



Third Quarter 2023 Financial Report

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CEO Statement

As we reflect on our accomplishments this quarter, I want to express my sincere gratitude to our dedicated team and trusted partners. As we move forward, we remain steadfast in our mission to offer sustainable, safe ingredients with proven health benefits.



HBC has made exciting progress in the third quarter of 2023. It has been a quarter marked by significant achievements and continued growth, building on the foundations of our commitment to growth, sustainability, and excellence.

Our gross operating revenues have surged to NOK 50 million, marking a remarkable forty percent increase compared to the same period last year. This success is largely attributed to our market performance and the positive trajectory of our Finished Goods business, which has reported sales of NOK 11m. While this figure may seem a step down from the previous quarter, it signifies a 20 percent growth year-on-year, showcasing the resilience and strength of our Brilliant™ brand.

Our dedication to financial prudence has also paid off. The diligent cost-cutting measures we have implemented are bearing fruit, with net cash burn improving every quarter. I am pleased to note that our operational cash flow for Q3 was a positive NOK 11m, a significant improvement from the second quarter.

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

Further highlighting our growth trajectory, we have welcomed several new team members to our family this quarter. Their diverse expertise, spanning administration to international sales, will undoubtedly enrich our operations.

A noteworthy achievement this quarter was the successful funding of our spin-out company, HBCI. The company, now valued at NOK 225 million, has embarked on groundbreaking research in the domain of immunotherapy and chemotherapy, targeting prostate cancer.

From a financial standpoint, our sales and marketing efforts have yielded robust results. The third quarter saw a revenue increase of approximately 70 %, driven by heightened demand across segments and markets. Notably, our attendance at various trade shows and conferences has cemented our presence in the global arena and fostered relationships with key partners.

In conclusion, as we reflect on our accomplishments this quarter, I want to express my sincere gratitude to our dedicated team, and trusted partners. As we move forward, we remain steadfast in our mission to offer sustainable, safe ingredients with proven health benefits, continuing to set new benchmarks in our industry.


Jon Olav Ødegård, CEO

Key Figures & Highlights

	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
Gross operating revenue	49 886	30 222	171 085	86 839	120 448
EBITDA	-16 160	-25 400	-26 329	-69 937	-98 206
Operating profit/loss	-25 166	-33 111	-53 250	-93 367	-128 618
Net cash flow	944	40 527	-14 758	-3 705	-17 494
Equity ratio	23.4%	44.1%	23.4%	44.1%	36.0%

HIGHLIGHTS IN THE THIRD QUARTER

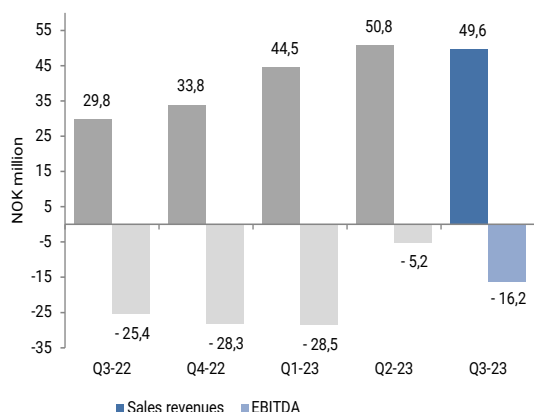
- › In Q3 2023, we continued our growth path with gross operating revenues of NOK 49.9m, an increase of forty percent compared to the corresponding revenues third quarter last year, attributable to the company's significant market success. The Finished Goods business continues its positive trend, with sales amounting to NOK 10.6m, which is less than second quarter, but reflecting a 20 percent growth compared to same period previous financial year.
- › The company's cost-cutting initiatives continues, and net cash burn is improving every quarter. The operational cash flow in third quarter was positive NOK 11m compared to 3.1m in the second quarter. The net change in cash was positive NOK 0.9m for the quarter.
- › Our R&D team successfully completed the recruitment for its bone health trials, with data expected in 2025.
- › During the third quarter five new employees were hired for the administration in Ålesund, two at the Midsund plant and two new hires have been added to our international sales team. Some are replacements, while others are new additions, as HBC continues to professionalise operations through its growth.
- › In august the spin-out company HBCI successfully funded the required minimum seed capital. The financing round valued the company at USD 20 million, allowing the company to initiate planned animal trials with patented peptides. The company focuses on research related to improved performance of immunotherapy and chemotherapy, with its first target being prostate cancer.

Financial Review

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

P&L Third Quarter and year to date 2023

HBC had gross operating revenues of NOK 49.9m (30.2m) in the third quarter and NOK 171.1m (86.8m) for the first nine months of the year. The operating revenues in the second quarter included net revenue from sale of patents to an associated company of NOK 23.5m. Adjusted for the sale of assets, operating revenues year to date were NOK 147.6m, representing an increase compared to 2022 of 70 percent.



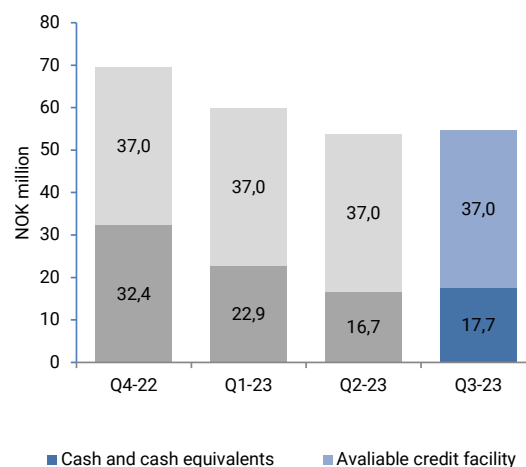
Cost of sales (CoGS) amounted to NOK 33.9m (24.5m) in the quarter. Operating expenses were NOK 17.7m in the quarter, a slight increase compared to corresponding quarter last year of NOK 16.5m, leaving the operating loss (EBITDA) at NOK -16.2m (-25.4m). Operating result (EBIT) amounted to NOK -25.2m (-33.1m) in the third quarter 2023. Net financial items in the third quarter were NOK 2.5m including NOK 5m income from increased valuation of subsidiary.



Cash flow

Cash flow from operations during the third quarter was positive NOK 11m, compared to NOK -39.5m in third quarter last year. Net cash flow from investment activities was NOK -8.1m in the third quarter, compared to NOK -6.3m in the corresponding quarter last year. Cash flow from financing activities amounted to NOK -5.2m in the quarter, compared to NOK 86.4m in the third quarter 2022 when the company issued new shares.

Cash and cash equivalents increased by NOK 0.9m during the quarter, leaving total holding at NOK 17.7m at the end of the period, compared to NOK 46.2m at the end of the third quarter 2022.



Including credit facilities, HBC had NOK 54.7m in free liquidity as of the end of the third quarter 2023.

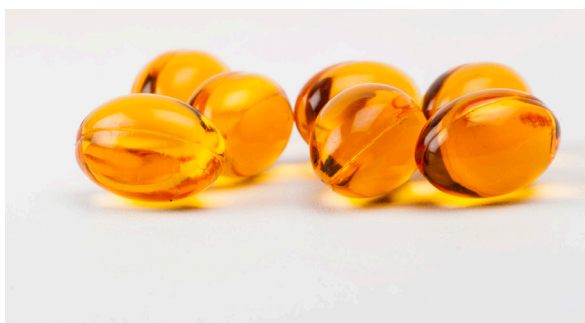
Financial position

Total assets for HBC were NOK 402m (421.3m) at the end of the third quarter of 2023. Deferred tax asset of NOK 239.5m is not recognized in the statement of financial position.

Total equity amounted to NOK 94.1m (186m) corresponding to an equity ratio of 30.2 % for the parent company and 23.4 % (44.1 %) for the group.

Sales & marketing

Overall, the third quarter showed stable sales growth, with revenue increasing approx. 70 % year-over-year to NOK 50.3m. This growth was driven by strong demand in all segments and markets. We saw particular demand strength for our salmon oil in the premium segment and higher market prices in the feed segment also supported the strong oil sales performance.



The constrained supply of salmon-off cuts, mentioned earlier in the year, abated resulting in a pick-up volumes which fed through to sales in Q3. As a result, sales momentum in our feed ingredients business remained strong in the third quarter, with revenues of NOK 80m, representing an 80 % year-on-year growth, with a good spread in product sales. In particular we saw a pick-up in protein sales, where the small size of our hydrolysed peptides makes it a highly effective and sustainable ingredient for hypoallergenic veterinary diets.

Q3 also saw in some important customer visits at our Mid-sund factory strengthening the relationship with new customers in pet and human segments. In terms of trade shows and conferences, for the pet segment we attended the Nordic Pet food conference in Denmark, and for the human category attended FIE Asia in Bangkok and "Vitafoods Asia" in Bangkok Thailand in September. We met both our distribution partners DKSH and IMCD as well as our customers helping to reinforce relationships, identify new opportunities, follow up with sales and celebrate success stories in the region. Notably, there has been good traction in both Europe (particularly Germany) and Asia for HBC human ingredients in Q3 with interesting new concepts, prototypes and multiple new launches in the pipeline. HBC is particularly proud to see the new launch of a range of 3 products containing OmeGo® in pharmacies in Thailand for three age groups 20+, 30+ and 50+ in combination with other ingredients with targeted health benefits for each age category. This launch also led to an "innovation award" and a "sustainability company award".

Q3 also saw a revamp of our ProGo®, CalGo® and OmeGo® product dossiers. The documents were shared with our distributor partners in the region and cascaded down to their sales teams and new commercial prospects.

Lastly, we welcome Nick Frampton to the sales team as our global head of consumer health. He has over 25 years' experience in the B2B healthcare industry coming from Catalent as a senior account director. Nick has a PhD in Chemistry and an MBA from the University of Exeter and in his new role, will be supporting HBC's mission to offer sustainable, safe ingredients with clinically proven, differentiated health benefits

Consumer and Pet Health

Q3 was another strong quarter for HBC's Finished Goods business. Total 2023 revenue was NOK10.6m, up +30 % yoy, with gross margin growing by +40 % on Q3 2022. Tightly constrained sales and marketing budgets have also ensured that the finished good business remains on target for strong positive FY operational profit performance for the first time.

Brilliant™ Salmon Oil remains circa 80 % of total sales and cash margin, driven through organic growth, new retail listings and tighter distributor partnerships. Brilliant™ continues to build on its market leading position in the UK with strong growth in core retail, including Pets at Home, as well as through the major e-commerce platforms and our newly launched D2C site now delivering strong numbers on search, click throughs and sales conversion.

In Q3, there was a focus on building plans and capability for 2024, both in terms of new customer partnerships and new product lines to further strengthen the Brilliant™ brand globally and allow HBC to pioneer new category segments using our innovative science. Whilst some of these remain confidential, the result of this work is expected to execute during Q1 2024 and should drive further long-term profit for the Finished Good Business.



HBC also remains committed to driving customer-led growth in the consumer health segment, and record results were again delivered in this quarter for both the Cardio brand and through white label customer partnerships

R&D Update

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

- i. Recruitment to our bone health trial with CalGo® completed during Q3 2023. The trial has a two-year follow-up period and data on the osteoinductive effects of CalGo® and protection against osteoporosis are expected in 2025.
- ii. Recruitment to our clinical trial of OmeGo® in allergic asthma is advancing well. This study will provide significant insights into the inflammation-resolving effects of OmeGo® and its benefits to immune health within the consumer health space.
- iii. Following the successful completion of our initial preclinical trial of MA-022s treatment (our current lead drug candidate in eosinophilic conditions) in an animal model of asthma, a paper has been prepared for publication in a peer-reviewed scientific journal. Prior to publication, further IP protection is being put in place by our US attorneys Morrison and Forrester. MA-022s is an analogue of the naturally occurring lipopeptide (microcolin A) found in OmeGo® and has shown moderate anti-eosinophil and airway inflammation reduction in a 2-week HDM allergy mouse model trial. (anti-allergic effectiveness). A second longer duration study begins in Q4 2023.
- iv. Clinical trial work of SPHi in milder forms of inflammatory bowel disease will be initiated early 2024, led by Stanford School of Medicine. This aim is to develop a novel formulation of SPH as a Clinically Approved Medical Food and stems from HBC's core research area in Gene Expression

Modulation.

- v. Preclinical trial work in collaboration with Shanxi Medical University has begun to assess other potential CNS and Cognitive health benefits of ProGo® in Healthy Aging with a focus on modulation of the microbiome.



- vi. Analyses of OmeGo®'s resolution of inflammation following acute infection in adults, via its impact on the modulation of genes involved in the initiation and resolution of inflammation will be submitted for publication in a peer-reviewed scientific journal in Q4 2023. This work provides a deeper understanding of how OmeGo® can help restore immune health.
- vii. A collaborative study of ProGo® in skin health has shown significant benefit in terms of objective improvement of facial wrinkles and in skin hydration with a low dose ProGo®. The study results will be published in a peer review journal, led by our collaboration partners.

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	Cancer Cachexia/ 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	Immune Health			
	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

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). The mode of action is an upregulation of the anti-inflammatory gene system, HMOX1, which results in a rebalancing of the GI immune system with an accelerated recovery in overall health. A proof-of-concept clinical trial in IBD patients at Stanford is expected to commence during 2023 with recruitment starting in early 2024. We anticipate that this work will enable the granting of health claims for SPH as a medical food / medical nutrition in the management of IBD and the protection of gut health. There have been no new options for milder forms of IBD for a number of years to help resolve symptoms and improve quality of life in this patient group.

ProGo® peptides for improved body composition and metabolism

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

CalGo® for bone and joint health

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

The bone health trial will assess whether CalGo® prevents a decrease in Bone Mass Density in osteopenic woman over

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

OmeGo® softgels for immune health

Analyses of OmeGo®'s resolution of inflammation following acute infection in adults, via its impact on the modulation of genes involved in the initiation and resolution of inflammation are ongoing and will provide a deeper understanding of how OmeGo® can help restore immune health. Once completed, we will publish this research in a peer-reviewed scientific journal. The publication of both "Assessing the Anti-Inflammatory Effects of an Orally Dosed Enzymatically Liberated Fish Oil in a House Dust Model of Allergic Asthma" and "Preliminary Insights into the Inflammation-resolving Effect of OmeGo®, An Enzymatically-Liberated Fish Oil, Compared to Diclofenac in A Rat Paw Edema Injection Model" in a peer-review journals in Q4 2022 provides further insights into the broad inflammation-resolving effects of OmeGo® and positive effects on immune function. These combined datasets will help direct future trials of immune health benefits of OmeGo®.

MA-022

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

HBC Pharmaceutical Leads Pipeline

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

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

FTH1 modulation with bioactive peptides derived from SPH

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

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

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

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

Share information

HBC shares were traded between NOK 2.30 and 3.95 per share in the third quarter and the last closing price on 28 September 2023 was NOK 2.83. Based on 395,081,030 outstanding shares, this values HBC's equity at approximately NOK 1,118m. As of 28 September 2023, HBC had 1,490 shareholders. The 20 largest shareholders controlled 87.21 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 third quarter 2023.

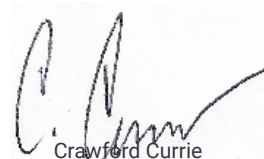
Hofseth BioCare ASA Board of Directors
Ålesund, 10 November 2023



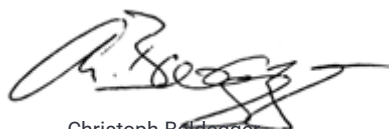
Kristin Fjellby Grung
Chair of the board



Torill Standal Eliassen
Board member



Crawford Currie
Board Member



Christoph Baldegger
Board member



Amy Novogratz
Board member



Roger Hofseth
Board member



Jon Olav Ødegård
CEO

Glossary

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

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

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

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

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

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

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

Co-treatment - Treatment with two or more agents simultaneously

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

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

Enzymatic hydrolysis - is a process in which enzymes 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- 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)	Q3 2023	Q3 2022	9M 2023	9M 2022	2022	Notes
Sales revenue	49 623	29 787	144 927	85 281	119 128	8
Other revenue	114	435	2 522	1 558	1 320	8
Gain on sale of assets	149	0	23 637	0	0	8
Gross operating revenue	49 886	30 222	171 085	86 839	120 448	
Cost of sales	33 864	24 478	101 255	64 306	91 934	9
Salaries and other payroll costs	15 507	14 625	40 783	38 673	57 043	11
Other operating expenses	17 676	16 519	55 375	53 797	69 677	
EBITDA	-16 160	-25 400	-26 329	-69 937	-98 206	
Depreciation and Write-down	9 006	7 712	26 921	23 430	30 412	
Operating profit/loss (EBIT)	-25 166	-33 111	-53 250	-93 367	-128 618	
Income from investments in associated companies	5 028	0	5 028	0	0	13
Financial income	1 168	990	4 558	3 315	4 568	13
Financial expenses	3 744	2 945	11 125	9 064	13 340	13
Net financial items	2 451	-1 955	-1 540	-5 750	-8 772	13
Profit/loss before taxes	-22 715	-35 066	-54 789	-99 166	-137 390	
Tax expense	0	0	0	0	0	
Profit for the period	-22 715	-35 066	-54 789	-99 166	-137 390	
Total comprehensive income for the period attributable to:						
Non-controlling interests	0	0	-1	0	-1	
Shareholders in HBC (majority)	-22 715	-35 066	-54 788	-99 166	-137 390	
Total	-22 715	-35 066	-54 789	-99 166	-137 390	
Earnings per share (EPS)	-0.06	-0.09	-0.14	-0.27	-0.35	
Basic earnings per share (NOK)	-0.06	-0.09	-0.14	-0.27	-0.35	

The interim financial information has not been subject to audit.

Consolidated condensed statement of financial position

(figures in NOK 1 000)	Q3 2023	Q3 2022	2022	Notes
Research, patents etc.	56 428	58 405	60 588	5
Property, plant and equipment	156 654	172 766	168 794	6
Financial assets	41 526	6 852	5 900	7
Total non-current assets	254 609	238 023	235 282	
Inventories	101 565	108 927	116 525	10
Trade receivables	16 285	14 294	14 072	12
Other current assets	11 855	13 874	12 724	
Cash and cash equivalents	17 669	46 215	32 427	
Total current assets	146 985	183 311	175 748	
Total assets	401 982	421 334	411 030	
Share capital	3 951	3 951	3 951	14
Other Paid in equity (+) Uncovered losses (-)	90 793	92 585	144 771	
Non-controlling interests	-687	-685	-686	
Total equity	94 056	185 950	148 036	
Non-current liabilities interest bearing	87 881	92 585	90 722	
Total non-current liabilities	87 881	92 585	90 722	
Other Interest-bearing loans, leasing and borrowings	11 620	13 940	13 453	
Trade payables	201 145	120 804	145 752	
Other current liabilities	7 279	8 054	13 018	
Total current liabilities	220 045	142 799	172 223	
Total equity and liabilities	401 982	421 334	411 030	

The interim financial information has not been subject to audit.

Consolidated condensed statement of changes in equity

(figures in NOK 1 000)	Q3 2023	Q3 2022	9M 2023	9M 2022	2022	Notes
Equity at start of period	116 672	77 893	148 036	140 378	140 378	
Share based payment program costs	0	506	0	1 519	2 773	
Other changes in equity	99	444	810	996	623	
Issue new shares 07.07.2022	0	141 978	0	141 978	141 978	
Share issue costs	0	195	0	195	-326	
Profit/loss for the period	-22 715	-35 066	-54 789	-99 116	-137 390	
Other comprehensive income/expenses	0	0	0	0	0	
Total comprehensive income	-22 715	-35 066	-54 789	-99 116	-139 390	
Equity at the end of period	94 056	185 950	94 056	185 949	148 036	

Earnings per share

(figures in 1 000, except EPS)	Q3 2023	Q3 2022	9M 2023	9M 2022	2022
Number of shares end of period	395 081	395 081	395 081	395 081	395 081
Weighted average number of shares	395 081	387 794	395 081	367 855	395 081
Effect of employee stock options and warrants	1 172	5 521	1 172	5 521	1 000
Weighted average number of shares diluted	396 253	393 315	396 253	373 376	375 737
Basic earnings per share (NOK)	-0.06	-0.09	-0.14	-0.27	-0.37
Diluted earnings per share (NOK)	-0.06	-0.09	-0.14	-0.27	-0.37

Consolidated condensed cash flow statement

(figures in NOK 1 000)	Q3 2023	Q3 2022	9M 2023	9M 2022	2022
Cash flow from operational activities					
Profit before taxes	-22 715	-35 066	-54 789	-99 116	-137 390
Depreciation and write-off	9 006	7 712	26 921	23 430	30 412
Gain on sale of assets	-149	0	-23 637	0	0
Changes in Inventory	8 569	-7 028	14 960	-18 114	-25 712
Changes in trade debtors	2 094	3 818	-2 213	-4 205	-3 983
Changes in trade creditors	12 942	-13 386	55 393	-3 361	70 355
Changes in other current bal. sheet items	-960	2 396	-9 490	2 376	11 196
Classified as financial activities	2 234	2 052	7 112	7 026	9 954
Net cash flow from operational activities	11 021	-39 503	14 258	-91 964	-45 168
Cash flow from investment activities					
Investments in tangible assets	-7 282	-865	-10 204	-4 941	-4 020
Investments in intangible assets	-794	-5 461	-5 128	-10 116	-13 758
Net cash flow from investment activities	-8 075	-6 325	-15 332	-15 058	-17 778
Cash flow from financing activities					
Issurance of share capital	0	141 978	0	141 978	70 777
Transaction cost on issue of shares	0	-195	0	-195	-326
Payment of interest	-2 234	-2 052	-7 112	-7 026	-9 954
Proceeds from borrowings	0	0	0	0	0
Repayment of borrowings	-3 006	-53 376	-9 810	-31 439	-15 045
Net cash flow from financing activities	-5 241	86 355	-16 923	103 317	45 452
Net change in cash and cash equivalents	944	40 527	-14 758	-3 705	-17 494
Cash and cash equivalents at the beginning of the period	16 724	5 689	32 427	49 920	49 920
Cash and cash equivalents at the end of the period	17 669	46 215	17 669	46 215	32 427
Available unused credit facility	37 000	37 000	37 000	37 000	37 000
Total cash and unused credit facility	54 669	83 215	54 669	83 215	69 427

Selected notes to the condensed financial statements

1. General information and basis for preparation

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

2. Use of estimates and judgements

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

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

5. Intangible assets

(figures in NOK 1 000)	R&D	Systems	Patents	Total
Book value at 30.06.2023	52 227	4 511	752	57 490
Additions	529	0	0	529
Sold assets	0	0	0	0
Depreciations for the period	1 452	75	64	1 591
Book value at 30.09.2023	51 304	4 436	688	56 428
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 30.06.2023	55 083	227	55 309
Additions	2 487	0	2 487
Depreciations for the period	2 435	227	2 662
Book value at 30.09.2023	55 135	0	55 135
Economic life	5-10 years	3-10 years	
Method of depreciation	straight line	straight line	

Going Concern

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

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

3. Taxes

Deferred tax assets are not been recognized in the financial statements. Estimated value is NOK 239.5m.

4. Transactions with related parties

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

Leased objects

(figures in NOK 1 000)	Rented buildings	Machinery and equipment	Other rentals	Total
Book value at 30.06.2023	70 690	34 008	302	105 000
Additions	0	0	0	0
Depreciations for the period	1 793	1 686	0	3 479
Book value at 30.09.2023	68 897	32 322	302	101 521
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)	Q3 2023	Q3 2022	2022
Atlantic Delights Limited	6 517	6 517	6 517
HBC Immunology Llc.	34 507	0	0
Investments in other companies	25	25	25
Other	477	310	316
Total Financial Assets	41 526	6 825	36 467

8. Segments

(figures in NOK 1 000)	Q3 2023	Q3 2022	9M 2023	9M 2022	2022
Per product					
Salmon oil	33 884	19 353	97 502	50 690	77 759
Protein	5 517	1 427	18 189	10 013	12 578
Calcium	432	538	2 452	2 627	2 666
PHP	9 015	8 884	25 304	21 962	25 480
Gain on sale of asset	149	0	23 637	0	0
By-product/other	889	20	4 001	1 547	1 965
Total revenues	49 886	30 222	171 085	86 839	120 448

9. Cost of sales

(figures in NOK 1 000)	Q3 2023	Q3 2022	9M 2023	9M 2022	2022
Cost of goods sold	30 201	22 717	99 392	60 768	83 397
Net obsolete cost	2 662	1 761	1 863	3 538	8 537
Net cost of sales	32 864	24 478	101 255	64 306	91 934

10. Inventory

(figures in NOK 1 000)	Q3 2023	Q3 2022	2022
Per product			
Raw material	8 408	11 484	12 679
Finished goods	88 953	94 189	100 407
Spare parts equipment	4 204	3 254	3 439
Total inventory	101 565	108 927	116 525

11. Salaries and other payroll costs

(figures in NOK 1 000)	Q3 2023	Q3 2022	9M 2023	9M 2022	2022
Salaries incl social security and pension	15 809	14 434	41 914	38 292	57 486
Share based payment	0	506	0	1 519	2 346
Activated costs	-302	-316	-1 131	-1 238	-2 790
Salaries and other payroll costs	15 507	14 625	40 873	38 673	57 043

12. Trade receivables

(figures in NOK 1 000)	Q3 2023	Q3 2022	2022
Trade receivables	16 285	14 294	14 072
Total receivables	16 285	14 294	14 072

Accounts receivable are not interest-bearing receivables and general terms and conditions for payment are from 7 to 90 days. All significant accounts receivables are credit secured by Coface, limited to 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)	Q3 2023	Q3 2022	9M 2023	9M 2022	2022
Income from investment in associated companies	5 028	0	5 028	0	0
Interest expense	2 238	2 138	7 116	7 114	9 899
Interest income	3	86	3	87	651
Net currency exchange	-342	97	545	1 277	735
Net financial items	2 451	-1 955	-1 540	-5 750	-8 512

Income of 5 028 in associated company in Q3 is a revaluation of HBCI following a private placement to new investors in the company.

14. Shareholders

Largest shareholders as of 28 September 2023

Shareholder	Account Type	Shareholdings	% stake
SIX SIS AG	Nominee	79 890 211	20.22
RH INDUSTRI AS	Ordinary	69 300 190	17.54
HOFSETH INTERNATIONAL AS	Ordinary	59 176 565	14.98
YOKOREI CO. LTD	Ordinary	40 951 333	10.37
GOLDMAN SACHS INTERNATIONAL	Nominee	22 450 000	5.68
BRILLIANT INVEST AS	Ordinary	11 000 000	2.78
CREDIT SUISSE (SWITZERLAND) LTD.	Nominee	9 672 624	2.45
GOLDMAN SACHS & CO. LLC	Nominee	9 251 830	2.34
CITIBANK, N.A.	Nominee	7 615 022	1.93
THE BANK OF NEW YORK MELLON SA/NV	Nominee	5 184 570	1.31
JPMORGAN CHASE BANK, N.A., LONDON	Nominee	4 830 541	1.22
UBS SWITZERLAND AG	Nominee	3 993 874	1.01
LGT BANK AG	Nominee	3 523 372	0.89
BOMI FRAMROZE HOLDING AS	Ordinary	3 453 370	0.87
SAXO BANK A/S	Nominee	3 410 889	0.86
THE NORTHERN TRUST COMP, LONDON BR	Ordinary	2 433 865	0.62
VERDIPAPIRFONDET DNB SMB	Nominee	2 421 364	0.61
ØDEGÅRD PROSJEKT AS	Ordinary	2 174 039	0.55
CLEARSTREAM BANKING S.A.	Ordinary	1 939 340	0.49
INITIA AB	Ordinary	1 884 000	0.48
Total 20 largest		344 556 999	87.21
Total other		50 524 031	12.79
Total no. of outstanding shares		395 081 030	100.00

Total number of shareholders: 1,490

This is Hofseth BioCare

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

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




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

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

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

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

OUR PRODUCTS AND INGREDIENTS

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

IR CONTACTS

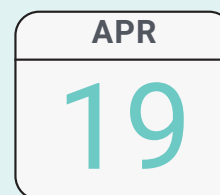
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Q4 Financial Report



Annual Report 2023