



Second Quarter & First Half 2023 Financial Report

Published
25.08.2023



CEO Statement

HBC's dedicated focus on R&D has borne considerable fruit. During the quarter, HBC span out a separate company in the US, leaving further work on prostate cancer as a separate entity with access to external funding.



The second quarter of 2023 has borne witness to a series of strong accomplishments for Hofseth BioCare, reflecting financial acumen, market expansion, and advances in R&D. A meticulous examination of the quarter's financial performance reveals HBC's gross revenues from ordinary operations, which surged to NOK 52.9 million, subsequently accumulating to NOK 97.7 million in the first half of the year. Though the cost of sales reached NOK 27.1 million and operating expenses totaled NOK 20.1 million, judicious cost management was instrumental in containing operational losses, culminating in an EBITDA from ordinary operations of NOK -5.2 million, compared to -18.3 million in the second quarter of 2022.

Beneath these financial accomplishments lies HBC's sales and marketing prowess. Despite challenges stemming from supply limitations of salmon off-cuts, HBC exhibited remarkable resilience, yielding a notable 100 % year-on-year rise in quarterly revenue, exceeding the noteworthy benchmark of 50 million. The fortitude of HBC's ingredients segment was manifest in the generation of NOK 38 million in revenue, attesting to the effective establishment of exclusive, premium ingredients. This was compounded by the significant enhancement of gross margins, scaling to 44 %, a commendable rise from the previous year's 34 %, and we expect the margins to rise further in the quarters to come.

HBC's dedicated focus on R&D has borne considerable fruit. During the quarter, HBC span out a separate company in the US, leaving further work on prostate cancer as a separate entity with access to external funding. The presentation of the paper "Development of a Natural Protein Hydrolysate Supplement" at the esteemed Multinational Association of Supportive Care in Cancer (MASCC) meeting underscored the therapeutic potential of ProGo in addressing muscle atrophy in cancer cachexia and age-related muscle wasting. The successful completion of preclinical trials for MA-022, targeting

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

The strategic development of peptides modulating FTH1, relevant in conditions such as prostate cancer and restless leg syndrome, not only augments therapeutic prospects but also secures a robust intellectual property framework for enduring impact.

In conclusion, the second quarter's accomplishments attest to HBC's multifaceted achievements. The financial figures underscore resilience in adverse conditions, while sales and marketing milestones signify agility in market dynamics. HBC's commitment to R&D and intellectual property preservation manifests in a promising pipeline of healthcare innovations, poised to transform therapeutic paradigms. Thus, HBC's narrative resonates as an embodiment of strategic financial acumen, market adaptability, and scientific pioneering, forging an enduring trajectory of triumph.

A handwritten signature in blue ink, reading "Jon Olav Ødegård".

Jon Olav Ødegård, CEO

Key Figures & Highlights

	Q2 2023	Q2 2022	1H 2023	1H 2022	2022
Gross operating revenue	76 430	25 833	121 199	56 617	120 448
EBITDA	18 332	-18 330	-10 169	-44 537	-98 206
Operating profit/loss	8 377	-26 787	-28 083	-60 255	-128 618
Net cash flow	-6 130	-24 883	-15 703	-44 232	-17 494
Equity ratio	28.4%	20.6%	28.4%	20.6%	36.0%

HIGHLIGHTS IN THE SECOND QUARTER

- › In Q2 2023, we delivered exceptional growth with gross operating revenues, excluding sale of assets, of NOK 52.9m, more than double the corresponding revenues second quarter last year, attributable to the company's significant market success. The Finished Goods business demonstrated a positive performance, with sales amounting to NOK 13.2m, reflecting a 100 % growth compared to previous financial year.
- › Net cash burn continues to decrease compared to last year, following the company's cost-cut initiatives and implementation of strategic growth initiatives. Operational cash flow was positive NOK 3.1m in the second quarter.
- › Our R&D team successfully completed preclinical trials for MA-022, targeting eosinophilic conditions, which marks a significant stride towards potential treatments.
- › In June, the company recognised NOK 23.5m in revenue from sale of assets, patents, to an associated company, HBC Immunology Llc. (HBCI), registered in USA. HBCI is focused on the discovery and development of peptides that normalize tumor micro-environments, resulting in the improved performance of immunotherapies and chemotherapies. HBC holds 75 % shareholding in HBCI. According to the HBCI shareholder's agreement, HBC controls 50 %, hence HBCI is treated as an associated company in HBC

HIGHLIGHTS AFTER THE QUARTER

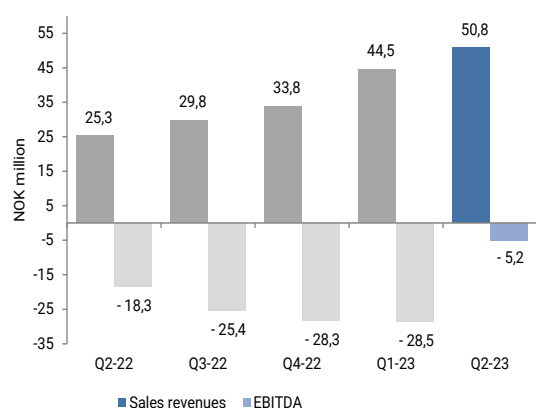
- › In August, HBCI successfully completed the required minimum seed capital financing of approx. USD 900,000 from external investors at a company valuation of USD 20m to commence preclinical animal trials.

Financial Review

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

P&L Second Quarter and First Half 2023

HBC had gross operating revenues of NOK 76.4m (25.8m) in the second quarter and NOK 121.2m (56.6m) in the first half of the year. The operating revenues includes net revenue from sale of patents to an associated company registered in USA of NOK 23.5m both for the second quarter and the first half year of 2023. Adjusted for the sale of assets, operating revenues in second quarter and first half of the year were NOK 52.9m and NOK 97.7m respectively.



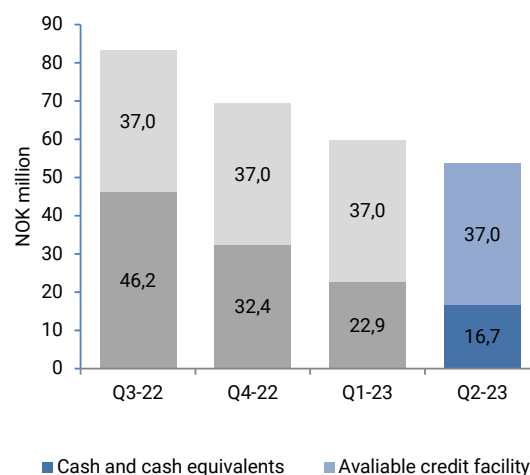
Cost of sales (CoGS) amounted to NOK 27.1m (17.7m) in the quarter. Opex amounted to NOK 20.1m in the quarter compared to corresponding quarter last year of NOK 17.2m, leaving the operating profit (EBITDA) at NOK 18.3m (-18.3m), and at loss NOK -5.2m before sale of assets. Operating result (EBIT) amounted to NOK 8.4m (-27.8m) in the second quarter 2023. Net financial items in the second quarter were NOK -2.6m.

Cash flow

Cash flow from operations during the second quarter was positive NOK 3.2m, compared to NOK -43.6m in second quarter last year. Net cash flow from investment activities was NOK -2.8m in the second quarter, compared to NOK -4.2m in the corresponding quarter last year. Cash flow from financing activities amounted to NOK -6.5m in the quarter, compared to NOK -22.9m in the second quarter 2022.

Cash and cash equivalents decreased by NOK 6.1m during the quarter, leaving total holding at NOK 16.7m at the end of the

period, compared to NOK 5.7m at the end of the second quarter 2022.



Including credit facilities, HBC had NOK 53.7m in free liquidity as of the end of the second quarter 2023.

Financial position

Total assets for HBC were NOK 410.1m (378.8m) at the end of the second quarter of 2023. Deferred tax asset of NOK 234.5m is not recognized in the statement of financial position.

Total equity amounted to NOK 116.7m (77.9m) corresponding to an equity ratio of 35 % for the parent company and 28.4 % (20.6 %) for the group.

Sales & marketing

Notwithstanding that the second quarter was impacted by constrained supplies of salmon-off cuts as previously expected from the Q1 sales report, HBC still reported an incrementally strong quarter. Low processing volumes of salmon and hence equally low connected production volumes of raw material for HBC did not deter continuously strong and improving demand across all geographies and channels which resulted in our first above NOK 50m sales revenue quarter at a group level, that compares to NOK 25m last year, so up 100% year on year. For H1, ordinary revenues came in at NOK 98m which is 80% of last years' FY22 revenue by the end of the same period in 2023. Equally relevant and encouraging, gross margins also

continued to improve, coming in at 47 % for the second quarter compared to 31 % at the same time last year.

Divisionally, HBC's ingredients business continued from a strong Q1 with revenues coming at NOK 38m compared to NOK 19m last year. Our long-time effort is beginning to pay off by building up unique, branded ingredients that get a market premium based of traceability, quality, and efficacy – we are different. The results this quarter show how important this has been, by enabling us to secure strong revenue and margins, despite weaker volumes of raw materials access.

The outlook for raw material supply the coming months is expected to improve, certainly from mid August onwards. We are already seeing a reduction in the salmon market price, which stimulates retailer demand for salmon, and seasonally there is a good biomass in the seas in Norway so a combination of higher slaughtering volumes and weaker spot prices improves the outlook for H2 from a raw material volume perspective. Furthermore, we expect more external suppliers to sign up before the end of the year to reduce and possibly eliminate seasonal swings in processing volumes by the middle of next year. This, together with increasing marine commodity prices, particularly fish oil, and a general lack of supply of global fish ingredients and proteins, we expect our trading to continue to maintain the current momentum.

Q2 was full of news and events for Hofseth Biocare. The new bioavailability study of HBC's salmon oil OmegaGo® was published in April underlying its ability to unlock the full potential of fresh, whole fish compared to processed 18/12 omega-3 oils and showing the superior absorbability of natural oils like ours, compared to commercially available processed fish oils, reinforcing the arsenal of scientific evidence behind OmegaGo®. The fact that 100% of HBC's salmon by-product output is human grade is its single greatest opportunity and we continue to shift production from feed volumes to premium pet and human health categories. We are still very early our journey.

There has been a number of new product launches across Europe and Asia and this pattern is expected to continue into H2. Importantly, it is encouraging to see it is our own ongoing R&D study publications, such as the one above, that gives us traction, increases our recognition within the industry and facilitates new project wins. Interestingly, trends focused on natural health solutions continue to be tail winds for us, but also previous headwinds just as the "plant-based" movement, is also attenuating significantly so coupled with our own sourced evidence we are finding it easier to get new customer interest that may have otherwise been focused on other products.

While continuously working on reinforcing our messaging, HBC is working closely with its partner DKSH in Asia exploring new opportunities for growth and working hand in hand in developing innovative concepts and products with CalGo®, ProGo® and OmeGo® for the nutraceutical, pharmaceutical

and pet areas. Market visits and customers meetings were organized to better understand the Asian market dynamic to best meet their needs. Multiple personalized prototypes were made to help formulate new products that fit into their local needs. The same goes with HBC's partner in Europe IMCD, closely working together on geographically expanding within the region, identifying customers and creating opportunities for growth of its ingredients. The interest in the OmeGo® gummy crated by IMCD, with 500mg of active ingredients inside, continues to grow, particularly for those customers looking for natural solution delivering anti-allergic health benefits.

Consumer and Pet Health

HBC's Finished Goods business again delivered higher sales and margin in Q2.

Total 2023 revenue was NOK 23.4m vs 12.6m in 2022, a growth rate of +86 % with higher gross margins and lower operational costs. Q2 performance was +99 % and internal cash profit forecasts are now slightly ahead of expectations set out at the beginning of the year.

Brilliant™ Salmon Oil accounted for the largest portion of this record performance through organic sales growth, new retail listings and tighter distributor partnerships. Brilliant™ strengthened its market leading position in the UK with strong growth in core retail, including Pets at Home, as well as through the major e-commerce platforms where Amazon remains our number 1 customer.

Our presence at the Bologna Zoomark Pet Show has led to a significant increase in opportunities in mainland Europe and Asia. We expect to see the results of some of these during H2 & early 2024 with confirmed retail listings and distributor partnerships already agreed. Our US business also continues to accelerate, with strong performance on Amazon, the club stores and in the independent pet trade, partly driven by the launch of our new 1200ml professional label line.

In consumer health, Cardio Salmon Oil soft gels and own label soft gel sales delivered record revenue and some exciting white label partnerships have been developed which will open up further growth opportunities in Asia and the UAE.

R&D Update

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

- i. HBC's paper "Development of a Natural Protein Hydrolysate Supplement Containing Peptidyl Inhibitors of Activin-A and Myostatin to Alleviate Cancer Cachexia" was presented at the annual Multinational Association of Supportive Care in Cancer (MASCC) meeting in Nara, Japan,

June 22-24. The research shows ProGo's potential in tackling accelerated muscle loss in cancer cachexia as well as sarcopenia (accelerated age-related muscle wasting). MASCC is the premier global organisation for supportive cancer care.

- ii. Successful completion of our initial preclinical trial with only seven days of MA-022 treatment (our lead drug candidate in eosinophilic conditions) in an animal asthma model. Next steps include a longer duration of treatment to assess dose response alongside disease-modifying effects. MA-022 is an analogue of the naturally occurring lipopeptide (microcolin A) found in OmeGo and has almost double the level of anti-eosinophil activity (anti-allergic effectiveness) compared to microcolin A.
- iii. Recruitment to the OmeGo allergic asthma study continues well and we anticipate data read-out in 2024. This will provide significant insights into the inflammation-resolving effects of OmeGo and its benefits to immune health which will be targeted to the consumer health space.
- iv. Clinical trial work of ProGo® in milder forms of inflammatory bowel disease will be initiated during 2023, led by Stanford University. This is the first step in developing ProGo® as a Medical Nutrition and stems from HBC's core research area in Gene Expression Modulation.
- v. Recruitment to our bone health trial with CalGo continues and we expect it to complete in 2023. The trial has a two-year follow-up period and data on the osteoinductive effects of CalGo and protection against osteoporosis are expected in late 2025.
- vi. A study assessing the bioavailability of OmeGo® compared to a krill oil and a processed, concentrated omega-3 oil, in a standard mouse model, was published in the peer-review journal of Biomedical Journal of Scientific &

Technical Research. The study confirms the significantly greater bioavailability of natural, marine oils compared to processed oils and hence the ability to provide greater health benefits, as demonstrated by our clinical research.

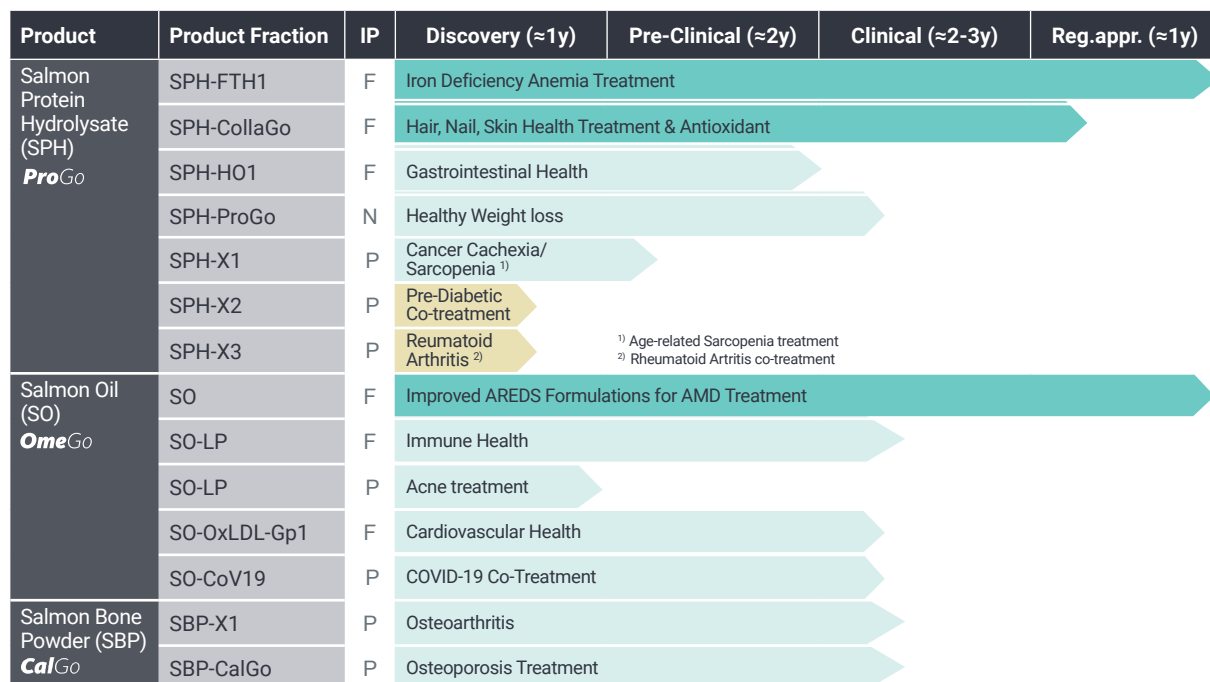
- vii. Analyses of OmeGo®'s resolution of inflammation following acute infection in adults, via its impact on the modulation of genes involved in the initiation and resolution of inflammation, are almost completed and will provide a deeper understanding of how OmeGo® can help restore immune health. Publication of this research will follow in a peer-reviewed scientific journal in H2 2023.
- viii. A collaborative study of ProGo® in skin health has shown significant benefit in terms of objective improvement of facial wrinkles and in skin hydration. The results will be published in a peer review journal. A second collaborative study that assessed the benefit of lower dose ProGo® on hemoglobin and ferritin levels has also successfully concluded. Once biomarker work has been completed by our collaborators the trial data will be published in a peer review journal.

HBC Research

ProGo® peptides for Gastro-Intestinal (GI) health

The collaboration with Stanford has shown that SPH provides excellent protection against GI tract inflammation in standard models of inflammatory bowel disease (IBD). The mode of action is an upregulation of the anti-inflammatory gene system, HMOX1, which results in a rebalancing of the GI immune system with an accelerated recovery in overall health. A proof-of-concept clinical trial in IBD patients at Stanford is expected to commence during 2023. We anticipate that this work will

Research Pipeline



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

enable the granting of health claims for SPH as medical food / medical nutrition in the management of IBD and the protection of gut health. There have been no new options for milder forms of IBD for a number of years to help resolve symptoms and improve quality of life in this patient group.

ProGo® peptides for improved body composition and metabolism

We already have two datasets which have assessed the pro-metabolic, fat burning qualities of ProGo®, one with weight reduction as the primary endpoint and the other as a secondary endpoint. Recent laboratory-based work has identified other pro-metabolic effects of the peptides which would be expected to be involved in the increases energy & vitality seen with consuming 4-16g of ProGo® daily. This work will be submitted for publication in a peer-reviewed journal during H2 2023.

CalGo® for bone and joint health

Our osteoporosis and osteoarthritis clinical trials are being conducted by the HBC Clinical Trial Unit (CTU) in Ålesund. Osteoarthritis (OA) is a common problem with ageing, impacting mobility, fitness and quality of life. Effective interventions are limited pain killers remain a mainstay of treatment. Recruitment has been slightly slower than anticipated, which will delay full data read-out to 2024.

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

OmeGo® softgels for immune health

Analyses of OmeGo®'s resolution of inflammation following acute infection in adults, via its impact on the modulation of genes involved in the initiation and resolution of inflammation are ongoing and will provide a deeper understanding of how OmeGo® can help restore immune health. Once completed,

we will publish this research in a peer-reviewed scientific journal. The publication of both "Assessing the Anti-Inflammatory Effects of an Orally Dosed Enzymatically Liberated Fish Oil in a House Dust Model of Allergic Asthma" and "Preliminary Insights into the Inflammation-resolving Effect of OmeGo®, An Enzymatically-Liberated Fish Oil, Compared to Diclofenac in A Rat Paw Edema Injection Model" in a peer-review journals in Q4 2022 provides further insights into the broad inflammation-resolving effects of OmeGo® and positive effects on immune function. These combined datasets will help direct future trials of immune health benefits of OmeGo®.

MA-022

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

FTH1 modulation with bioactive peptides derived from SPH

We have identified 8 individual peptides which drive the FTH1 modulatory effects of SPH. The peptides contain the same core amino acid sequence but have structural differences which may alter how they impact FTH1 signalling in different targets in the body. These peptides have the potential to receive novel composition of matter designation which will provide a broad and long-lasting IP protection.

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

HBC Pharmaceutical Leads Pipeline

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

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

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

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

Share information

HBC shares were traded between NOK 2.60 and 3.50 per share in the first quarter and the last closing price on 30 June 2023 was NOK 2.65. Based on 395,081,030 outstanding shares, this values HBC's equity at approximately NOK 1,047m. As of 30 June 2023, HBC had 1,468 shareholders. The 20 largest shareholders controlled 86.75 per cent of the shares.

Related party transactions

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

Declaration by the Board of Directors and CEO

We confirm to the best of our knowledge that the interim financial statements for the period 1 January to 30 June 2023 is prepared in accordance with IAS 34 - Interim Financial Reporting, and that the accounts give a true and fair picture of the company's assets, liabilities, financial position and results of operations.

We declare that, to the best of our knowledge, the interim report gives a true and fair overview of important events in the financial year and their impact on preliminary results, the most important risk and uncertainties for the remaining six months of the accounting period, and significant transactions with related parties.

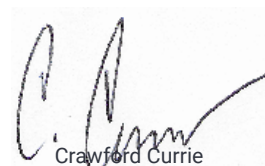
Hofseth BioCare ASA Board of Directors
Ålesund, 25 August 2023



Kristin Fjellby Grung
Chair of the board




Torill Standal Eliassen
Board member



Crawford Currie
Board Member



Christoph Baldegger
Board member



Amy Novogratz
Board member



Roger Hofseth
Board member



Jon Olav Ødegård
CEO

Glossary

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

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

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

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

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

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

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

Co-treatment - Treatment with two or more agents simultaneously

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

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

Enzymatic hydrolysis - is a process in which enzymes facil-

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

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

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

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

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

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

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

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

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

IP - Intellectual Property

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

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

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

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

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

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

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

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

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

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

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

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

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

PetGo – is HBC’s commercial name for PHP

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

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

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

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

SO – Salmon Oil (or OmeGo)

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

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

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

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

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

Interim Financial Statements

Consolidated



Consolidated statement of comprehensive income

(figures in NOK 1 000, except EPS)	Q2 2023	Q2 2022	1H 2023	1H 2022	2022	Notes
Sales revenue	50 773	25 579	95 304	55 494	119 128	8
Other revenue	2 169	555	2 407	1 123	1 320	8
Gain on sale of assets	23 488	0	23 488	0	0	8
Gross operating revenue	76 430	25 833	121 199	56 617	120 448	
Cost of sales	27 083	17 740	68 392	39 828	91 934	9
Salaries and other payroll costs	10 876	9 257	25 277	24 048	57 043	11
Other operating expenses	20 138	17 166	37 700	37 278	69 677	
EBITDA	18 332	-18 330	-10 169	-44 537	-98 206	
Depreciation and Write-down	9 955	8 457	17 914	15 718	30 412	
Operating profit/loss (EBIT)	8 377	-26 787	-28 083	-60 255	-128 618	
Financial income	1 784	2 064	3 390	2 325	4 568	13
Financial expenses	4 398	3 660	7 381	6 120	13 340	13
Net financial items	-2 614	-1 596	-3 991	-3 795	-8 772	13
Profit/loss before taxes	5 763	-28 384	-32 074	-64 050	-137 390	
Tax expense	0	0	0	0	0	
Profit for the period	5 763	-28 384	-32 074	-64 050	-137 390	
Total comprehensive income for the period attributable to:						
Non-controlling interests	-1	0	-1	0	-1	
Shareholders in HBC (majority)	5 764	-28 384	-32 073	-64 050	-137 390	
Total	5 763	-28 384	-32 074	-64 050	-137 390	
Earnings per share (EPS)	0.01	-0.08	-0.08	-0.18	-0.35	
Basic earnings per share (NOK)	0.01	-0.08	-0.08	-0.18	-0.35	

The interim financial information has not been subject to audit.

Consolidated condensed statement of financial position

(figures in NOK 1 000)	Q2 2023	Q2 2022	2022	Notes
Research, patents etc.	57 490	54 471	60 588	5
Property, plant and equipment	160 307	178 036	168 794	6
Financial assets	36 467	6 804	5 900	7
Total non-current assets	254 266	239 310	235 282	
Inventories	110 133	101 899	116 525	10
Trade receivables	18 379	18 112	14 072	12
Other current assets	11 457	13 862	12 724	
Cash and cash equivalents	16 724	5 688	32 427	
Total current assets	156 693	139 562	175 748	
Total assets	410 959	378 872	411 030	
Share capital	3 951	3 578	3 951	14
Other Paid in equity (+) Uncovered losses (-)	113 409	75 001	144 771	
Non-controlling interests	-687	-685	-686	
Total equity	116 672	77 894	148 036	
Non-current liabilities interest bearing	89 814	145 126	90 722	
Total non-current liabilities	89 814	145 126	90 722	
Other Interest-bearing loans, leasing and borrowings	11 524	14 531	13 453	
Trade payables	188 204	134 191	145 752	
Other current liabilities	4 746	7 131	13 018	
Total current liabilities	204 473	155 852	172 223	
Total equity and liabilities	410 959	378 872	411 030	

The interim financial information has not been subject to audit.

Consolidated condensed statement of changes in equity

(figures in NOK 1 000)	Q2 2023	Q2 2022	1H 2023	1H 2022	2022	Notes
Equity at start of period	112 651	108 011	148 036	140 378	140 378	
Share based payment program costs	0	506	0	1 012	2 773	
Other changes in equity	-1 741	-2 240	711	554	623	
Issue new shares 07.07.2022	0	0	0	0	141 978	
Share issue costs	0	0	0	0	-326	
Profit/loss for the period	5 763	-28 384	-32 074	-64 050	-137 390	
Other comprehensive income/expenses	0	0	0	0	0	
Total comprehensive income	5 763	-28 384	-32 074	-64 050	-139 390	
Equity at the end of period	116 672	77 893	116 672	77 894	148 036	

Earnings per share

(figures in 1 000, except EPS)	Q2 2023	Q2 2022	1H 2023	1H 2022	2022
Number of shares end of period	395 081	357 831	395 081	357 831	395 081
Weighted average number of shares	395 081	357 831	395 081	357 831	395 081
Effect of employee stock options and warrants	1 172	5 521	1 172	5 521	1 000
Weighted average number of shares diluted	396 253	363 352	396 253	363 352	375 737
Basic earnings per share (NOK)	0.01	-0.08	-0.09	-0.18	-0.37
Diluted earnings per share (NOK)	0.01	-0.08	-0.09	-0.18	-0.37

Consolidated condensed cash flow statement

(figures in NOK 1 000)	Q2 2023	Q2 2022	1H 2023	1H 2022	2022
Cash flow from operational activities					
Profit before taxes	5 763	-28 384	-32 074	-64 050	-137 390
Depreciation and write-off	9 955	8 457	17 914	15 718	30 412
Gain on sale of assets	-23 844	0	-23 844	0	0
Changes in Inventory	-1 381	-9 185	6 392	-11 086	-25 712
Changes in trade debtors	-2 512	527	-4 307	-8 023	-3 983
Changes in trade creditors	18 625	-8 727	42 452	10 026	70 355
Changes in other current bal. sheet items	-6 384	-9 199	-8 530	-20	11 196
Classified as financial activities	2 543	2 882	4 841	4 975	9 954
Net cash flow from operational activities	3 159	-43 628	3 237	-52 461	-45 168
Cash flow from investment activities					
Investments in tangible assets	-1 340	-508	-2 923	-4 077	-4 020
Investments in intangible assets	-1 417	-3 654	-4 334	-4 656	-13 758
Net cash flow from investment activities	-2 757	-4 162	-7 257	-8 733	-17 778
Cash flow from financing activities					
Issurance of share capital	0	0	0	0	70 777
Transaction cost on issue of shares	0	0	0	0	-326
Payment of interest	-2 580	-2 882	-4 878	-4 975	-9 954
Proceeds from borrowings	0	28 433	0	28 433	0
Repayment of borrowings	-3 951	-2 644	-6 804	-6 496	-15 045
Net cash flow from financing activities	-6 532	22 907	-11 682	16 962	45 452
Net change in cash and cash equivalents	-6 130	-24 883	-15 703	-44 232	-17 494
Cash and cash equivalents at the beginning of the period	22 854	30 572	32 427	49 920	49 920
Cash and cash equivalents at the end of the period	16 724	5 689	16 724	5 689	32 427
Available unused credit facility	37 000	36 805	37 000	36 805	37 000
Total cash and unused credit facility	53 724	42 493	53 724	42 493	69 427

Selected notes to the condensed financial statements

1. General information and basis for preparation

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

2. Use of estimates and judgements

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

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

5. Intangible assets

(figures in NOK 1 000)	R&D	Systems	Patents	Total
Book value at 31.03.2023	56 555	4 725	817	62 097
Additions	1 308	109	0	1 417
Sold assets	4 486	0	0	4 486
Depreciations for the period	1 150	323	65	1 538
Book value at 30.06.2023	52 227	4 511	752	57 490
Economic life	10 years	5 years	5-10 years	

6. Property, plant and equipment

(figures in NOK 1 000)	Machines and Equipment	Fixtures and fittings	Total
Book value at 31.03.2023	56 421	677	57 098
Additions	904	0	904
Depreciations for the period	2 243	450	2 693
Book value at 30.06.2023	55 083	227	55 309
Economic life	5-10 years	3-10 years	
Method of depreciation	straight line	straight line	

Going Concern

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

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

3. Taxes

Deferred tax assets are not been recognized in the financial statements. Estimated value is NOK 234.5m.

4. Transactions with related parties

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

Leased objects

(figures in NOK 1 000)	Rented buildings	Machinery and equipment	Other rentals	Total
Book value at 31.03.2023	72 482	32 446	425	105 353
Additions	0	5 494	0	5 494
Depreciations for the period	1 793	3 932	0	5 725
Book value at 30.06.2023	70 690	34 008	302	105 000
Economic life	13 years	5-10 years	3-5 years	
Method of depreciation	straight line	straight line	straight line	

7. Financial assets

(figures in NOK 1 000)	Q2 2023	Q2 2022	2022
Atlantic Delights Limited	6 517	6 517	6 517
HBC Immunology Llc.	27 480	0	0
Investments in other companies	25	25	25
Other	445	261	316
Total Financial Assets	36 467	6 804	36 467

8. Segments

(figures in NOK 1 000)	Q2 2023	Q2 2022	1H 2023	1H 2022	2022
Per product					
Salmon oil	36 640	15 008	63 618	31 337	77 759
Protein	6 308	2 501	12 672	8 586	12 578
Calcium	817	1 092	2 020	2 089	2 666
PHP	8 771	6 568	16 289	13 078	25 480
Gain on sale of asset	23 844	0	23 844	0	0
By-product/other	2 406	664	3 112	1 527	1 965
Total revenues	76 430	25 833	121 199	56 617	120 448

9. Cost of sales

(figures in NOK 1 000)	Q2 2023	Q2 2022	1H 2023	1H 2022	2022
Cost of goods sold	27 182	16 737	69 191	38 051	83 397
Net obsolete cost	-99	1 003	-799	1 777	8 537
Net cost of sales	27 083	17 740	68 392	39 828	91 934

10. Inventory

(figures in NOK 1 000)	Q2 2023	Q2 2022	2022
Per product			
Raw material	12 276	7 836	12 679
Finished goods	93 972	90 851	100 407
Spare parts equipment	3 885	3 212	3 439
Total inventory	110 133	101 899	116 525

11. Salaries and other payroll costs

(figures in NOK 1 000)	Q2 2023	Q2 2022	1H 2023	1H 2022	2022
Salaries incl social security and pension	11 269	9 173	26 105	23 958	57 486
Share based payment	0	506	0	1 012	2 346
Activated costs	-392	-422	-829	-922	-2 790
Salaries and other payroll costs	10 876	9 257	25 277	24 048	57 043

12. Trade receivables

(figures in NOK 1 000)	Q2 2023	Q2 2022	2022
Trade receivables	18 379	18 112	14 072
Total receivables	18 379	18 112	14 072

Accounts receivable are not interest-bearing receivables and general terms and conditions for payment are from 7 to 90 days. All significant accounts receivables are credit secured by Coface, limited to a maximum of NOK 18m and with a coverage rate of 90 %. Historical credit losses for customers over the past five years are approximately NOK 0.2m.

13. Finance

(figures in NOK 1 000)	Q2 2023	Q2 2022	1H 2023	1H 2022	2022
Income from investment in associated companies	23 488	0	23 488	0	0
Interest expense	2 580	2 883	4 841	4 976	9 899
Interest income	0	1	0	1	651
Net currency exchange	-34	1 285	887	1 180	735
Net financial items	20 874	- 1 596	19 497	-3 795	-8 512

14. Shareholders

Largest shareholders as of 30 June 2023

Shareholder	Account Type	Shareholdings	% stake
SIX SIS AG	Nominee	77 377 066	19.59
RH INDUSTRI AS	Ordinary	69 300 190	17.54
HOFSETH INTERNATIONAL AS	Ordinary	59 176 565	14.98
YOKOREI CO. LTD	Ordinary	40 951 333	10.37
GOLDMAN SACHS INTERNATIONAL	Nominee	22 450 000	5.68
BRILLIANT INVEST AS	Ordinary	11 000 000	2.78
CREDIT SUISSE (SWITZERLAND) LTD.	Nominee	9 563 186	2.42
GOLDMAN SACHS & CO. LLC	Nominee	9 251 830	2.34
CITIBANK, N.A.	Nominee	8 015 022	2.03
THE BANK OF NEW YORK MELLON SA/NV	Nominee	5 255 290	1.33
JPMORGAN CHASE BANK, N.A., LONDON	Nominee	4 830 541	1.22
UBS SWITZERLAND AG	Nominee	3 985 608	1.01
LGT BANK AG	Nominee	3 523 372	0.89
BOMI FRAMROZE HOLDING AS	Ordinary	3 453 370	0.87
SAXO BANK A/S	Nominee	3 301 597	0.84
THE NORTHERN TRUST COMP, LONDON BR	Ordinary	2 433 865	0.62
VERDIPAPIRFONDET DNB SMB	Nominee	2 371 364	0.60
CITIBANK, N.A.	Nominee	2 176 208	0.55
ØDEGÅRD PROSJEKT AS	Ordinary	2 174 039	0.55
INITIA AB	Ordinary	2 148 469	0.54
Total 20 largest		342 738 915	86.75
Total other		52 342 115	13.25
Total no. of outstanding shares		395 081 030	100.00

Total number of shareholders: 1,468

This is Hofseth BioCare

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

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




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

lated Sarcopenia, and as a treatment for Iron Deficiency Anemia.

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

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

OUR PRODUCTS AND INGREDIENTS

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

IR CONTACTS

James Berger, Chief Commercial Officer
Tel: +41 79 950 1034
E-mail: jb@hofsethbiocare.no

Christel Kanli, Chief Financial Officer
Tel: +47 416 23 188
E-mail: ck@hofsethbiocare.no

Dr. Crawford Currie, Head of Medical R&D
Tel: +44 7968 195 497
E-mail: cc@hofsethbiocare.no



Q3 Financial Report



Q4 Financial Report