



Second Quarter & First Half 2022 Financial Report

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CEO Statement

During the first six months of 2022, we have seen a broad-based increase in demand for our all ingredients, and with an improvement in the capacity utilization of our Midsund plant already visible, we see both revenues and margins continue to expand going forward.



The first half of 2022 was challenging operationally with lower production caused by spot salmon prices doubling over the period as commodity prices spiked following the Ukraine war. This resulted in limited access to raw material for HBC and a lower capacity utilization. On the other hand, the strength of the order book has grown over the course of the year and the demand outlook is strong. We expect the availability of raw material to change in the second half of the year as we gain access to more fresh fish offcuts from other local suppliers. We also expect the salmon market to have normalized significantly by Q4. Furthermore, strong demand for HBC ingredients has boosted market prices and HBC reports net sales of NOK 25m for Q2 2022 and with a gross margin of 31% versus 21% in same period last year.

We still see some minor supply chain disruptions and delays of finished product materials, but during Q2, we have secured production materials to limit the effect on our operations from the ongoing Ukraine crisis. The increased pricing in our ingredients continues into Q3 and our sustainable business model continue to be at the forefront of all major customers.

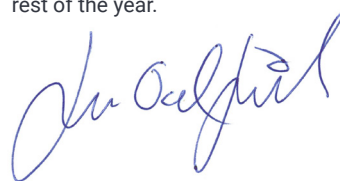
In terms of our research, the preclinical part of the collaboration with Stanford University has been completed and the research will be published in Q3. Planning is underway for clinical trial work in mild to moderate inflammatory bowel disease (IBD) which is expected to lead to ProGo's approval as a medical food for IBD. Our clinical trials with CalGo in joint and bone health are ongoing with data expected from the former during 2023 and the latter in 2024. This work builds on the exciting profile of CalGo and our work has already demonstrated the far greater ease with which the body absorbs CalGo compared to conventional supplements. For OmeGo, results from our Covid study assessing its immune health benefits are expected during Q3 as well as a further publication profiling the anti-allergic properties of the oil. All-in-all, we continue to demonstrate the important and differentiated health benefits of our products.

Outlook

During the first six months of 2022, we have seen a broad-based increase in demand for our all ingredients, and with an improvement in the capacity utilization of our Midsund plant already visible, we see both revenues and margins continue to expand going forward. In the past quarter, we have continued to expand our ingredient portfolio to new markets and customers, and we will continue to develop our sales organization into H2 2022 to accelerate sales growth in important markets. The company has never seen such interest from both small, medium and large consumer health businesses, that evaluate the ingredients for product launches across the world. HBC's own Pet Health division will launch new products throughout the second half of the year to the benefit of both sales and margins.

The new project pipeline from APAC and Europe for human ingredients in nutraceutical supplements use is extensive, and the US Brilliant Salmon Oil market is expected to continue to grow. Lastly, there are existing regulatory hurdles that are expected to be overcome for some key markets (where we currently have no sales in) which may also result in significant new demand as those markets opens up. This is particularly for CalGo out of APAC.

A handful of new white papers and new research results are expected to be released in Q3 and Q4, including results from our ongoing work with Stanford School of Medicine and from our results from our Covid study. We are looking forward to the rest of the year.



Jon Olav Ødegård, CEO

Key Figures & Highlights

	Q2 2022	Q2 2021	1H 2022	1H 2021	2021
Gross operating revenue	25 833	31 044	56 617	47 879	87 616
EBITDA	-18 330	-14 559	-44 537	-33 370	-89 214
Operating profit/loss	-26 787	-22 772	-60 255	-47 805	-25 033
Net cash flow	-24 883	-25 961	-44 232	-60 167	-122 915
Equity ratio	20.6%	46.7%	20.6%	46.7%	53.6%

HIGHLIGHTS IN THE SECOND QUARTER

- › The second quarter was impacted by the constrained supply of salmon-off cuts from the price spike in salmon which resulted in unusually low production volumes of raw material. However, a very strong demand and favourable market prices resulted in net sales of NOK 25m with a gross margin of 31 %, compared to 21 % same period last year.
- › We successfully completed our second preclinical assay of the bioactive peptides in SPH in prostate cancer after publishing the results from our first preclinical assay in the journal Marine Drugs. We have demonstrated that the addition of the peptides to standard of care enhanced anti-tumor activity in drug-sensitive and drug-resistant cell lines.
- › Manufacturing optimization of the lead eosinophilia modulating lipopeptide MA-022 has been successfully completed. Preclinical trial work with MA-022 as a drug lead in eosinophilic esophagitis is planned.

HIGHLIGHTS AFTER THE QUARTER

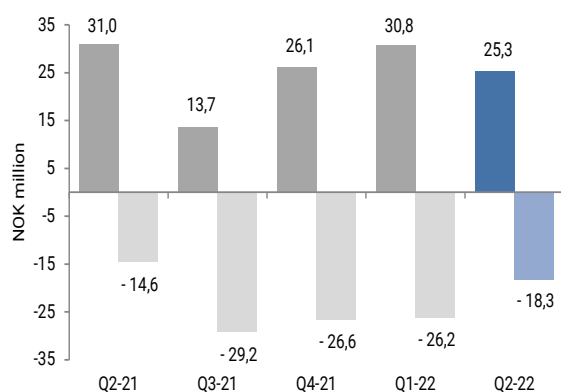
- › In July, HBC successfully placed a private placement of 35,490,000 new shares at a subscription price of NOK 4.00 per share and raised gross proceeds of NOK 141 million.
- › In August, Mr. Jon Olav Ødegård was appointed CEO by the Board of Directors. Mr. Roger Hofseth is expected to be elected director to the Board after the general meeting to be held August 30.

Financial Review

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

P&L Second Quarter 2022

HBC had gross operating revenues of NOK 25.8m (31.0m) in the second quarter. For the first half of 2022 HBC had revenues of NOK 56.6m (47.9m). Cost of sales (CoGS) amounted to NOK 17.7m (21.6m) in the quarter. Operating profit (EBITDA) for the quarter was NOK -18.3m (-14.6m) and Operating loss (EBIT) amounted to NOK 26.8m (22.7m) in the second quarter and NOK 60.3m (51.5m) for the first half of 2022.



Net financial items in the second quarter were NOK -1.6m (-1.9m) and NOK -3.8m (-3.8m) for the first half of 2022.

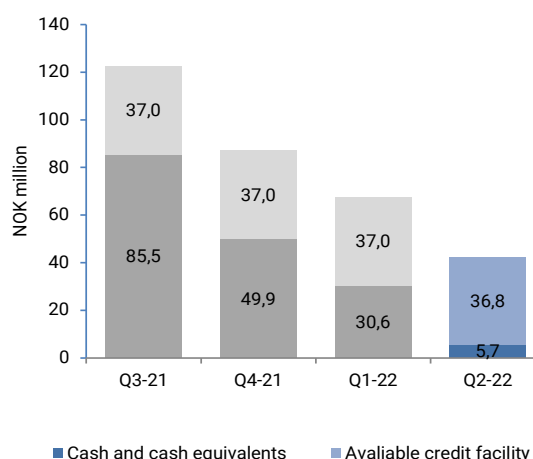
Cash flow

Cash flow from operations during the first quarter was NOK -8.8m, compared to NOK -17.9m in first quarter last year. Net cash flow from investment activities was NOK -4.6m in the first quarter, compared to NOK -11.5m in the corresponding quarter last year. Cash flow from financing activities amounted to NOK -5.9m in the first quarter, compared to NOK -4.9m in the first quarter in 2021.

Cash and cash equivalents decreased by NOK 19.3m during the quarter, leaving total holding of cash and cash equivalents at NOK 30.6m by the end of the period, compared to NOK 138.5m by the end of the first quarter 2021. Including credit facilities, HBC had NOK 67.6m in free liquidity by the end of the first quarter 2022.

Financial position

Total assets for HBC were NOK 397.9m at the end of first quar-



ter of 2022 (443.3m). Deferred tax asset of NOK 205.1m is not recognized in the statement of financial position.

Total equity amounted to NOK 108.0m (237.7m) corresponding to an equity ratio of 27.1 % (53.6 %) for the group. In July, HBC successfully placed a private placement of 35,490,000 new shares and raised gross proceeds of NOK 141 million.

Sales & marketing

As expected, the second quarter was impacted by the constrained supply of salmon-off cuts from the price spike in salmon with prices doubling from NOK60/kg to over NOK120/kg over the period. This resulted in unusually low processing volumes of salmon and hence equally low connected production volumes of raw material for HBC.

Very strong demand and favourable market prices for HBC's products offset some of this reduced production with total net sales of NOK 25m, compared to NOK 30m sales reported in the same quarter of the previous year. Gross margins, however, were up nearly 50% yoy at 31% in Q2 vs 21% over the same period last year.

The order book remains strong and combined with a very solid backlog for Q3 and Q4, the only potential bottleneck is the availability of salmon off-cuts to allow sufficient production output to meet demand. We expect the availability to improve in Q3 and to fully normalise in Q4. Furthermore, given our confidence in demand, driven by the significant improvement

and visibility in the ingredients business, HBC is planning to increase production using greater quantities of nearby fresh offcuts.

Due to the strong market demand for HBC products and the limited supply, we expect average sales prices to continue to appreciate and continue to partly offset the lower production output.

The improvement in gross margin again stems from a significant improvement in sales prices throughout all the ingredients and the ongoing shift into higher value applications like super premium pet food, human nutrition, and nutritional supplements. This conversion from feed and basic pet food is expected to continue over the remaining quarters of 2022 and will contribute to both the top line and to the bottom line.

We continue to make particularly good progress in APAC and Europe thanks to our network of specialized ingredient distributors. A major highlight of Q2 was the Vitafoods exhibition in Geneva, where our partners Tradichem, Magnesia and IMCD all promoted our ingredients very prominently and arranged many positive meetings with new and existing customers.

New product launches with our ingredients, has seen the new CalGo® product in Vietnam called "Calci CalGo", a supplement for children to support skeleton growth.

Mainland China is normalizing after the Covid lockdowns, and we are preparing various new product launches with ProGo® including a skin beauty shot. This is expected to commence selling via TikTok during Q3.

From a commercial and regulatory perspective for the US market, we will focus on adding additional new and unique structure-function claims to OmeGo® and potentially more positive differentiated recognition for ProGo®. We expect an exciting new development on this front as soon as Q3.

Consumer and Pet Health

YTD revenue is at +33 % (+NOK 3.1m) with Q2 just -2 % (-NOK 100K) despite a very hard comparable one-off. The continued sales momentum has been driven through an expanding global customer portfolio helping to partially offset the one-off pipeline order of NOK 5m in April 2021 for a large US retailer. Forecast for Q3 is expected to grow by over 50 %, driven by existing customer sales performance together with new customer listings and a higher average per unit sales price. We continue to see a positive pricing environment for all our products.

HBC's Pet Health business continues to be the major focus for investment, product pipeline and revenue growth, with the expansion of Brilliant™ as a major global Pet Health brand through sales growth in Salmon Oil and the planned listing of two exciting new product innovations in early 2023. These will

complete the brand story of whole fish nutrition and are based around our unique and scientifically proven ingredients for Pet Bone Health, and for Pet Energy and Vitality, with unique claims and full product traceability.

Organic sales performance during Q2 was very strong, with increased base profitability despite inflationary pressure on freight costs and core packaging componentry. All other regions and markets showed significant growth.

Amazon UK is now our number one revenue customer just six months from re-launch, delivering revenues of NOK 1.3m in the quarter and achieving number 2 market position. During Q2, Brilliant launched onto Amazon US, with an expectation that this will become the single biggest driving revenue customer within 12 months due to the incredible market potential, with 5-10x the size of UK and other Amazon markets.

Major listings have been agreed during Q2, including leading retailers in the UK & Scandinavia, including optionality to provide branded private label solutions for European pet retail multiples via OmeGo. Our US business has signed agreements in place for a trial listing in a Top 5 US pet multiple as well as further regional chains. The Costco ecommerce business continues to show steady growth during each quarter, and we have seen replenishment orders through following the initial pipe fill. Finally, our global brand partnership in China is now also showing growth post the impact of Covid-19, and an extensive order pipeline for 2023 has already been planned with HBC's key Chinese market distributor.

HBC delivered a successful launch of Cardio™ Salmon Oil on Amazon UK as we look into executing an e-commerce focused channel strategy to provide key market learnings for a future launch of a major consumer health brand. Cardio™ is launching in the US market during Q2, and these market learnings will form a key part of our future strategy to drive sales initially via DTC and key e-commerce channels across the full range of HBC ingredients.



R&D Update

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

- i. We successfully completed our second preclinical assay of the bioactive peptides in SPH in prostate cancer. The results from our first preclinical assay, published in the journal Marine Drugs last quarter, demonstrated that the addition of the peptides to standard of care (SOC, androgen deprivation therapy) enhanced anti-tumor activity in drug-sensitive and drug-resistant cell lines. Using a different set of prostate cancer cell lines and a different SOC therapy, we demonstrated similar anti-tumour effects to the first assay. In vivo, animal model work is planned with data expected in Q1 2023.
- ii. Following successful process optimisation for the manufacture of the FTH1 peptides we have commenced pre-clinical work in restless legs syndrome (RLS / Willis-Ekbom disease) and have successfully completed the first assay in human skeletal muscle cells with a positive effect on FTH1 gene expression. We also plan preclinical work with the FTH1 peptides in our preclinical prostate cancer program. Based on relative potency, this work will enable the identification of the peptide to become lead candidate for prostate cancer and the peptide to become lead candidate for RLS.
- iii. Our collaborators at Stanford University have completed the preclinical profiling of SPH in protecting the gut from intestinal injuries in the classical TNBS-induced inflammatory bowel disease (IBD) model. This work will be published in a peer-reviewed journal during Q3 2022. Planning for clinical trial work is ongoing and is expected to commence during 2023. This work will be led by Stanford University.
- iv. Results from our study of OmeGo® in the management of hospitalised patients with Covid are expected during Q3 2022. This will provide a raft of data on the impact of OmeGo® in supporting and improving immune health.
- v. The final House Dust Mite (HDM) allergy preclinical trial with orally administered OmeGo® confirms the differentiated and broad anti-inflammatory profile of OmeGo®, an important property for optimising health. The results will be published in a peer review journal in 2022. As anticipated, prior work in animal models of allergic inflammation were published in the Journal of Biotechnology and Applied Biochemistry during Q2 2022.
- vi. Manufacturing optimisation of the lead eosinophilia modulating lipopeptide MA-022 has been successfully completed. Preclinical trial work with MA-022 as a drug lead in eosinophilic esophagitis is planned. Discussions have commenced with CDMOs (Contract Drug Manufacturing Organisations) for CMC (chemistry, manufacturing and control) dossier development.
- vii. Our first clinical trial for CalGo®, demonstrating the enhanced absorbability of CalGo® compared to calcium carbonate in post-menopausal women was published in the Biomedical Journal of Scientific and Technical Research and publication in Q2 2022.
- viii. Our clinical trials of CalGo® in bone and joint health are ongoing with data expected from the joint health trial during H1 2023. Data from the bone health trial is expected during 2024.

Research Pipeline

Product	Product Fraction	IP	Discovery (≈1y)	Pre-Clinical (≈2y)	Clinical (≈2-3y)	Reg.appr. (≈1y)
Salmon Protein Hydrolysate (SPH) ProGo	SPH-FTH1	F	Iron Deficiency Anemia Treatment			
	SPH-CollaGo	F	Hair, Nail, Skin Health Treatment & Antioxidant			
	SPH-H01	F	Gastrointestinal Health			
	SPH-ProGo	N	Healthy Weight loss			
	SPH-X1	P	Sarcopenia ¹⁾			
	SPH-X2	P	Pre-Diabetic Co-treatment			
	SPH-X3	P	Rheumatoid Arthritis ²⁾			
Salmon Oil (SO) OmeGo	SO	F	Improved AREDS Formulations for AMD Treatment			
	SO-LP	F	Asthma Co-treatment			
	SO-LP	P	Acne treatment			
	SO-OxLDL-Gp1	F	Cardiovascular Health			
	SO-CoV19	P	COVID-19 Co-Treatment			
Salmon Bone Powder (SBP) CalGo	SBP-X1	P	Osteoarthritis			
	SBP-CalGo	P	Osteoporosis Treatment			

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

HBC Research

OmeGo® softgels for respiratory health

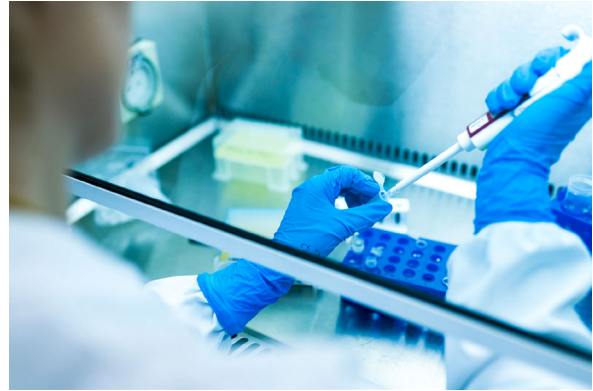
The analysis of the final preclinical animal study "Eosinophil modulating properties of Orally Administered OmeGo® Salmon oil (OmeGo® softgels) in House Dust Mite extract (HDM)-induced murine asthma model" has completed and the data will be submitted for publication in a peer-review journal. The results build on the prior animal model work in allergic inflammation and elucidates further the broad anti-inflammatory action of OmeGo®.

Planning is underway for a study to assess the impact of OmeGo® softgels on reducing pollution-induced coughing. The inflammation-resolving profile of OmeGo®, as demonstrated by our prior research, is expected to help reduce lung irritation with an improvement in lung function and quality of life. The trial is planned to be run in Southeast Asia where particulate matter pollution is a particular problem and passporting of claims between neighbouring countries can be achieved in a timely manner. A decision on when to undertake the trial will be concluded during 2022.



OmeGo® softgels for immune health

Following the completion of recruitment to our study of OmeGo® in the management of patients hospitalised with Covid-19, data management and analysis is ongoing, with results expected Q3/4 2022. OmeGo® is the only marine oil that contains components that have been shown to reduce eosinophil effector function and increase eosinophil apoptosis in vitro



and animal assays. Uncontrolled eosinophil production in lung epithelial cells may play a critical role in the destruction of the respiratory epithelium in SARS-CoV-2 patients. We believe this targeted mechanism of action of OmeGo®, along with its broad inflammatory-resolving effects, will help speed the recovery of patients hospitalised with mild to moderate COVID-19. Results will include measures of time to recovery, blood markers of inflammation and immune function including changes in gene expression markers related to immune function, although the gene expression analyses will take longer to complete than the clinical analyses.

ProGo® peptides for weight management

Regulatory feedback in North America has confirmed that we can attain label claims around supporting weight loss and the maintenance of a healthy weight if we undertake one more weight management trial. 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. This information will greatly help with the design of this study and greatly reduce the risks associated with clinical trial work. Planning for this BMI study is underway and a decision on when to undertake the trial will be decided during 2022.

ProGo® peptides for Gastro-Intestinal (GI) health

The preclinical gastrointestinal (GI) work led by Stanford University has been completed and the data will be published in

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	[Progress bar]			
FTH1 Peptides	Iron Metabolism: RLS & P.Ca *)	F	[Progress bar]			
HMOX1 Peptides	Inflammatory Bowel Disease	F	[Progress bar]			

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

a peer reviewed journal during Q3 2022. This data shows that SPH provides excellent protection against GI tract inflammation in standard models of inflammatory bowel disease (IBD) with the mode of action an upregulation of the anti-inflammatory gene system, HMOX1. Discussions on next steps, including funding, for a POC clinical trial in IBD patients at Stanford has begun with trial start-up expected early in 2023. We anticipate that this work will enable the granting of health claims for SPH as a medical food in the management of IBD and the protection of gut health.

CalGo® for bone and joint health

Our osteoporosis and osteoarthritis clinical trials are being conducted by the HBC Clinical Trial Unit (CTU) in Ålesund. The bone health trial will assess whether CalGo® prevents a decrease in Bone Mass Density in osteopenic woman over 50 years of age. Our joint health trial is randomising patients with mild to moderate osteoarthritis to three groups: (1) hydrolysed Collagen from CalGo®, (2) non-hydrolysed CalGo®, and (3) placebo to assess the potential to reduce joint pain and improve joint function.

Novel anti-eosinophilic therapeutic

Our efforts at developing a pharmaceutical lead program around eosinophilia inflammation control is on-going. Our lead analog, MA-022, has shown a clinically significant and enhanced level of eosinophil control in in-vitro. Initial development will focus on eosinophilic esophagitis, an orphan condition that causes pain and difficulty in swallowing. Work for the scaling up of MA-022 synthesis is ongoing and once complete preclinical invitro and in vivo work will commence. Synthesis of a back-up analog, which has similar anti-eosinophilic activity to MA-022, is also being undertaken. We anticipate that the work on up scaling of analog synthesis will conclude during H2 2022.

FTH1 modulation with bioactive peptides derived from SPH

We have identified 8 individual peptides which drive the FTH1 actions 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 tissues and organs of the body. These peptides have previously unknown structures with novel composition of matter claim potential which will provide a broader and longer lasting IP protection. We have completed work on the synthesis of the 8 peptides and in Q2 2022 we have commenced SAR (structure-activity relationship) work with in vitro tests to enable the selection of the best candidate for each individual target indication. We successfully completed the first preclinical assay in human skeletal muscle cells. Animal model testing for restless leg syndrome will start once the preclinical assay work has been completed. Assay work with the individual peptides will also be undertaken in prostate cancer to identify the most potent FTH1 peptide for this indication.

Our first preclinical assay work of the SPH peptides in prostate cancer was published in the journal Marine Drugs last quarter. This work demonstrated that the SPH peptides enhance the anti-tumour activity of bicalutamide (a standard of care). The mode of action is the upregulation of the FTH1 gene system which encodes the heavy subunit of ferritin. As well as an increase in ferritin there is an associated decrease in transferrin which deprives the tumour cells of iron and potentiates the anti-tumour activity of antiandrogen therapy. A second prostate cancer cell line study was successfully undertaken in Q2 2022. This assessed the SPH peptides in combination with the market leading antiandrogen enzalutamide (Xtandi) and showed anti-tumour synergy, both in enzalutamide-sensitive and enzalutamide-resistant cell lines. Iron metabolism is important for the survival and spread of numerous cancer types, including breast cancer, and hence FTH1 modulation with the



peptides could potentially improve patient outcomes across a number of tumour types, at earlier and later stages of the disease process.

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

Other indications

Preclinical work for a) SPH peptides for islet cell protection to retard the progression of pre-diabetes to type II diabetes, b) chronic fatigue syndrome continue to progress with encouraging results being followed-up, c) prevention of sarcopenia with SPH peptides through myostatin inhibition, d) SPH in preclinical acne models, e) further profiling the health benefits of different peptide fractions in SPH are ongoing with IP protection put in place to protect novel findings.

Share information

HBC shares were traded between NOK 3.50 and 5.10 per share in the second quarter and the last closing price on 30 June 2022 was NOK 3.89.

Based on 357,831,030 outstanding shares, this values HBC's equity at approximately NOK 1,392m. As of 30 June 2022, HBC had 1,406 shareholders. The 20 largest shareholders controlled 85.64 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 2022.

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 2022 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.

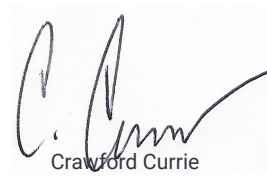
Hofseth BioCare ASA Board of Directors
Ålesund, 26 August 2022



Kristin Fjellby Grung
Chair of the board




Torill Standal Eliassen
Board member



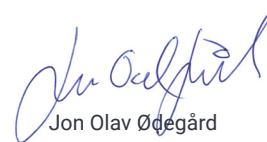
Crawford Currie
Board Member



Christoph Baldegger
Board member



Amy Novogratz
Board member



Jon Olav Ødegård
CEO

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 2022	Q2 2021	1H 2022	1H 2021	2021	Notes
Sales revenue	25 279	31 043	55 494	47 769	76 878	8
Other revenue	555	0	1 123	110	10 738	
Gross operating revenue	25 833	31 044	56 617	47 879	87 616	
Cost of sales	17 740	21 561	39 828	29 952	64 517	9
Salaries and other payroll costs	9 257	8 998	24 048	20 708	44 713	11
Other operating expenses	17 166	15 043	37 278	30 589	67 600	
EBITDA	-18 330	-14 559	-44 537	-33 370	-89 214	
Depreciation and Write-down	8 457	8 213	15 718	14 435	29 350	
Operating profit/loss (EBIT)	-26 787	-22 772	-60 255	-47 805	-118 565	
Financial income	2 064	545	2 325	970	3 678	13
Financial expenses	3 660	2 411	6 120	4 647	11 577	13
Net financial items	-1 596	-1 866	-3 795	-3 677	-7 899	13
Profit/loss before taxes	-28 384	-24 638	-64 050	-51 482	-126 464	
Tax expense	0	0	0	0	0	
Profit for the period	-28 384	-26 638	-64 050	-51 482	-126 464	
Total comprehensive income for the period attributable to:						
Non-controlling interests	0	0	0	0	-1	
Shareholders in HBC (majority)	-28 384	-24 638	-64 050	-51 482	-126 463	
Total	-28 384	-26 638	-64 050	-51 482	-126 464	
Earnings per share (EPS)	-0.08	-0.07	-0.18	-0.14	-0.35	
Basic earnings per share (NOK)	-0.08	-0.07	-0.18	-0.14	-0.35	

The interim financial information has not been subject to audit.

Consolidated condensed statement of financial position

(figures in NOK 1 000)	Q2 2022	Q2 2021	2021	Notes
Research, patents etc.	54 471	47 514	53 055	5
Property, plant and equipment	178 036	175 509	183 551	6
Financial assets	6 804	6 856	9 057	7
Total non-current assets	239 310	229 879	245 663	
Inventories	101 899	87 238	92 714	10
Trade receivables	18 112	17 765	10 089	12
Other current assets	13 862	10 664	19 488	
Cash and cash equivalents	5 688	112 573	30 572	
Total current assets	139 562	228 240	170 310	
Total assets	378 873	458 119	415 973	
Share capital	3 578	3 578	3 578	14
Other Paid in equity (+) Uncovered losses (-)	75 001	210 986	137 485	
Non-controlling interests	-685	-684	-685	
Total equity	77 894	213 880	140 378	
Non-current liabilities interest bearing	145 126	117 265	124 662	
Total non-current liabilities	145 126	117 265	124 662	
Other Interest-bearing loans, leasing and borrowings	14 531	11 243	14 519	
Trade payables	134 191	104 979	124 165	
Other current liabilities	7 131	10 752	12 249	
Total current liabilities	155 852	126 974	150 933	
Total equity and liabilities	378 872	458 119	415 973	

The interim financial information has not been subject to audit.

Consolidated condensed statement of changes in equity

(figures in NOK 1 000)	Q2 2022	Q2 2021	1H 2022	1H 2021	2021	Notes
Equity at start of period	108 011	237 715	140 378	263 764	263 764	
Share based payment program costs	506	1 204	1 012	1 012	3 487	
Other changes in equity	0	0	0	0	0	
Profit/loss for the period	-28 384	-24 638	-64 050	-51 482	-126 464	
Other comprehensive income/expenses	0	0	0	0	0	
Total comprehensive income	-28 384	-24 638	-64 050	-51 482	-126 464	
Equity at the end of period	77 893	213 880	77 894	213 880	140 378	

Earnings per share

(figures in NOK 1 000, except EPS)	Q2 2022	Q2 2021	1H 2022	1H 2021	2021
Number of shares end of period	357 831	357 831	357 831	357 831	357 831
Weighted average number of shares	357 831	357 831	357 831	357 831	357 831
Effect of employee stock options and warrants	5 521	5 521	5 521	5 521	5 521
Weighted average number of shares diluted	363 352	363 352	363 352	363 352	363 352
Basic earnings per share (NOK)	-0.08	-0.07	-0.18	-0.14	-0.35
Diluted earnings per share (NOK)	-0.08	-0.07	-0.18	-0.14	-0.35

Consolidated condensed cash flow statement

(figures in NOK 1 000)	Q2 2022	Q2 2021	1H 2022	1H 2021	2021
Cash flow from operational activities					
Profit before taxes	-28 384	-24 638	-64 050	-51 482	-126 464
Depreciation and write-off	8 457	8 213	15 718	14 435	29 350
Changes in Inventory	-9 185	-1 953	-11 086	-13 936	-17 511
Changes in trade debtors	527	-808	-8 023	-3 498	4 178
Changes in trade creditors	-8 727	6 641	10 026	20 023	39 209
Changes in other current bal. sheet items	-9 199	3 664	-20	5 916	65
Classified as financial activities	2 882	2 006	4 975	3 810	9 394
Net cash flow from operational activities	-43 628	-6 876	-52 461	-24 732	-61 779
Cash flow from investment activities					
Investments in tangible assets	-508	-8 697	-4 077	-17 239	-22 924
Investments in intangible assets	-3 654	-5 735	-4 656	-8 689	-14 827
Other investments	0	0	0	0	0
Net cash flow from investment activities	-4 168	-14 432	-8 733	-25 928	-37 939
Cash flow from financing activities					
Payment of interest	-2 882	-2 006	-4 975	-3 810	-9 394
Proceeds from borrowings	28 433	0	28 433	0	1 087
Repayment of borrowings	-2 644	-2 553	-6 496	-5 697	-14 890
Net cash flow from financing activities	22 907	-4 559	16 962	-9 507	-23 197
Net change in cash and cash equivalents	-24 883	-25 867	-44 232	-60 167	-122 915
Cash and cash equivalents at the beginning of the period	30 572	138 535	49 920	172 835	172 835
Cash and cash equivalents at the end of the period	5 689	112 668	5 689	112 668	49 920
Available unused credit facility	36 805	37 000	36 805	37 000	37 000
Total cash and unused credit facility	42 493	149 668	42 493	149 668	86 920

Selected notes to the condensed financial statements

1. General information and basis for preparation

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

2. Use of estimates and judgements

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

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

5. Intangible assets

(figures in NOK 1 000)	R&D	Systems	Patents	Total
Book value at 31.03.2022	46 819	4 175	1 222	52 038
Additions	2 777	877	0	3 654
Depreciations for the period	974	177	70	1 221
Book value at 30.06.2022	48 622	4 875	1 152	54 471
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 31.03.2022	56 839	2 131	65 532
Additions	508	0	508
Depreciations for the period	2 621	150	2 771
Book value at 30.06.2022	54 725	1 981	63 269
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 established several contracts that secure large sales volumes, but at a lower price than the long-term objective. However, most of the contracts have been renegotiated during the quarter and the Board expect higher margins going forward. The Board of Directors is continuously reviewing the cash balance and equity of the Company and plan to 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 215.1m.

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 31.03.2022	81 521	33 977	1 567	117 410
Additions	0	1 822	0	1 822
Depreciations for the period	2 785	1 661	19	4 465
Book value at 30.06.2022	78 736	34 139	1 548	114 767
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 2022	Q2 2021	2021
HFS Alliance Inc.			0
Atlantic Delights Limited	6 517	6 517	6 517
Investments in other companies	25	25	25
Other	261	314	261
Total Financial Assets	6 803	6 856	6 803

8. Segments

(figures in NOK 1 000)	Q2 2022	Q2 2021	1H 2022	1H 2021	2021
Per product					
Salmon oil	15 008	15 094	31 337	24 151	43 081
Protein	2 501	6 903	8 586	7 608	9 503
Calcium	1 092	272	2 089	1 758	2 716
PHP	6 568	8 775	13 078	14 176	20 920
By-product/other	863	664	1 527	186	6 048
Insurance settlement	0	0	0	0	5 348
Total revenues	25 833	31 044	56 617	47 879	87 616

9. Cost of sales

(figures in NOK 1 000)	Q2 2022	Q2 2021	1H 2022	1H 2021	2021
Cost of goods sold	16 737	22 794	38 051	28 763	64 075
Net obsolete cost	1 003	-1 233	1 739	1 777	399
Net cost of sales	17 740	21 561	39 828	25 566	64 474

10. Inventory

(figures in NOK 1 000)	Q2 2022	Q2 2021	2021
Per product			
Raw material	7 836	1 328	5 146
Finished goods	90 851	83 391	83 474
Spare parts equipment	3 212	2 519	2 236
Total inventory	101 899	87 238	90 856

11. Salaries and other payroll costs

(figures in NOK 1 000)	Q2 2022	Q2 2021	1H 2022	1H 2021	2021
Salaries incl social security and pension	9 173	8 985	23 958	20 598	46 649
Share based payment	506	1 204	1 012	2 474	3 487
Activated costs	-422	-1 191	-922	-2 364	-3 569
Salaries and other payroll costs	9 257	8 998	24 048	20 708	46 566

12. Trade receivables

(figures in NOK 1 000)	Q2 2022	Q2 2021	2021
Trade receivables	18 112	17 765	10 089
Total receivables	18 112	17 765	10 089

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

13. Finance

(figures in NOK 1 000)	Q2 2022	Q2 2021	1H 2022	1H 2021	2021
Interest expense	2 883	2 006	4 976	3 824	9 377
Interest income	1	0	1	14	613
Net currency exchange	1 285	203	1 180	196	914
Net financial items	-1 596	-1 866	-3 795	-3 677	-7 914

14. Shareholders

Largest shareholders as of 30 June 2022

Shareholder	Account Type	Shareholdings	% stake
SIX SIS AG	Nominee	70 435 236	19.68
HOFSETH INTERNATIONAL AS	Ordinary	58 938 778	16.47
RH INDUSTRI AS	Ordinary	51 500 000	14.39
YOKOREI CO. LTD	Ordinary	40 951 333	11.44
GOLDMAN SACHS INTERNATIONAL (AQUA-SPARK)	Nominee	12 100 000	3.38
BRILLIANT INVEST AS	Ordinary	11 000 000	3.07
CREDIT SUISSE (SWITZERLAND) LTD.	Nominee	9 187 049	2.57
GOLDMAN SACHS & CO. LLC	Nominee	8 326 830	2.33
CITIBANK, N.A.	Nominee	7 015 022	1.96
THE BANK OF NEW YORK MELLON SA/NV	Nominee	4 511 679	1.26
THE BANK OF NEW YORK MELLON	Nominee	4 494 286	1.26
JPMORGAN CHASE BANK, N.A., LONDON	Nominee	4 141 801	1.16
UBS SWITZERLAND AG	Nominee	3 875 738	1.08
LGT BANK AG	Nominee	3 550 772	0.97
BOMI FRAMROZE HOLDING AS	Ordinary	3 253 370	0.91
INITIA AB	Ordinary	3 000 000	0.84
SAXO BANK A/S	Nominee	2 820 380	0.79
VERDIPAPIRFONDET DNB SMB	Ordinary	2 504 047	0.70
CLEARSTREAM BANKING S.A.	Nominee	2 502 564	0.70
THE NORTHERN TRUST COMP, LONDON BR	Nominee	2 433 865	0.68
Total 20 largest		306 542 750	85.64
Total other		51 388 280	14.36
Total no. of outstanding shares		357 831 030	100.00

Total number of shareholders: 1,406

This is Hofseth BioCare

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

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




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

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

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

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

OUR PRODUCTS AND INGREDIENTS

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

IR CONTACTS

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

Jon Olav Ødegård, Chief Executive Officer
Tel: +47 936 32 966
E-mail: joo@hofsethbiocare.no

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



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