



First Quarter 2023 Financial Report

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CEO Statement

The ingredients business experienced solid demand growth as interest in traceable marine ingredients surged, particularly from human-grade pet food businesses and the nutraceutical categories.



In the first quarter of this year, HBC showed strong growth with revenues of NOK 44.8m, a YoY growth of 48 per cent, compared to NOK 30.8m in the first quarter of 2022. This substantial growth was driven by both the ingredients business and finished products channels.

The interest in traceable marine ingredients has surged, resulting in solid demand growth for our products, particularly from human-grade pet food businesses and the nutraceutical categories.

We continuously work to strengthen our global partnerships, and this has contributed to a growing order book and better long-term visibility. The premium pet segment, which helps diversify the customer portfolio, displayed notable progress. All geographic regions contributed to the growth without any single country or continent dominating. The first quarter also saw multiple significant business visits abroad, including to the US, with a focus on human health products. The company expects further developments in the latter half of the year.

The Finished Goods business had a particularly positive performance, with Q1 2023 sales amounting to NOK 10.2m compared to NOK 5.9m in Q1 2022, reflecting a 70 per cent growth and a positive operational margin after sales and marketing costs. Brilliant™ Salmon Oil, accounting for 80 per cent of finished goods revenues, has secured retail chain and distributor listings in over 25 countries worldwide.

Our R&D team has made significant advancements in this quarter. Clinical trials on ProGo® to support gut and overall health in milder forms of inflammatory bowel disease are being planned and led by Stanford University.

The university collaboration has shown that ProGo® provides excellent protection against GI tract inflammation in standard

models of inflammatory bowel disease (IBD). This work is anticipated to enable the granting of health claims for ProGo® as medical food/medical nutrition in the management of IBD and the protection of gut health.

Outlook

The progress within R&D, including from clinical trials for ProGo®, OmeGo®, and CalGo®, is expected to strengthen HBC's product portfolio by enabling health claims, further propelling sales. As is already seen by the growth this quarter, HBC's robust sales performance reflects its continued commitment to growth and innovation.

The outlook remains positive, driven by the ongoing demand for traceable marine ingredients, diversification of our customer portfolio, and expansion into new markets and segments. Our growth strategy in multiple channels and markets is working and even though it incur costs, it will lead to profits in the future.

A handwritten signature in blue ink, which appears to read "Jon Olav Ødegård". The signature is fluid and cursive.

Jon Olav Ødegård, CEO

Key Figures & Highlights

	Q1 2023	Q1 2022	YTD2023	2022
Gross operating revenue	44 769	30 784	44 769	120 448
EBITDA	-28 501	-26 207	-28 501	-98 206
Operating profit/loss	-36 460	-33 468	-36 460	-128 618
Net cash flow	-9 573	-19 349	-9 573	-17 494
Equity ratio	28.8%	27.1%	28.8%	36.0%

HIGHLIGHTS IN THE FIRST QUARTER

- › In Q1 2023, we delivered strong growth with gross operating revenues of NOK 44.8m, representing a YoY growth of 48 %. The Finished Goods business demonstrated a positive performance, with sales amounting to NOK 10.2m, reflecting a 70 % growth.
- › Our research on the upregulation of the FTH1 gene system with an associated decrease in transferrin receptor expression, depriving tumour cells of iron and potentiating the anti-tumour activity of Standard of Care therapy, was presented at the Pharma R&D conference in Las Vegas, USA in February.
- › Net cash burn significantly reduced after cost-cut initiatives and implementation of strategic growth initiatives, compared to last year. Operational cash flow was positive in the quarter.

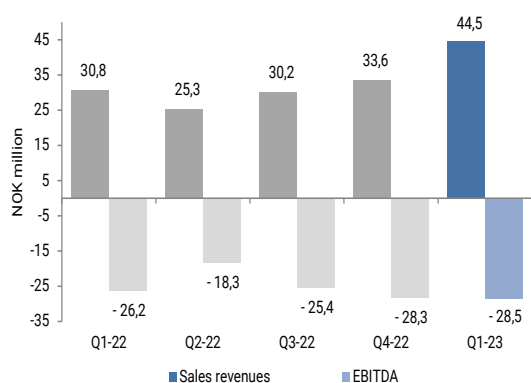
Financial Review

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

P&L First Quarter 2023

HBC had gross operating revenues of NOK 44.8m (30.8m) in the first quarter.

Cost of sales (CoGS) amounted to NOK 41.3m (22.1m) in the quarter. NOK 8.7m of the CoGS are related to clearing of older calcium inventory for technical use. Opex amounted to NOK 17.6m in the quarter and is reduced compared to corresponding quarter last year (NOK 20.1m) leaving the operating loss (EBITDA) at NOK -36.5m (-33.5m). EBITDA adjusted for inventory write-downs ended at NOK -19.8m. Operating result



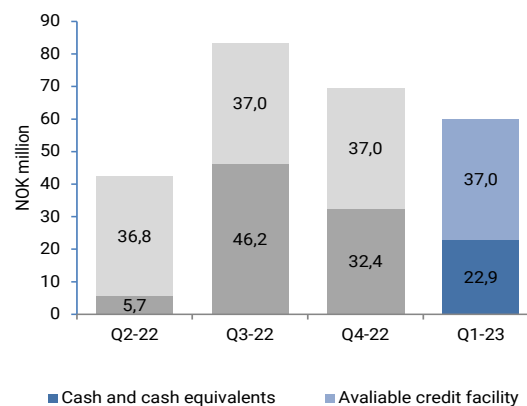
(EBIT) amounted to NOK 36.5m (33.5m) in the first quarter 2023. Net financial items in the first quarter were NOK -1.4m, an improvement compared to the corresponding quarter last year (-2.2m).

Cash flow

Cash flow from operations during the first quarter was NOK 0.1m, compared to NOK -8.8m in first quarter last year. Net cash flow from investment activities was NOK -4.5m in the first quarter, compared to NOK -4.6m in the corresponding quarter last year. Cash flow from financing activities amounted to NOK -5.2m in the quarter, compared to NOK -5.9m in the first quarter 2022.

Cash and cash equivalents decreased by NOK 9.6m during the quarter, leaving total holding at NOK 22.9m at the end of the period, compared to NOK 30.6m at the end of the first quarter 2022. Including credit facilities, HBC had NOK 59.9m in free

liquidity as of the end of the first quarter 2023.



Financial position

Total assets for HBC were NOK 412.0m (416.0m) at the end of the first quarter of 2023. Deferred tax asset of NOK 227.4m is not recognized in the statement of financial position.

Total equity amounted to NOK 149.0m (140.4m) corresponding to an equity ratio of 36.2 % (33.7 %) for the group.

Sales & marketing

The year's first quarter shows a very good development for HBC. Revenues came in at NOK 44m vs NOK 30m last year, a growth of 48% YoY and 32% QoQ. The underlying growth we are seeing is coming from both the ingredients business and finished products channels.

The ingredients business continues to have solid demand growth as interest for traceable marine ingredients increases and we see an interest from both human grade petfood businesses and nutraceutical categories expanding rapidly.

Pricing of our core salmon oil ingredient has remained firm and elevated, and we believe this picture will remain the rest of the year. The price of the oil seems to have completely decoupled from the price of the fish.

The company has navigated lower access to raw materials and the resulting elevated prices in the beginning of 2023. This is due to the Norwegian resource tax debacle on salm-

on farming, which has reduced investments in the sector dramatically in recent months. This will keep supply tight for a period of time, hence will most likely impact access to supply for our own raw material in Q2. On the other hand, we expect salmon prices (as opposed to salmon oil prices) to soften into the summer and this may potentially result in higher volumes available for processing later in the year. Furthermore, strong biology from the Norwegian farmers in 2023 also points to a pick-up in harvesting volumes in the summer as well.

HBC partnerships continue to broaden and support our results. The partnerships give us better long-term visibility on the order book that is growing to a level that has never been previously seen in HBC. Progress in the premium pet segment was particularly notable and this segment continues to help diversify the portfolio of customers for our ingredients B2B franchise. For the coming quarter we expect to see this segment also contributing to growth in a broader range of our products.

All geographic regions continue to contribute and exhibit similar high rates of growth resulting in a broad-based pick-up in business without one country or continent being the dominant contributor.

On the marketing side, we made multiple significant business visits abroad, including the US, focusing on human health products. We expect this to develop into something more exciting in the latter half of the year. We also welcomed important visitors to our facility at Midsund. This enables us to explain the unique HBC story even better. In the coming quarter many more visits are planned, and our team will also attend important expos such as the Vitafoods in Geneva.

The DKSH and IMCD relationships continue to build as new projects commence and the volume is growing every quarter. In sum, many new consumer health products are entering markets, using all HBC ingredients, across multiple regions across Asia and Europe.

Consumer and Pet Health

HBC's Finished Goods business delivered a 70% growth and positive operational margin after sales and marketing costs. Q1 2023 Sales were NOK 10.2m vs NOK 5.9m in Q1 2022.

Brilliant™ Salmon Oil continues to account for 80% of all finished goods revenues, and has now obtained national retail chain and distributor listings in over 25 countries worldwide. During Q1 Brilliant™ further cemented its number one market-leading position in the UK, partly due to the nationwide roll out of Brilliant™ Salmon Oil in Pets at Home, the UK's largest pet retail outlet.

In the first quarter, our UK E-Commerce business drove over NOK 4.3m of sales growth in the quarter. We also launched our new DTC site, Brilliantpetcare.com, together with a re-focused

social media strategy, which has increased our presence across all key social media channels and already generated more than 120,000 views on our Tik Tok platform in the first month.

In the USA there was further accelerated growth in the club stores, driven by promotional and base volume, and volume expansion in Amazon of the core Brilliant line and in the specialty pet trade via the black 'Professional' label, which is expected to continue organically during 2023.

In consumer health, Cardio Salmon Oil soft gels and own label softgel sales delivered NOK 1.6m of revenue which is expected to double in the second quarter. Our successful launch in Amazon US is driving accelerated growth in a key area of future expansion.

On the marketing front, in May we will attend Zoomark in Bologna, one of the largest Pet finished product shows of the year in Europe, where we have multiple new customer meetings already booked to develop new business opportunities.

R&D Update

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

- i. Clinical trial work of ProGo® to support better gut and overall health in milder forms of inflammatory bowel disease will be initiated during 2023. The study will be led by Stanford University. This is the first step in developing ProGo® as a Medical Nutrition to improve patient health in several indications and stems from HBC's core research area in Gene Expression Modulation.
- ii. Our ongoing in vitro research of the health benefits of ProGo® includes research directed at cancer cachexia and sarcopenia, both conditions characterised by accelerated muscle mass loss. HBC's paper "Development of a Natural Protein Hydrolysate Supplement Containing Peptidyl Inhibitors of Activin-A and Myostatin to Alleviate Cancer Cachexia" has been selected for presentation at the annual Multinational Association of Supportive Care in Cancer (MASCC) in Nara, Japan, June 22-24. MASCC is the premier global organisation for cancer care.
- iii. A study assessing the bioavailability of OmeGo® compared to a krill oil and a processed, concentrated omega-3 oil, in a standard mouse model, has been accepted for publication in the peer-review journal of Biomedical Journal of Scientific & Technical Research. The study confirms the significantly greater bioavailability of natural, marine oils compared to processed oils.
- iv. 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.

- v. A collaborative study of ProGo® in skin health has shown significant benefit in terms of objective improvement of facial wrinkles and in skin hydration. The results will be published in a peer review journal. A second collaborative study that assessed the benefit of lower dose ProGo® on hemoglobin and ferritin levels has also successfully concluded. Once associated biomarker work has been completed the results will be published in a peer review journal.
- vi. We presented our preclinical prostate cancer cell assay work of the bioactive peptides in SPH in combination with androgen deprivation therapy at the Pharma R&D meeting in February 2023. Other keynote speakers included those from major pharmaceutical and biotech companies.
- vii. Following the successful completion of our preclinical assay work with our FTH1 peptides in prostate cancer cell lines, planning continues for the next stage of development in xenograft models of prostate cancer.
- viii. Preclinical work in restless legs syndrome (RLS / Willis-Ekbom disease) continues following the successful completion of the first assay in human skeletal muscle cells with a positive effect on FTH1 gene expression. Similar to the prostate cancer work, we plan to identify a lead candidate FTH1 peptide for RLS.
- ix. Preclinical trial work with MA-022 as a drug lead in eosinophilic asthma is expected to deliver data in Q2 2023. This follows on from the successful completion of manufacturing optimisation of the lead eosinophilia modulating lipopeptide MA-022 in Q4 2022.

HBC Research

ProGo® peptides for Gastro-Intestinal (GI) health

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

ProGo® peptides for improved body composition and metabolism

We already have two datasets which have assessed the pro-metabolic, fat burning qualities of ProGo®, one with weight reduction as the primary endpoint and the other as a secondary endpoint. Recent laboratory-based work has identified other pro-metabolic effects of the peptides which would be expected to be involved in the increases energy & vitality seen with consuming 4-16g of ProGo® daily. This work will be submitted for publication in a peer-reviewed journal during Q2 2023.

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	Reumatoid 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

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 could delay full data analysis 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®.

OmeGo® softgels for respiratory & overall health

Planning is underway for a study to assess the impact of OmeGo® softgels to reduce pollution-induced coughing. The broad inflammation-resolving profile of OmeGo®, as demonstrated by our prior research, is expected to help reduce lung irritation

with an improvement in lung function and quality of life. Particulate matter pollution is a global health problem impacting lung, cardiovascular and overall health.

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.

Assay work with the individual peptides has been undertaken in prostate cancer and we have identified two peptides to move into animal testing. This work will be submitted for publication in a peer-reviewed journal in Q2 2023.

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 tumour 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 2.40 and 3.50 per share in the first quarter and the last closing price on 31 March 2023 was NOK 2.58. Based on 395,081,030 outstanding shares, this values HBC's equity at approximately NOK 1,019m. As of 31 March 2023, HBC had 1,467 shareholders. The 20 largest

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

shareholders controlled 86.97 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 first quarter 2023.

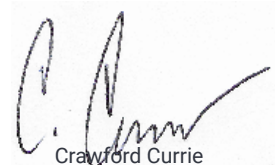
Hofseth BioCare ASA Board of Directors
Ålesund, 12 May 2023




Kristin Fjellby Grung
Chair of the board



Torill Standal Eliassen
Board member



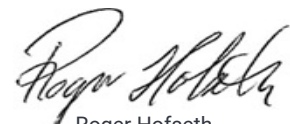
Crawford Currie
Board Member



Christoph Baldegger
Board member



Amy Novogratz
Board member



Roger Hofseth
Board member



Jon Olav Ødegård
CEO

Glossary

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

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

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

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

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

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

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

Co-treatment - Treatment with two or more agents simultaneously

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

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

Enzymatic hydrolysis - is a process in which enzymes facil-

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

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

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

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

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

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

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

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

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

IP - Intellectual Property

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

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

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

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

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

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

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

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

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

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

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

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

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

PetGo – is HBC’s commercial name for PHP

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

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

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

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

SO – Salmon Oil (or OmeGo)

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

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

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

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

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

Interim Financial Statements

Consolidated



Consolidated statement of comprehensive income

(figures in NOK 1 000, except EPS)	Q1 2023	Q1 2022	YTD2023	2022	Notes
Sales revenue	44 530	30 215	44 530	119 128	8
Other revenue	238	568	238	1 320	
Gross operating revenue	44 769	30 784	44 769	120 448	
Cost of sales	41 308	22 088	41 308	91 934	9
Salaries and other payroll costs	14 400	14 791	14 400	57 043	11
Other operating expenses	17 561	20 112	17 561	69 677	
EBITDA	-28 501	-26 207	-28 501	-98 206	
Depreciation and Write-down	7 959	7 261	7 959	30 412	
Operating profit/loss (EBIT)	-36 460	-33 468	-36 460	-128 618	
Financial income	1 606	261	1 606	4 568	13
Financial expenses	2 983	2 459	2 983	13 340	13
Net financial items	-1 377	-2 199	-1 377	-8 772	13
Profit/loss before taxes	-37 837	-35 666	-37 837	-137 390	
Tax expense	0	0	0	0	
Profit for the period	-37 837	-35 666	-37 837	-137 390	
Total comprehensive income for the period attributable to:					
Non-controlling interests	0	0	0	-1	
Shareholders in HBC (majority)	-37 837	-35 666	-37 837	-137 390	
Total	-37 837	-35 666	-37 837	-137 390	
Earnings per share (EPS)	-0.10	-0.10	-0.10	-0.35	
Basic earnings per share (NOK)	-0.10	-0.10	-0.10	-0.35	

The interim financial information has not been subject to audit.

Consolidated condensed statement of financial position

(figures in NOK 1 000)	Q1 2023	Q1 2022	YTD2023	2022	Notes
Research, patents etc.	61 872	52 739	61 872	60 588	5
Property, plant and equipment	164 041	183 457	164 041	168 794	6
Financial assets	6 893	6 804	6 893	5 900	7
Total non-current assets	232 806	243 000	232 806	235 282	
Inventories	108 752	92 714	108 752	116 525	10
Trade receivables	15 867	18 639	15 867	14 072	12
Other current assets	10 990	12 992	10 990	12 724	
Cash and cash equivalents	22 853	30 572	22 853	32 427	
Total current assets	158 463	154 918	158 463	175 748	
Total assets	391 269	397 917	391 269	411 030	
Share capital	3 951	3 578	3 951	3 951	14
Other Paid in equity (+) Uncovered losses (-)	109 386	105 118	109 386	144 771	
Non-controlling interests	-686	-685	-686	-686	
Total equity	112 650	108 011	112 650	148 036	
Non-current liabilities interest bearing	88 904	120 988	88 904	90 722	
Total non-current liabilities	88 904	120 988	88 904	90 722	
Other Interest-bearing loans, leasing and borrowings	12 122	14 617	12 122	13 453	
Trade payables	166 744	142 917	166 744	145 752	
Other current liabilities	10 847	11 384	10 847	13 018	
Total current liabilities	189 714	168 918	189 714	172 223	
Total equity and liabilities	391 269	397 917	391 269	411 030	

The interim financial information has not been subject to audit.

Consolidated condensed statement of changes in equity

(figures in NOK 1 000)	Q1 2023	Q1 2022	YTD2023	2022	Notes
Equity at start of period	148 036	140 378	148 036	140 378	
Share based payment program costs	0	506	0	2 773	
Other changes in equity	2 452	2 792	2 452	623	
Issue new shares 07.07.2022	0	0	0	141 978	
Share issue costs	0	0	0	-326	
Profit/loss for the period	-37 837	-35 666	-37 837	-137 390	
Other comprehensive income/expenses	0	0	0	0	
Total comprehensive income	-37 837	-35 666	-37 837	-137 390	
Equity at the end of period	112 561	108 011	112 561	148 036	

Earnings per share

(figures in 1 000, except EPS)	Q1 2023	Q1 2022	YTD2023	2022
Number of shares end of period	395 081	357 831	395 081	395 081
Weighted average number of shares	395 081	357 831	395 081	395 081
Effect of employee stock options and warrants	1 000	5 521	1 000	1 000
Weighted average number of shares diluted	396 081	363 352	396 081	375 737
Basic earnings per share (NOK)	-0.10	-0.10	-0.10	-0.37
Diluted earnings per share (NOK)	-0.10	-0.10	-0.10	-0.37

Consolidated condensed cash flow statement

(figures in NOK 1 000)	Q1 2023	Q1 2022	YTD2023	2022
Cash flow from operational activities				
Profit before taxes	-37 837	-35 666	-37 837	-137 390
Depreciation and write-off	7 959	7 261	7 959	30 412
Changes in Inventory	7 773	7 261	7 773	30 412
Changes in trade debtors	-1 795	-8 550	-1 795	-3 983
Changes in trade creditors	23 827	18 752	23 827	70 355
Changes in other current bal. sheet items	-2 146	9 179	-2 146	11 196
Classified as financial activities	2 298	2 093	2 298	9 954
Net cash flow from operational activities	78	-8 833	78	-45 168
Cash flow from investment activities				
Investments in tangible assets	-1 583	-3 569	-1 583	-4 020
Investments in intangible assets	-2 917	-1 002	-2 917	-13 758
Net cash flow from investment activities	-4 501	-4 571	-4 501	-17 778
Cash flow from financing activities				
Issurance of share capital	0	0	0	70 777
Transaction cost on issue of shares	0	0	0	-326
Payment of interest	-2 298	-2 093	-2 298	-9 954
Proceeds from borrowings	0	0	0	0
Repayment of borrowings	-2 853	-3 852	-2 853	-15 045
Net cash flow from financing activities	-5 151	-5 945	-5 151	45 452
Net change in cash and cash equivalents	-9 573	-19 349	-9 573	-17 494
Cash and cash equivalents at the beginning of the period	32 427	49 920	32 427	49 920
Cash and cash equivalents at the end of the period	22 854	30 572	22 854	32 427
Available unused credit facility	37 000	37 000	37 000	37 000
Total cash and unused credit facility	59 854	67 572	59 854	69 427

Selected notes to the condensed financial statements

1. General information and basis for preparation

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

2. Use of estimates and judgements

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

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

5. Intangible assets

(figures in NOK 1 000)	R&D	Systems	Patents	Total
Book value at 31.12.2022	54 694	4 882	1 012	60 588
Additions	2 722	195	0	2 917
Depreciations for the period	1 212	352	70	1 634
Book value at 31.03.2023	56 204	4 725	942	61 872
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 31.12.2022	58 743	1 685	60 428
Additions	1 583	0	1 583
Depreciations for the period	3 256	534	3 790
Book value at 31.03.2023	57 071	1 151	58 221
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 235.8m.

4. Transactions with related parties

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

Leased objects

(figures in NOK 1 000)	Rented buildings	Machinery and equipment	Other rentals	Total
Book value at 31.12.2022	74 230	32 587	1 548	3 076
Additions	0	0	0	0
Depreciations for the period	2 020	5 26	0	2 546
Book value at 31.03.2023	72 210	32 061	1 548	105 819
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)	Q1 2023	Q1 2022	2022
Atlantic Delights Limited	6 517	6 517	6 517
Investments in other companies	25	25	25
Other	351	261	316
Total Financial Assets	6 893	6 803	6 858

8. Segments

(figures in NOK 1 000)	Q1 2023	Q1 2022	YTD2023	2022
Per product				
Salmon oil	28 978	16 329	28 978	77 759
Protein	6 364	6 085	6 364	12 578
Calcium	1 203	997	1 203	2 666
PHP	7 518	6 510	7 518	25 480
By-product/other	706	863	706	1 965
Total revenues	44 769	30 784	44 769	120 448

9. Cost of sales

(figures in NOK 1 000)	Q1 2023	Q1 2022	YTD2023	2022
Cost of goods sold	42 009	21 314	42 009	83 397
Net obsolete cost	-700	774	-700	8 537
Net cost of sales	41 308	22 088	41 308	91 934

10. Inventory

(figures in NOK 1 000)	Q1 2023	Q1 2022	2022
Per product			
Raw material	13 437	5 963	12 679
Finished goods	91 463	84 516	100 407
Spare parts equipment	3 853	2 236	3 439
Total inventory	108 752	92 715	116 525

11. Salaries and other payroll costs

(figures in NOK 1 000)	Q1 2023	Q1 2022	YTD2023	2022
Salaries incl social security and pension	14 837	14 785	14 837	57 486
Share based payment	0	506	0	2 346
Activated costs	-436	-500	-436	-2 790
Salaries and other payroll costs	14 400	14 791	14 400	57 043

12. Trade receivables

(figures in NOK 1 000)	Q1 2023	Q1 2022	2022
Trade receivables	15 867	18 639	14 072
Total receivables	15 867	18 639	14 072

Accounts receivable are not interest-bearing receivables and general terms and conditions for payment are from 7 to 90 days. All significant accounts receivables are credit secured by Coface, limited to a maximum of NOK 16m 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)	Q1 2023	Q1 2022	YTD2023	2022
Interest expense	2 298	2 093	2 298	9 899
Interest income	0	0	0	651
Net currency exchange	921	-105	921	735
Net financial items	-1 377	-2 199	-1 377	-8 512

14. Shareholders

Largest shareholders as of 31 March 2023

Shareholder	Account Type	Shareholdings	% stake
SIX SIS AG	Nominee	77 727 668	19.67
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	9 408 349	2.38
GOLDMAN SACHS & CO. LLC	Nominee	9 251 830	2.34
CITIBANK, N.A.	Nominee	8 015 022	2.03
THE BANK OF NEW YORK MELLON SA/NV	Nominee	5 446 722	1.38
JPMORGAN CHASE BANK, N.A., LONDON	Nominee	4 919 301	1.25
UBS SWITZERLAND AG	Nominee	4 084 312	1.03
LGT BANK AG	Nominee	3 482 692	0.88
BOMI FRAMROZE HOLDING AS	Ordinary	3 453 370	0.87
SAXO BANK A/S	Nominee	3 218 622	0.81
VERDIPAPIRFONDET DNB SMB	Nominee	2 445 035	0.62
THE NORTHERN TRUST COMP, LONDON BR	Ordinary	2 433 865	0.62
INITIA AB	Nominee	2 340 000	0.59
THE BANK OF NEW YORK MELLON	Ordinary	2 314 341	0.59
CITIBANK, N.A.	Nominee	2 176 208	0.55
Total 20 largest		343 595 425	86.97
Total other		51 485 605	13.03
Total no. of outstanding shares		395 081 030	100.00

Total number of shareholders: 1,467

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

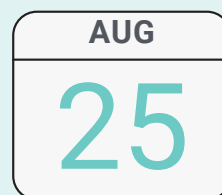
Ingredient	About	Finished products
	Fresh unrefined salmon oil. Produced with 4 years shelf life, full spectrum of omegas and natural antioxidants.	Cardio Salmon Oil™ for human consumption and Brilliant Salmon Oil™ for pets
	Salmon protein hydrolysate. Peptides for fast uptake, and documented BMI reduction, 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

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Half-Yearly
Financial Report



Q3
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