



# Second Quarter 2024 Financial Report

**Published**  
23.08.2024



# CEO Statement

*HBC is not only growing financially but is also making important contributions to the field of health sciences. Our vision to improve lives through science-led marine nutrition is guiding us every day in our research and production, and I am confident that the advancements we are making today will lead to even greater achievements in the future.*

---



In the second quarter of 2024, HBC has continued to deliver on our growth strategy while we continue to show advancements in our R&D projects. Our financial performance this quarter was marked by record sales revenues of NOK 72.2 million, a 42 % increase from the same period last year and a 39 % increase from the last quarter. This growth reflects our expanding market presence and record sales of proteins of NOK 20 million truly shows the increasing value that our customers see in our premium products. Particularly in the pet sector, demand for our functional ingredients and palatability enhancers continues to rise.

Another highlight of the quarter has been the progress within our R&D department. The work made by our research team is not only advancing our understanding of various health conditions but it is also positioning HBC as a leader of sustainable, premium marine products with proven health benefits.

A notable achievement this quarter was the identification of GLP-1 bioactivity within the smallest fraction of peptides in ProGo®. This discovery has significant implications for the management of obesity and metabolic disorders, as GLP-1 is crucial in nutrient metabolism and weight management. Our R&D team is now planning trial work at lower doses, which could lead to more effective and cost effective uses for metabolic health, muscle protection and weight control.

In addition, our work on CalGo® continues to show promise in the area of joint health. Our recent study on the bioavailability of natural undenatured type II collagen suggests that even 240mg doses of CalGo® can provide significant benefits, potentially making it a more cost-effective solution for individuals suffering from joint issues such as mild osteoarthritis. The data analysis from our joint health study is currently underway, and I am optimistic about the results.

In June, we transferred another pharmaceutical lead candidate to our 72 % owned entity in the US, HBC Immunology, to further the work on an eosinophil-targeting drug candidate MA-022a. This is yet another important milestone for HBC as initial studies have shown promising results, with substantial reductions in key asthma-related symptoms, indicating that MA-022a could become a vital molecule for treatment of eosinophilic conditions such as allergic asthma.

In summary, HBC is not only growing financially but is also making important contributions to the field of health sciences. Our vision to improve lives through science-led marine nutrition is guiding us every day in our research and new business development, and I am confident that the advancements we are making today will lead to even greater success in the future. In summary, as set at the start of 2024, HBC is still targeting c. 50 % growth in sales, a higher capacity utilization and positive EBITDA at the end of the year.

A handwritten signature in blue ink, reading "Jon Olav Ødegård". The signature is fluid and cursive.

Jon Olav Ødegård, CEO

# Key Figures & Highlights

	Q2 2024	Q2 2023	1H 2024	1H 2023	2023
Gross operating revenue	80 409	76 430	132 767	121 199	218 511
EBITDA	-1 974	18 332	-18 200	-10 169	-66 116
Operating profit/loss	-11 568	8 377	-37 777	-28 083	-102 529
Net cash flow	3 147	-6 129	1 412	-15 703	-8 537
Equity ratio	35.7%	28.4%	35.7%	28.4%	10.5%

## HIGHLIGHTS IN THE SECOND QUARTER

- › HBC had new record quarterly sales revenues in the second quarter of NOK 72.2m up 42 percent from NOK 50.7 m in the second quarter 2023, excluding sale of assets in both quarters. Sales revenues were up 39 percent compared to first quarter in 2024. The increase is testament to gaining traction in major markets and our ability to turn the raw material into products that are valued by our customers. Worth mentioning is the growing interest in our premium pet products, both the functional ingredients and palatability enhancers.
- › Production volumes were also high in the quarter, up 9 percent from Q1 to Q2 and 31 percent higher than Q2 last year. During the quarter, HBC has received deliveries from new raw material suppliers.
- › Gross margin in second quarter was 34 percent, which is lower than first quarter and is accountable to change in product mix sold. Cash flow from operating activities came in on the positive side.
- › In April, our laboratory in Midsund was accredited according to ISO 17025, enabling HBC in doing most of its microbiological analyses in-house.
- › In June, the company recognised NOK 8.2m in profit from its second sale of assets, patents, to its associated company, HBC Immunology Llc. (HBCI), registered in USA. The latest spin-off relates to eosinophil-targeting drug candidate MA-022a. Eosinophils are immune cells that become overactive in allergic and hypersensitivity conditions including allergic asthma. HBC holds 72 % shareholding in HBCI.

## SUBSEQUENT EVENTS

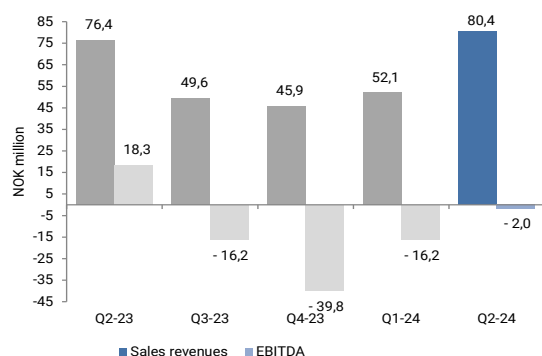
- › There were no significant events subsequent to the date of this report.

# Financial Review

Figures for the corresponding periods in 2023 are given in brackets.

## P&L Second Quarter 2024

HBC had gross operating revenues of NOK 80.4m (76.4m) in the second quarter and NOK 132.8m (121.2m) in the first half year. The operating revenues include net revenues from sale of patents of NOK 8.2m in 2024 and NOK 23.5m in 2023. Adjusted for sale of assets, operating revenues were NOK 72.2m (52.9m) in the second quarter and NOK 124.6m (97.7m) in the first half year.



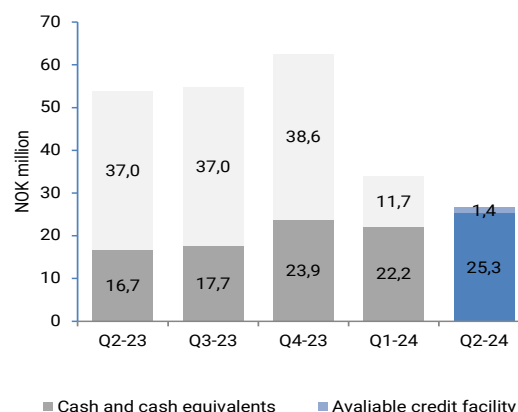
Cost of sales (CoGS) amounted to NOK 47.6m (27.1m) in the quarter. A higher CoGS is related to the sales mix of products, with higher cost products constituting a larger share. There have been no extraordinary write-downs this quarter. The resulting in a gross margin of 34 percent in the quarter. Reduction of excess calcium volumes also continues to affect the gross margin. Operating expenses were NOK 22.6m (20.1m) in the quarter, a small increase compared to corresponding quarter last year, but lower than the first quarter. For the first half year, operating expenses are at NOK 46.5m (37.7m), an increase compared to last year that is related to maintenance costs and added sales support.



The operating loss (EBITDA) for the quarter was NOK -2.0m (18.3m) and NOK -18.2m (-10.2m) for the first half year. Adjusted for sale of assets the EBITDA for the quarter was NOK -10.2m (-5.2m). Operating result (EBIT) amounted to NOK -17.3m (5.8m) in the second quarter 2024. Net financial items in the second quarter were NOK -6.0m (-2.6m), an increase related to draw-down on credit lines.

## Cash flow

Cash flow from operations during the second quarter was positive NOK 0.7m, compared to NOK 3.2m in the second quarter 2023 and NOK -19.4m in the first quarter 2024. Net cash



flow from investment activities was NOK -0.9m in the second quarter, compared to NOK -2.8m in the corresponding quarter last year. Cash flow from financing activities amounted to NOK 3.3m in the quarter, compared to NOK -6.5m in the second quarter 2023. Financing includes draw-down on the company's credit facilities.

Cash and cash equivalents increased by NOK 3.1m during the quarter, leaving total holding at NOK 25.3m at the end of June, compared to NOK 22.2m at the end of first quarter 2024. Including credit facilities, HBC had NOK 26.7m in free liquidity as of the end of June 2024.

## Financial position

Total assets for HBC were NOK 385.5m (411.0m) at the end of June 2024. Deferred tax asset of NOK 265.8m is not recognized in the statement of financial position. Current liabilities were significantly reduced following conversion to B-shares in January.

Total equity amounted to NOK 137.6m (116.7m) corresponding to an equity ratio of 35.7 % (28.4 %) for the group. The equity ratio was significantly improved a few days after the turn of the year when the investment in new equity of NOK144m by Hofseth International was approved by the general meeting.

## Sales & marketing

The company continues to show continued growth in Q2 with quarterly revenues coming in at NOK72.2 which is 39% ahead of Q1, which had set the previous quarterly high and this is also up 42% year on year. Although strength is broad based across both finished goods and b2b ingredients, one area of notable strength is the pet sector where incoming interest for HBC ingredients is targeting our premium proteins and salmon oil as both functional ingredients and as palatability enhancers.

In the consumer health segment, second quarter showed strong sales growth with revenue increasing by 60% year-over-year to 3.2 MNOK. Growth was driven primarily by strong demand in Europe for CalGo® with repeat sales to support two new product launches by B2B customers.

HBC attended Vita Foods held in Geneva in May which is widely recognized as the “world’s nutraceutical event”. HBC held numerous positive and constructive meetings with our Distributors and customers from Europe, US and Asia. IMCD, our European partner have successfully created a new OmeGo



gummy which was very well received at the show. Then in June, we attended customer visits in Malaysia, Indonesia and Thailand. The trip underscored the potential for ingredients in human health in Asia. Of note we had two ProGo new product launches in China for the “beauty from Within” segment and four new CalGo launches in Thailand and Taiwan. OmeGo also had a new product launch in Thailand and our partners at DKSH have developed a number of new food concepts ready for distribution.

## Consumer and Pet Health

There was continued progress in Q2 and first half year for the PET Health business through the brand building of Brilliant™ with several new listings agreed and improved retail sales performance in many key accounts, although supply chain challenges around cross-border distribution restricted the level of growth that the brand was able to achieve. On the other hand this is only temporary, as the potential growth we see for Brilliant is still exponential.

New listings were achieved in Musti la Mirri (Finland), the largest Pet retailer in Scandinavia, Pet Fitness (Italy), Pet Lovers



Centre (Singapore) and our we also executed a successful launch in Chewy.com, (US) the largest specialist online pet retailer in North America. As these accounts become established, they should contribute significantly to performance in Q4 2024 and into 2025.

The e-commerce launch of 2 new products in the Brilliant Pet-care portfolio has been a big success and Calcium Collagen Powder has achieved listings in several UK accounts for late 2024. This new product development will be vital for the long term health of the brand to establish it as a cross-spectrum need in the mind of many pet retailers, and future proof our growth aspirations.

First half revenue was only +2% due to the aforementioned supply chain challenges. Increased demand meant some delays to component parts, and increased regulations in the UK and US delayed finished product deliveries. This is expected to be fully resolved by September 2024 and profit continues to increase year on year. We expected a return to strong double digit growth for Brilliant next year and see the pipeline building already.

## R&D Update

In the second quarter of 2024, HBC R&D delivered the following:

- i. Following HBC’s in vitro results showing the GLP-1 (glucagon-like peptide) and GIP (glucose-dependent insulinotropic polypeptide) agonist activity of ProGo® our lab in Men-

lo Park has identified that the majority of this activity resides in the smallest fraction of peptides in ProGo®. This fraction is highly bioavailable and therefore ProGo® should enable weight loss at lower doses than we have used previously. Trial work is planned at 1g and 2g daily.

ii. This identification of the GLP-1 bioactivity within the fraction of small peptides may also enable the identification of another drug lead, similar to the process that identified the FTH1 peptides for prostate cancer. GLP-1 is important in nutrient metabolism and GLP-1 based treatments have shown significant weight loss benefits and transformed the management of obesity.

iii. We have completed our CalGo joint health study and data analysis has commenced. The study utilized 1g of CalGo daily. Our recent analysis of the bioavailability of undenatured type 2 collagen in both our standard salmon bone powder (CalGo) indicates that lower doses of CalGo should provide similar benefits in joint health.

iv. HBC published a research paper titled "Assessing the potential of an Enzymatically Liberated Salmon Oil to Support Immune Health Recovery from Acute SARS-CoV-2 Infection via Change in the Expression of Cytokine, Chemokine and Interferon-Related Genes" in the peer-review journal International Journal of Molecular Science. This work further elucidates the immune health benefits of our minimally processed, whole salmon oil OmeGo.

v. HBC's research paper "Further In Vitro Studies on the Effects of a Novel Peptide Hydrolysate, SPH1, Against Muscle Atrophy using Primary Normal Human Skeletal Myo-

blasts (HSkM)" was presented at the Annual Multinational Association of Supportive Care in Cancer (MASCC) meeting in June 2024. The research provides further insights into ProGo's potential in tackling muscle loss in cancer cachexia and sarcopenia (accelerated age-related muscle wasting). MASCC is the premier global organisation for supportive cancer care.



vi. HBCI continues to progress its research of FT-002a in prostate cancer. Initial animal studies have shown signifi-

## Research Pipeline

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

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

cant anti-tumour effects and studies of orally dosed FT-002a have commenced.

vii. Results from our clinical trial of OmeGo in allergic asthma are anticipated later in H2 2024. These will subsequently be published in peer-review journals. This study will provide further insights into the immune health benefits of OmeGo.

viii. Following the successful completion of our initial 2-week preclinical trial of MA-022s (our current lead drug candidate in eosinophilic conditions) in an animal model of asthma a second study of 8 weeks' duration has also now been completed and the results are highly encouraging. A paper will be prepared for publication of these two studies combined in a peer-reviewed scientific journal. MA-022s is a synthetic analogue of the naturally occurring lipopeptide (microcolin A) found in OmeGo® which can be manufactured on a commercial scale.

ix. Clinical trial work of a novel formulation of SPH (SPHi) in milder forms of inflammatory bowel disease will be initiated in H2 2024, led by Stanford School of Medicine. This trial will treat children and we therefore need to submit an IND (Investigational New Drug) application to the FDA before initiating the study. IND approval will also allow for more studies to be conducted with SPHi with greater ease and will be greatly valued by potential partners.

## HBC Research

### SPHi peptides for Gastro-Intestinal (GI) health

The collaboration with Stanford has shown that SPHi provides excellent protection against GI tract inflammation in standard models of inflammatory bowel disease (IBD) by upregulating the anti-inflammatory gene system, HMOX1. This results in a rebalancing of the GI immune system with an accelerated recovery in gut and overall health. The proof-of concept clinical trial in IBD patients at Stanford is expected to commence in H2 2024 after FDA approval of the IND application. The granting of an NDA will bring greater flexibility in any clinical trial program and greater regulatory certainty for potential partners. There have been no new treatment options for mild forms of IBD for a number of years to help resolve symptoms and improve quality of life in this patient group and we anticipate significant market demand for SPHi, upon completion of successful clinical trials.

### ProGo® peptides for improved body composition and metabolism

We already have two clinical 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. We recently published in vitro work fur-

ther delineating the anti-diabetic and energy-increasing properties of the peptides. In vitro work relating to improved nutrient metabolism via GLP-1 and GIP agonism will be submitted for publication in a peer-reviewed journal during Q3 2024. Clinical trial work is planned to assess lower doses (1g and 2g per day) of ProGo for weight loss in menopausal women.

### 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. Data read-out will occur in H2 2024.

The bone health trial will assess whether CalGo® prevents bone loss in osteopenic woman over 50 years of age. 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. Data from the bone health study is expected in 2025.

### OmeGo® softgels for immune health

In June 2024 we published our clinical trial of OmeGo in adults with mild viral infection in the International Journal of Molecular Science. This shows that OmeGo® helps support a more efficient immune response and recovery and overall providing a deeper understanding of how OmeGo® supports immune health.

### MA-022s

This invention was transferred to HBCI in June 2024 for further development. We have completed a two-week study of MA-022s treatment and a ten-week study in animal models of eosinophilic (allergic) asthma with impressive results: a reduction in lung goblet cell mass, a reduction in smooth muscle hypertrophy and airway obstruction. The goblet cells secrete mucus in the lungs and in asthma they become overactive, increase in number and contribute 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). This would be expected to result in improved lung function. MA-022s is our lead candidate for the treatment of eosinophilic (allergic) asthma.

### 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

# HBCI Update

## 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

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. Preclinical work continues at HBCI to assess the impact of FTH1 modulation in prostate cancer. Initial animal studies have shown significant anti-tumour effectiveness and orally dosed studies have commenced.

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 1.90 and 2.27 per share in the second quarter and the last closing price on 28 June 2024 was NOK 2.04. Based on 411,081,030 outstanding shares, this values HBC's equity at approximately NOK 839m. As of 28 June 2024, HBC had 1,413 shareholders. The 20 largest shareholders controlled 89.50 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. Hofseth International, a related party to HBC, was issued 16m new B-shares in HBC in the first quarter. The B-shares hold no voting rights and will carry a preferential right to receive dividends over the Company's ordinary shares. After a minimum of 5 years, the

B-shares can request the B-shares to be converted into ordinary shares at a price at NOK 9 per share.

There were no significant new types of transactions with related parties during the second quarter 2024.

## 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 2024 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, 22 August 2024



Linda Christin Hoff  
Chair of the board



Maria Bech  
Board member



Crawford Currie  
Board Member



Christoph Baldegger  
Board member



Amy Novogratz  
Board member



Roger Hofseth  
Board member



Jon Olav Ødegård  
CEO

# Glossary

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

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

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

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

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

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

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

**Co-treatment** - Treatment with two or more agents simultaneously

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

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

**Enzymatic hydrolysis** - is a process in which enzymes facilitate

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

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

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

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

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

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

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

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

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

**IP** - Intellectual Property

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

structures.

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

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

**Nf- $\lambda$ B** - is an important inflammatory signalling pathway that results in the release of drivers of inflammation including TNF- $\alpha$ . 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<sup>®</sup>** – 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<sup>®</sup>** - 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- $\alpha$**  - 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 2024	Q2 2023	1H 2024	1H 2023	2023	Notes
Sales revenue	72 188	50 773	124 286	95 304	190 815	8
Other revenue	10	2 169	271	2 407	4 059	8
Gain on sale of assets	8 211	23 488	8 211	23 488	23 637	8
<b>Gross operating revenue</b>	<b>80 409</b>	<b>76 430</b>	<b>132 767</b>	<b>121 199</b>	<b>218 511</b>	
Cost of sales	47 621	27 083	74 967	68 392	150 686	9
Salaries and other payroll costs	12 115	10 876	29 454	25 277	58 275	11
Other operating expenses	22 648	20 138	46 546	37 700	75 665	
<b>EBITDA</b>	<b>-1 974</b>	<b>18 332</b>	<b>-18 200</b>	<b>-10 169</b>	<b>-66 116</b>	
Depreciation and Write-down	9 594	9 955	19 578	17 914	36 413	
<b>Operating profit/loss (EBIT)</b>	<b>-11 568</b>	<b>8 377</b>	<b>-37 777</b>	<b>-28 083</b>	<b>-102 529</b>	
Results from investments in associated companies	-1 830	0	-2 641	0	2 542	13
Financial income	2 025	1 784	3 724	3 390	6 597	13
Financial expenses	6 192	4 398	9 878	7 381	13 293	13
Net financial items	-5 996	-2 614	-8 795	-3 991	-4 154	13
<b>Profit/loss before taxes</b>	<b>-17 564</b>	<b>5 763</b>	<b>-46 572</b>	<b>-32 074</b>	<b>-106 683</b>	
Tax expense	0	0	0	0	0	
<b>Profit for the period</b>	<b>-17 564</b>	<b>5 763</b>	<b>-46 572</b>	<b>-32 074</b>	<b>-106 683</b>	
Total comprehensive income for the period attributable to:						
Non-controlling interests	0	-1	-1	-1	-1	
Shareholders in HBC (majority)	-17 564	5 764	-46 571	-32 073	-106 682	
<b>Total</b>	<b>-17 564</b>	<b>5 763</b>	<b>-46 571</b>	<b>-32 074</b>	<b>-106 683</b>	
<b>Earnings per share (EPS)</b>	<b>-0.04</b>	<b>0.01</b>	<b>-0.11</b>	<b>-0.08</b>	<b>-0.27</b>	
<b>Basic earnings per share (NOK)</b>	<b>-0.04</b>	<b>0.01</b>	<b>-0.11</b>	<b>-0.08</b>	<b>-0.27</b>	

The interim financial information has not been subject to audit.

## Consolidated condensed statement of financial position

(figures in NOK 1 000)	1H 2024	1H 2023	2023	Notes
Research, patents etc.	45 742	57 490	55 284	5
Property, plant and equipment	152 658	160 309	165 703	6
Financial assets	51 303	36 467	38 130	7
<b>Total non-current assets</b>	<b>249 703</b>	<b>254 266</b>	<b>259 116</b>	
Inventories	72 450	110 133	82 542	10
Trade receivables	26 999	18 379	14 849	12
Other current assets	11 074	11 457	9 721	
Cash and cash equivalents	25 302	16 724	23 890	
<b>Total current assets</b>	<b>135 825</b>	<b>156 693</b>	<b>131 003</b>	
<b>Total assets</b>	<b>385 528</b>	<b>410 959</b>	<b>390 119</b>	
Share capital	4 113	3 951	3 951	14
Other Paid in equity (+) Uncovered losses (-)	134 121	113 409	37 876	
Non-controlling interests	-687	-687	-687	
<b>Total equity</b>	<b>137 547</b>	<b>116 672</b>	<b>41 140</b>	
Non-current liabilities interest bearing	92 460	89 814	97 102	
<b>Total non-current liabilities</b>	<b>92 460</b>	<b>89 814</b>	<b>97 102</b>	
Other Interest-bearing loans, leasing and borrowings	77 004	11 524	39 687	
Trade payables	70 460	188 204	55 161	
Other current liabilities	8 057	4 746	157 029	
<b>Total current liabilities</b>	<b>155 521</b>	<b>204 473</b>	<b>251 877</b>	
<b>Total equity and liabilities</b>	<b>385 528</b>	<b>410 959</b>	<b>390 119</b>	

The interim financial information has not been subject to audit.

## Consolidated condensed statement of changes in equity

(figures in NOK 1 000)	Q2 2024	Q2 2023	1H 2024	1H 2023	2023	Notes
<b>Equity at start of period</b>	<b>155 666</b>	<b>112 651</b>	<b>41 140</b>	<b>148 036</b>	<b>148 036</b>	
Other changes in equity	-555	-1 741	-727	711	2	
Issue new shares 04.01.2024	0	0	144 000	0	0	
Share issue costs	0	0	-292	0	-215	
Profit/loss for the period	-17 564	5 763	-46 572	-32 074	-106 683	
Other comprehensive income/expenses	0	0	0	0	0	
Total comprehensive income	-17 564	5 763	-46 572	-32 074	-106 683	
<b>Equity at the end of period</b>	<b>137 547</b>	<b>116 672</b>	<b>137 547</b>	<b>116 672</b>	<b>41 140</b>	

## Earnings per share

(figures in 1 000, except EPS)	Q2 2024	Q2 2023	1H 2024	1H 2023	2023
Number of shares end of period	411 081	395 081	411 081	395 081	395 081
Weighted average number of shares	411 081	395 081	410 729	395 081	395 081
Effect of employee stock options and warrants	1 172	1 172	1 172	1 172	1 172
Weighted average number of shares diluted	412 253	396 253	411 901	396 253	375 737
Basic earnings per share (NOK)	-0.04	0.01	-0.11	-0.08	-0.37
Diluted earnings per share (NOK)	-0.04	0.01	-0.11	-0.08	-0.37

The 16 mill B-shares hold no voting rights and will carry a preferential right to receive dividends over the Company's ordinary shares.

## Consolidated condensed cash flow statement

(figures in NOK 1 000)	Q2 2024	Q2 2023	1H 2024	1H 2023	2023
<b>Cash flow from operational activities</b>					
Profit before taxes	-17 564	5 763	-46 572	-32 074	-106 683
Depreciation and write-off	9 594	9 955	19 578	17 914	35 598
Gain on sale of assets	-8 211	-23 488	-8 211	-23 488	-23 637
Changes in Inventory	11 265	-1 381	10 093	6 392	33 983
Changes in trade debtors	-3 593	-2 512	-12 150	-4 307	-778
Changes in trade creditors	10 019	18 625	15 299	42 452	53 409
Changes in other current bal. sheet items	-4 433	-6 384	-3 706	-8 530	-9 981
Classified as financial activities	3 629	2 580	6 908	4 878	7 543
<b>Net cash flow from operational activities</b>	<b>707</b>	<b>3 159</b>	<b>-18 761</b>	<b>3 237</b>	<b>-9 730</b>
<b>Cash flow from investment activities</b>					
Investments in tangible assets	-235	-1 340	-1 886	-2 923	-14 981
Investments in intangible assets	-617	-1 417	-617	-4 334	-8 689
<b>Net cash flow from investment activities</b>	<b>-852</b>	<b>-2 757</b>	<b>-2 503</b>	<b>-7 257</b>	<b>-23 670</b>
<b>Cash flow from financing activities</b>					
Issurance of share capital	0	0	0	0	0
Transaction cost on issue of shares	0	0	-292	0	-215
Payment of interest	-3 629	-2 580	-6 908	-4 878	-7 543
Proceeds from borrowings	10 261	0	37 226	0	28 353
Repayment of borrowings	-3 338	-3 951	-7 351	-6 804	4 269
<b>Net cash flow from financing activities</b>	<b>3 293</b>	<b>-6 532</b>	<b>22 676</b>	<b>-11 682</b>	<b>24 864</b>
Net change in cash and cash equivalents	3 147	-6 129	1 412	-15 703	-8 536
Cash and cash equivalents at the beginning of the period	22 155	22 854	23 890	32 427	32 427
<b>Cash and cash equivalents at the end of the period</b>	<b>25 303</b>	<b>16 724</b>	<b>25 303</b>	<b>16 724</b>	<b>23 890</b>
Available unused credit facility	1 421	37 000	1 421	37 000	38 647
<b>Total cash and unused credit facility</b>	<b>26 723</b>	<b>53 724</b>	<b>26 723</b>	<b>53 724</b>	<b>62 538</b>

## 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 2023.

### 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
<b>Book value at 31.03.2024</b>	<b>49 037</b>	<b>4 298</b>	<b>581</b>	<b>53 916</b>
Additions	617	0	0	617
Sold assets	7 371	0	0	7 371
Depreciations for the period	1 244	70	53	1 367
<b>Book value at 30.06.2024</b>	<b>41 039</b>	<b>4 175</b>	<b>528</b>	<b>45 742</b>
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
<b>Book value at 31.03.2024</b>	<b>52 579</b>	<b>0</b>	<b>52 579</b>
Additions	235	0	235
Depreciations for the period	4 748	0	4 748
<b>Book value at 30.06.2024</b>	<b>48 067</b>	<b>0</b>	<b>48 067</b>
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. The company has recent months delivered higher margins and increased cashflow, and current prognosis supports this positive trend. However, the Board of Directors is continuously reviewing the cash balance and equity of the Company and will implement appropriate measures in form of loans or equity, if needed, to ensure continuous operations and sufficient cash to execute on planned activities to generate positive cash flow and profitability.

HBC was in breach of its equity ratio covenant as of year end, but it was restored on January 4, 2024.

### 3. Taxes

Deferred tax assets are not recognized in the financial statements. Estimated value is NOK 265.8m.

### 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
<b>Book value at 31.03.2024</b>	<b>67 224</b>	<b>40 545</b>	<b>302</b>	<b>3 479</b>
Additions	0	0	0	0
Depreciations for the period	1 793	1 686	0	3 479
<b>Book value at 30.06.2024</b>	<b>65 431</b>	<b>38 859</b>	<b>302</b>	<b>104 592</b>
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 2024	Q2 2023	2023
Atlantic Delights Limited	3 443	5 559	3 443
HBC Immunology Llc.	47 188	29 480	34 247
Investments in other companies	25	25	25
Other	647	445	414
<b>Total Financial Assets</b>	<b>51 303</b>	<b>51 303</b>	<b>38 130</b>

## 8. Segments

(figures in NOK 1 000)	Q2 2024	Q2 2023	1H 2024	1H 2023	2023
<b>Per product</b>					
Salmon oil	41 988	34 640	76 427	63 618	129 428
Protein	20 301	6 308	29 047	12 672	23 896
Calcium	2 120	817	3 526	2 020	2 603
PHP	7 790	8 771	15 557	16 289	33 254
Gain on sale of asset	8 211	23 488	8 211	23 488	23 637
Insurance settlement	0	410	0	1 116	3 260
Other	0	1 996	0	1 996	2 433
<b>Total revenues</b>	<b>80 409</b>	<b>76 430</b>	<b>132 767</b>	<b>121 199</b>	<b>218 511</b>

## 9. Cost of sales

(figures in NOK 1 000)	Q2 2024	Q2 2023	1H 2024	1H 2023	2023
Cost of goods sold	48 484	27 182	72 537	69 191	130 186
Net obsolete cost/writedowns inventory	-863	-99	2 430	-799	20 501
<b>Net cost of sales</b>	<b>47 621</b>	<b>27 083</b>	<b>74 967</b>	<b>68 392</b>	<b>150 686</b>

## 10. Inventory

(figures in NOK 1 000)	Q2 2024	Q2 2023	2023
<b>Per product</b>			
Raw material	9 878	12 276	9 990
Finished goods	58 314	93 972	68 280
Spare parts equipment	4 257	3 885	4 272
<b>Total inventory</b>	<b>72 450</b>	<b>110 133</b>	<b>82 542</b>

## 11. Salaries and other payroll costs

(figures in NOK 1 000)	Q2 2024	Q2 2023	1H 2024	1H 2023	2023
Salaries incl social security and pension	12 300	11 269	29 842	26 105	60 369
Activated costs	-184	-392	-387	-829	-2 093
<b>Salaries and other payroll costs</b>	<b>12 116</b>	<b>10 876</b>	<b>29 454</b>	<b>25 277</b>	<b>58 275</b>

## 12. Trade receivables

(figures in NOK 1 000)	Q2 2024	Q2 2023	2023
Trade receivables	26 999	18 379	14 849
<b>Total receivables</b>	<b>26 999</b>	<b>18 379</b>	<b>14 849</b>

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

## 13. Finance

(figures in NOK 1 000)	Q2 2024	Q2 2023	1H 2024	1H 2023	2023
Income from investment in associated companies	0	0	0	0	5 789
Loss from investment in associated companies	1 830	0	2 641	0	3 247
Interest expense	3 638	2 580	6 917	4 878	7 543
Interest income	8	0	9	0	550
Net currency exchange	-537	-34	754	887	298
<b>Net financial items</b>	<b>-5 997</b>	<b>-2 614</b>	<b>-8 795</b>	<b>-3 991</b>	<b>-4 154</b>

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

## 14. Shareholders

Largest shareholders as of 28 June 2024. Total number of shareholders: 1,413

Shareholder	Account Type	A-shares	% stake	B-shares	Sum % stake
SIX SIS AG	Nominee	90 949 208	23.02		22.12
HOFSETH INTERNATIONAL AS	Ordinary	59 611 772	15.09	16 000 000	18.39
RH INDUTRI AS	Ordinary	69 300 190	17.54		16.86
YOKOREI CO. LTD	Ordinary	40 951 333	10.37		9.96
GOLDMAN SACHS INTERNATIONAL	Nominee	22 450 000	5.68		5.46
BRILLIANT INVEST AS	Ordinary	11 000 000	2.78		2.68
GOLDMAN SACHS & CO. LLC	Nominee	9 251 830	2.34		2.25
CREDIT SUISSE(SWITZERLAND) LTD	Nominee	8 840 719	2.24		2.15
CITIBANK, N.A.	Nominee	7 962 422	2.02		1.94
JPMORGAN CHASE BANK, N.A., LONDON	Nominee	4 648 166	1.18		1.13
UBS SWITZERLAND AG	Nominee	3 689 717	0.93		0.90
BOMI FRAMROZE HOLDING AS	Ordinary	3 453 370	0.87		0.84
SAXO BANK A/S	Nominee	3 363 826	0.85		0.82
LGT BANK AG	Nominee	3 248 329	0.82		0.79
BNP PARIBAS	Nominee	2 497 013	0.63		0.61
VERDIPAPIRFONDET DNB SMB	Ordinary	2 328 065	0.59		0.57
INTERACTIVE BROKERS LLC	Nominee	2 183 533	0.55		0.53
ØDEGÅRD PROSJEKT AS	Ordinary	2 174 039	0.55		0.53
CLEARSTREAM BANKING S.A.	Nominee	2 167 692	0.55		0.53
UBS AG LONDON BRANCH	Nominee	1 847 468	0.47		0.45
<b>Total 20 largest</b>		<b>351 918 692</b>	<b>89.08</b>	<b>16 000 000</b>	<b>89.50</b>
Total other		43 162 338	10.92	0	10.50
<b>Total no. of outstanding shares</b>		<b>395 081 030</b>	<b>100.00</b>	<b>16 000 000</b>	<b>100.00</b>

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

## IR CONTACTS

**James Berger**, Chief Commercial Officer  
 Tel: +41 79 950 1034  
 E-mail: [jb@hofsethbiocare.no](mailto:jb@hofsethbiocare.no)

**Christel Kanli**, Chief Financial Officer  
 Tel: +47 416 23 188  
 E-mail: [ck@hofsethbiocare.no](mailto:ck@hofsethbiocare.no)

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



Q3  
Financial Report



Q4  
Financial Report