Group had inventory of TNOK 116 525 and the parent company had inventory of TNOK 115 983 per 31 December 2022. 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 2022. 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 TOK 60 588 for the group and for the parent company per 31 December 2022, where additions related to capitalized development costs in 2022 were TNOK 11 237 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 and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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- 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-2022-12-31-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.

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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, 30 March 2023
ERNST & YOUNG AS

Jørn Knutsen
State Authorised Public Accountant (Norway)

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

Skatteetaten

Vår dato	Din/Deres dato	Saksbehandler
07.11.2022	21.10.2022	Vibeke Horne
800 80 000	Din/Deres referanse	Telefon
Skatteetaten.no	AR512021688	90518192
Org.nr	Vår referanse	Postadresse
974761076	2022/5865574	Postboks 9200 Grønland 0134 OSLO

HOFSETH BIOCARE ASA
Kipervikgata 13
6003 ÅLESUND

Att. Leif Arne Giske

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk for Hofseth Biocare ASA, org.nr. 994 464 663

Vi viser til deres brev av 21. oktober 2022 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk for Hofseth Biocare ASA.

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering Hofseth Biocare ASA dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som danner grunnlaget for vedtaket ikke endres vesentlig.

Kopi av dette brevet må sendes til Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Den regnskapspliktige må selv dokumentere ved dette brev at tillatelse er gitt.

Bakgrunn
Hofseth Biocare ASA har norske og utenlandske eiere, både private og profesjonelle og er notert på Oslo Børs.

Selskapet driver virksomhet innen bearbeiding og omsetning av fisk og fiskeprodukter, herunder håndtering av fiskeavfall. Selskapet har hovedsakelig utenlandske kunder.

Selskapet har utenlandske styremedlemmer og all kommunikasjon og rapportering foregår på engelsk.

Skattekontorets vurdering
Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen [...] være på norsk. Departementet kan ved [...] enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

> "Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives,

Side 1 / 2

> f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter skattekontorets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har skattekontoret lagt særlig vekt på at selskapet har norske og utenlandske eiere, både private og profesjonelle og er notert på Oslo Børs. Videre er det vektlagt at selskapet driver virksomhet i en bransje der alle sentrale aktører behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Vibeke Horne
rådgiver
Brukerdialog, brukerkontakt
Skatteetaten

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.