



Third Quarter 2022 Financial Report

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CEO Statement

The ongoing pick up in new profitable business from both our Consumer & Pet Health and Ingredients divisions saw profitability also continue to improve. This combination has resulted in the quarter returning to a triple digit top line growth year on year quarter, with better underlying margins as well.



The commodity price shock that even caused salmon prices to double in a very short space of time in the first half of the year, began to ease in Q3 as expected, and greatly helped our access to raw material in the quarter. Furthermore, the ongoing pick up in new profitable business from both our Consumer & Pet Health and Ingredients divisions saw profitability also continue to improve. This combination has resulted in the quarter returning to a triple digit top line growth year on year quarter, with better underlying margins as well.

Importantly, to protect and secure visible growth, HBC have now also secured new raw material sources from Q4 onwards. This increased visibility on better capacity utilization will in turn lower costs of production in the future. These contracts will provide certainty on double-digit percentage increases in processing volumes into next year. These contracts also pay testament to our confidence in the demand outlook.

Despite what appeared to be high selling prices for commodities versus history in this past quarter, these prices continued to remain firm for all our ingredients throughout the period. We will be budgeting for some retracement, but we see no evidence of this yet at all. Furthermore, as our sales mix continues to improve any possible retracement in bulk prices will be strongly offset by higher selling prices into human grade channels.

The results from all the live R&D projects continue to garner new and exciting data and we expect to share more of this before the end of the year. The long-awaited data from our 90 patient COVID phase 2 trial on the benefits of OmeGo® in respiratory and immune system health, will be received before

the end of Q4. We expect all the above to generate new customers for human health applications. In particular, the medical food nutrition category is a focus for us over the next 12 months after the extraordinary publication from the Stanford School of Medicine's findings on ProGo's effects in IBD. HBC also continues to attract top talent with Nicole Antipas joining us following a successful 12-year tenure at Nestle Health Science. She has an outstanding Regulatory advisory track record within their medical nutrition division and brings more needed experience and knowledge to our consumer health business. She will also be leading our strategic marketing efforts and business development.

Outlook

A broad-based increase in demand for our all ingredients continues. Furthermore, a combination of improved visibility from Q4 to access to raw material and better revenue and margins continuing, the company remains firmly optimistic about its future. We also look forward to continuing to attract and invest in new human talent whilst maintaining a close eye on overall costs to ensure profitable growth as soon as possible.

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

Jon Olav Ødegård, CEO

Key Figures & Highlights

	Q3 2022	Q3 2021	9M 2022	9M 2021	2021
Gross operating revenue	30 222	13 657	86 839	61 536	87 616
EBITDA	-25 400	-29 245	-69 937	-62 615	-89 214
Operating profit/loss	-33 111	-36 753	-93 367	-84 558	-25 033
Net cash flow	40 527	-27 162	-3 705	-87 329	-122 915
Equity ratio	44.1 %	39.8 %	44.1 %	39.8 %	53.6 %

HIGHLIGHTS IN THE THIRD QUARTER

- › HBC grew revenue by 105 % year-on-year shows strength of our business in uncertain times and during the third quarter, HBC signed contracts with new salmon processors to ensure increased access to salmon off-cut for our production process.
- › In July, HBC successfully placed a private placement of 35,490,000 new shares at a subscription price of NOK 4.00 per share and raised gross proceeds of NOK 141 million.
- › In August, Mr. Jon Olav Ødegård was appointed CEO by the Board of Directors. Mr. Roger Hofseth was elected director to the Board after the general meeting on August 30.
- › Record organic revenue and profits delivered in Q3 within Consumer and Pet health segment with over a fourfold improvement year on year.

SUBSEQUENT EVENTS

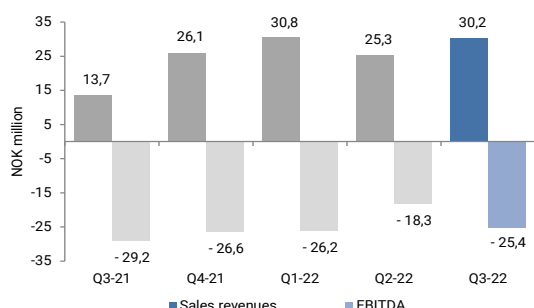
- › In October, Stanford School of Medicine successfully completed pre-clinical trial work testing ProGo® bioactive peptides in effective gut health support.

Financial Review

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

P&L Third Quarter 2022

HBC had gross operating revenues of NOK 30.2m (13.7m) in the third quarter. For the first nine months of 2022 HBC had revenues of NOK 86.8m (61.5m). Cost of sales (CoGS) amounted to NOK 24.5m (13.6m) in the quarter. Opex is reduced throughout the year and also in this quarter from NOK 20m in Q1 2022 to NOK 16m in the third quarter. Operating profit (EBITDA) for the quarter was NOK -25.4m (-29.2m) and Operating loss (EBIT) amounted to NOK 33.1m (36.8m) in the third quarter 2022. The third quarter started with a low gross margin in July due to low production volumes, but ended at a 35 % margin in September 2022. Net financial items in the third quarter were NOK -2.0m (-1.0m) and NOK -5.8m (-4.7m) for the first nine months of 2022.



Cash flow

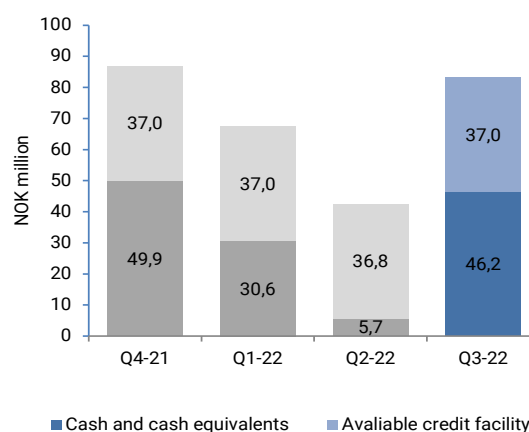
Cash flow from operations during the third quarter was NOK -39.5m, compared to NOK -15.3m in third quarter last year. In the third quarter, HBC made NOK 13m in net downpayments to trade creditors and NOK 7m in inventory build-up. Net cash flow from investment activities was NOK -6.3m in the third quarter, compared to NOK -7.8m in the corresponding quarter last year. Cash flow from financing activities amounted to NOK 86.4m in the quarter, compared to NOK -4.0m in the third quarter 2021.

Cash and cash equivalents increased by NOK 40.5m during the quarter, leaving total holding of cash and cash equivalents at NOK 46.2m by the end of the period, compared to NOK 85.5m by the end of the third quarter 2021. Including credit facilities, HBC had NOK 83.2m in free liquidity by the end of

the third quarter 2022.

Financial position

Total assets for HBC were NOK 421.3m at the end of third quarter of 2022 (443.3m). HBC has further increased inventory to meet future demand with an increase in Brilliant products of NOK 8m and related materials of NOK 12m in the quarter.



Deferred tax asset of NOK 219.0m is not recognized in the statement of financial position.

Total equity amounted to NOK 186.0m (176.2m) corresponding to an equity ratio of 44.1 % (39.8 %) for the group. In July, HBC successfully placed a private placement of 35,490,000 new shares and raised gross proceeds of NOK 141 million, whereas NOK 50m in debt conversion.

Sales & marketing

Q3 saw a normalisation in the price of salmon as expected and this resulted a progressive recovery in processing volumes and access to salmon off-cuts with steady improvements HBC production volumes, even in July with the usual shutdown period. During Q3 we signed contracts with new salmon processors to ensure increased access to salmon off-cut raw material for our production process.

In Q3 demand and market prices for the Feed and Pet segment has remained strong with total net sales of NOK 26.4m compared to NOK 11.6m reported in the same quarter of the

previous year. Progress in the Pet segment, with robust pricing has seen gross margins increase.

The order book for Q4 remains strong with an ongoing shift into higher value applications like super premium pet food, human nutrition, and nutritional supplements which will contribute to both the top line and the bottom line.

From a commercial and regulatory perspective for the US market, we have successfully added additional new and unique structure-function claims for OmeGo® and ProGo®. These will help to put the products on a stronger footing in key market segments including immune health and beauty and are resonating strongly with our commercial partners. The claims include commercially very strong claims such as: "Reduces wrinkles and promotes skin smoothness", "reduces oxidative stress" and "acts as an antioxidant". These yet again strongly sets HBC's apart from the rest of the collagen peptide category by combining claims that include nutrition and bioactive benefits.

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

Mainland China is beginning to normalise after the Covid lockdowns, and we are preparing various new product launches with ProGo® including a skin beauty shot. This is expected to commence selling via TikTok during Q4. Furthermore, our partners in China are also in the latter stages of concluding multiple clinical trials to test the benefits of collagen type III found in ProGo® on skin health and wrinkles. This is a particularly hot category in China and a positive result will see several new success stories launch over the next 3 to 12 months.

HBC is looking forward to attending Supply Side West later in Q4 as a full marketing push starts across north America with IMCD from Q4 onwards.

Consumer and Pet Health

Record organic revenue and profits delivered in Q3 within this segment with over a fourfold improvement year on year in Q3 resulting in a running year to date revenue increase of 67 % (+NOK 8.4m).

The sales momentum during the quarter has been driven through continued diversification and expansion of the customer base with new customer listings for Brilliant™ Salmon Oil, as well as volume acceleration through Amazon UK and US. Brilliant™ Salmon Oil revenues were NOK 6.9m in Q3 2022, compared to 3.5m in the corresponding quarter 2021. Fore-

cast outlook remains strong for Q4 with an expected annual growth position of approx. 60 %.

Our key regions of the UK and US delivered record growth in the quarter driven by major customer performance, with a focus on e-commerce as a volume lever and customer marketing tool through use of detailed data analytics and reviews. Amazon UK continues to drive sales and market share with Brilliant™ the Number 1 ranked Salmon Oil and Top 50 ranked Pet SKU across the entire UK e-commerce platform with record numbers of customers converted onto the loyalty 'subscribe and save' program. Amazon US delivered triple digit growth, and recently an agreement with a further major e-commerce retailer has now been reached for 2023 launch.

Organic sales for Brilliant™ across retail continue to increase, both in the independent and multiple sectors, and trial listings have been agreed with Top 5 customers in the US and UK in addition to continued growth of Costco in both regions, which has resulted in large replenishment orders for Q4.

Across Europe and Asia the development of landmark private partnership agreements with major customers and distributors continues apace, with a focus on these delivering strong margins to support volume growth elsewhere.

HBC's Pet Health business remains the major focus for investment, product pipeline and revenue growth, with the expansion of Brilliant™ as a major global Pet Health brand through sales growth and product innovation planned for 2023. HBC has also now delivered a successful consumer launch of Cardio™ Salmon Oil softgels on Amazon UK and these market learnings will form a key part of our future strategy to drive sales initially via DTC and key e-commerce channels across the full range of HBC ingredients.

R&D Update

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

- i. Following the completion of the preclinical profiling of SPH in protecting the gut from intestinal inflammatory damage with our collaborators at Stanford University the work has been published in Biomolecules titled "Soluble Protein Hydrolysate Ameliorates Gastrointestinal Inflammation and Injury in 2,4,6-Trinitrobenzene Sulfonic Acid-induced Colitis in Mice". Planning for clinical trial work is ongoing and will be led by Stanford University.
- ii. We have successfully completed our preclinical assay work with the eight individual FTH1 peptides in prostate cancer cell lines in combination with standard of care androgen deprivation therapy (ADT). This work has identified two lead candidates to take forward into in vivo testing. The two individual peptides showed markedly greater cancer cell kill rates compared to the whole mix of SPH

bioactive peptides. This confirms the mode of action to be via FTH1 and the disruption of iron metabolism within the cancer cell.

- iii. We have been given an oral presentation slot at the Pharma R&D meeting in February 2023 for our work in prostate cancer. The presentation will entail all the preclinical assay work of the bioactive peptides in SPH in combination with androgen deprivation therapy, bicalutamide and enzalutamide (Xtandi), in drug-sensitive and drug-resistant prostate cancer cell lines. Other keynote speakers include those from major pharmaceutical and biotech companies.
- iv. Preclinical work in restless legs syndrome (RLS / Willis-Ekbom disease) continues following the successfully 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.
- v. Results from our study of OmeGo® in the management of hospitalised patients with Covid will be available during Q4 2022. This will provide a raft of data on the impact of OmeGo® in supporting and improving immune health.
- vi. The final House Dust Mite (HDM) allergy preclinical trial with orally administered OmeGo® confirms the differentiated and broad anti-inflammatory profile of OmeGo®, an important property for optimising health. The results will be published in a peer review journal in Q4 2022.
- vii. Manufacturing optimisation of the lead eosinophilia modulating lipopeptide MA-022 has been successfully completed. Preclinical trial work with MA-022 as a drug lead in eosinophilic esophagitis is planned. Discussions have commenced with CDMOs (Contract Drug Manufacturing Organisations) for CMC (chemistry, manufacturing and

control) dossier development.

- viii. Our clinical trials of CalGo® in bone and joint health are ongoing with data expected from the joint health trial during H1 2023. Data from the bone health trial is expected during 2024.

- ix. Our asthma study, delineating the immune system benefits from OmeGo, has commenced recruitment and we have seen considerable interest from the local adult population to participate in the study.

HBC Research

ProGo® peptides for Gastro-Intestinal (GI) health

The preclinical gastrointestinal (GI) work led by Stanford University, Soluble Protein Hydrolysate Ameliorates Gastrointestinal Inflammation and Injury in 2,4,6-Trinitrobenzene Sulfonic Acid-Induced Colitis in Mice, has been published in Biomolecules in Q3 2022. This data shows 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 Q1 2023. We anticipate that this work will enable the granting of health claims for SPH as a medical food in the management of IBD and the protection of gut health. There have been no new options for people with mild to moderate IBD for a number of years and the science behind ProGo suggests that it can help resolve symptoms and improve quality of life in this patient group.

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-HO1	F	Gastrointestinal Health			
	SPH-ProGo	N	Healthy Weight loss			
	SPH-X1	P	Sarcopenia ¹⁾			
	SPH-X2	P	Pre-Diabetic Co-treatment			
	SPH-X3	P	Rheumatoid Arthritis ²⁾			
Salmon Oil (SO) OmeGo	SO	F	Improved AREDS Formulations for AMD Treatment			
	SO-LP	F	Asthma Co-treatment			
	SO-LP	P	Acne treatment			
	SO-OxLDL-Gp1	F	Cardiovascular Health			
	SO-CoV19	P	COVID-19 Co-Treatment			
Salmon Bone Powder (SBP) CalGo	SBP-X1	P	Osteoarthritis			
	SBP-CalGo	P	Osteoporosis Treatment			

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

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. Regulatory feedback in North America has confirmed that we can attain label claims around supporting weight loss and the maintenance of a healthy weight with one more clinical trial. A future study will build upon the bene-



fits for healthy ageing that ProGo provides including improved lean body mass / reduced body fat, improved metabolism and increased energy & vitality.

CalGo® for bone and joint health

Our osteoporosis and osteoarthritis clinical trials are being conducted by the HBC Clinical Trial Unit (CTU) in Ålesund. Our joint health trial is randomising patients with mild to moderate osteoarthritis (OA) to three groups: (1) hydrolysed Collagen from CalGo®, (2) non-hydrolysed CalGo® containing undenatured collagen, and (3) placebo to assess the potential to reduce joint pain and improve joint function. Data is anticipated in 2023. 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.

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 2024. 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

Following the completion of recruitment to our study of OmeGo® in the management of patients hospitalised with Covid-19, data management and analysis is ongoing, with results available in Q4 2022. Results will include measures of time to recovery, blood markers of inflammation and immune function including changes in gene expression markers related to immune function, although the gene expression analyses will take longer to complete than the clinical analyses. Our work to date has shown important and differentiated inflammation-resolving properties of OmeGo which should help the body better recover from infections, including COVID. The gene expression work will provide us with a deeper understanding of the mechanisms by which OmeGo achieves its effects and therefore direct us to where OmeGo can make the greatest impact to support health.

The analysis of the final preclinical animal study "Assessing the Anti-Inflammatory Effects of an Orally Dosed Enzymatically Liberated Fish Oil in a House Dust Model of Allergic Asthma" has completed, and the data will be published in a peer-review journal in Q4 2022. These results build on the prior animal model work in allergic inflammation and elucidates further the broad inflammation-resolving effects and improved immune health with OmeGo®.

OmeGo® softgels for respiratory 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. The trial is planned to be run in Southeast Asia where particulate matter pollution is a particular problem and at present antibiotics or herbal remedies are used to limited effect. The approval of label claims in one SE Asia country should enable passporting of claims to other countries in the region.

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

Novel anti-eosinophilic therapeutic

Our efforts at developing a pharmaceutical lead program around eosinophilia inflammation control is on-going. Our lead analog, MA-022, has shown a clinically significant and enhanced level of eosinophil control in in-vitro. Initial development will focus on eosinophilic esophagitis, an orphan condition that causes pain and difficulty in swallowing. Work for the scaling up of MA-022 synthesis is ongoing and once complete preclinical invitro and in vivo work will commence. Synthesis of a back-up analog, which has similar anti-eosinophilic activity to MA-022, is also being undertaken. We anticipate that the work on up scaling of analog synthesis will conclude during H2 2022. There are no licensed oral options for EoE and exclusion diets and topical steroids have limited impact on symptoms.

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. We have completed work on the synthesis of the 8 peptides and in Q2 2022 we initiated SAR (structure-activity relationship) work with in vitro tests to enable the selection of the best candidate for each target indication. Animal model testing for restless leg syndrome (RLS) will start once the preclinical assay work has been completed. Assay work with the individual peptides has also been undertaken in prostate cancer and we have identified two peptides to move into animal testing. RLS has limited treatment options and many patients continue to suffer significant 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 preclinical assay work of the SPH peptides in prostate cancer has consistently shown that the SPH peptides enhance the anti-tumour activity of anti-androgen therapy (standard of care / SOC) bicalutamide and enzalutamide. The mode of action is the upregulation of the FTH1 gene system with an associated decrease in transferrin receptor expression, depriving the tumour cells of iron and potentiates the anti-tumour activity of SOC therapy. The data has been accepted for presentation at the Pharma R&D meeting, to be held in the US in February 2023. During Q3, assays with the individual FTH1 peptides were completed and showed that the two of the FTH1 peptides have significantly greater anti-tumour activity compared to the whole SPH peptide mix. Iron metabolism is important for the survival and spread of numerous cancer types, including breast cancer, and hence FTH1 modulation with the peptides could potentially improve patient outcomes across a number of tumour types, at earlier and later stages of the disease process. Our US attorneys, Morrison and Forrester are ensuring optimal intellectual property (IP) protection relating to the FTH1 peptides for the treatment of cancer as well in the treatment of RLS.

Share information

HBC shares were traded between NOK 3.20 and 3.73 per share in the third quarter and the last closing price on 30 September 2022 was NOK 3.20. Based on 357,831,030 outstanding shares, this values HBC's equity at approximately NOK 1,264m. As of 30 September 2022, HBC had 1,403 shareholders. The 20 largest shareholders controlled 86.84 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 2022.

Hofseth BioCare ASA Board of Directors

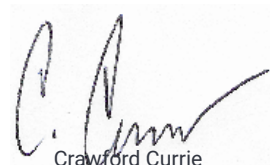
Ålesund, 11 November 2022



Kristin Fjellby Grung
Chair of the board



Torill Standal Eliassen
Board member



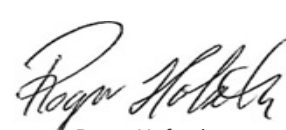
Crawford Currie
Board Member



Christoph Baldegger
Board member



Amy Novogratz
Board member



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 inhaler 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- κ 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 as 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 2022	Q3 2021	9M 2022	9M 2021	2021	Notes
Sales revenue	29 787	13 657	85 281	61 426	76 878	8
Other revenue	435	0	1 558	110	10 738	
Gross operating revenue	30 222	13 657	86 839	61 536	87 616	
Cost of sales	24 478	13 616	64 306	43 568	64 517	9
Salaries and other payroll costs	14 625	11 955	38 673	32 663	44 713	11
Other operating expenses	16 519	17 331	53 797	47 920	67 600	
EBITDA	-25 400	-29 245	-69 937	-62 615	-89 214	
Depreciation and Write-down	7 712	7 508	23 430	21 943	29 350	
Operating profit/loss (EBIT)	-33 111	-36 753	-93 367	-84 558	-118 565	
Financial income	990	641	-3 315	1 611	3 678	13
Financial expenses	2 945	1 680	9 064	6 327	11 577	13
Net financial items	-1 955	-1 039	-5 750	-4 716	-7 899	13
Profit/loss before taxes	-35 066	-37 792	-99 116	-89 274	-126 464	
Tax expense	0	0	0	0	0	
Profit for the period	-35 066	-37 792	-99 116	-89 274	-126 464	
Total comprehensive income for the period attributable to:						
Non-controlling interests	0	0	0	0	-1	
Shareholders in HBC (majority)	-35 066	-37 792	-99 116	-89 274	-126 463	
Total	-35 066	-37 792	-99 116	-89 274	-126 464	
Earnings per share (EPS)	-0.09	-0.11	-0.27	-0.25	-0.35	
Basic earnings per share (NOK)	-0.09	-0.11	-0.27	-0.25	-0.35	

The interim financial information has not been subject to audit.

Consolidated condensed statement of financial position

(figures in NOK 1 000)	Q3 2022	Q3 2021	2021	Notes
Research, patents etc.	58 405	50 131	53 055	5
Property, plant and equipment	172 766	188 225	183 551	6
Financial assets	6 852	6 856	9 057	7
Total non-current assets	238 023	245 212	245 663	
Inventories	108 927	88 976	92 714	10
Trade receivables	14 294	11 218	10 089	12
Other current assets	13 874	12 430	19 488	
Cash and cash equivalents	46 215	85 506	30 572	
Total current assets	183 311	198 130	170 310	
Total assets	421 334	443 342	415 973	
Share capital	3 951	3 578	3 578	14
Other Paid in equity (+) Uncovered losses (-)	182 685	173 343	137 485	
Non-controlling interests	-685	-684	-685	
Total equity	185 950	176 237	140 378	
Non-current liabilities interest bearing	92 585	128 902	124 662	
Total non-current liabilities	92 585	128 902	124 662	
Other Interest-bearing loans, leasing and borrowings	13 940	11 243	14 519	
Trade payables	120 804	116 995	124 165	
Other current liabilities	8 054	9 965	12 249	
Total current liabilities	142 799	138 203	150 933	
Total equity and liabilities	421 334	443 342	415 973	

The interim financial information has not been subject to audit.

Consolidated condensed statement of changes in equity

(figures in NOK 1 000)	Q3 2022	Q3 2021	9M 2022	9M 2021	2021	Notes
Equity at start of period	77 893	213 880	140 378	263 764	263 764	
Share based payment program costs	506	506	1 519	2 980	3 487	
Other changes in equity	0	0	0	0	0	
Issue new shares 07.07.2022	141 978	0	141 978	0	0	
Share issue costs	195	0	195	0	0	
Profit/loss for the period	-35 066	-37 792	-99 116	-89 274	-126 464	
Other comprehensive income/expenses	0	0	0	0	0	
Total comprehensive income	-35 066	-37 792	-99 116	-89 274	-126 464	
Equity at the end of period	185 950	176 539	185 950	176 539	140 378	

Earnings per share

(figures in NOK 1 000, except EPS)	Q3 2022	Q3 2021	9M 2022	9M 2021	2021
Number of shares end of period	395 081	357 831	395 081	357 831	357 831
Weighted average number of shares	387 794	357 831	367 855	357 831	357 831
Effect of employee stock options and warrants	5 521	5 521	5 521	5 521	5 521
Weighted average number of shares diluted	393 315	363 352	373 376	363 352	363 352
Basic earnings per share (NOK)	-0.09	-0.11	-0.27	-0.25	-0.35
Diluted earnings per share (NOK)	-0.09	-0.11	-0.27	-0.25	-0.35

Consolidated condensed cash flow statement

(figures in NOK 1 000)	Q3 2022	Q3 2021	9M 2022	9M 2021	2021
Cash flow from operational activities					
Profit before taxes	-35 066	-37 792	-99 116	-89 274	-126 464
Depreciation and write-off	7 712	7 508	23 430	21 943	29 350
Changes in Inventory	-7 028	-1 738	-18 114	-15 674	-17 511
Changes in trade debtors	3 818	6 547	-4 205	3 049	4 178
Changes in trade creditors	-13 386	12 016	-3 361	32 039	39 209
Changes in other current bal. sheet items	2 396	-3 121	2 376	2 795	65
Classified as financial activities	2 052	1 235	7 026	5 045	9 394
Net cash flow from operational activities	-39 503	-15 345	-91 964	-40 077	-61 779
Cash flow from investment activities					
Investments in tangible assets	-865	-6 082	-4 941	-23 321	-22 924
Investments in intangible assets	-5 461	-1 747	-10 116	-10 436	-14 827
Other investments	0	0	0	0	0
Net cash flow from investment activities	-6 325	-7 829	-15 058	-33 757	-37 939
Cash flow from financing activities					
Payment of interest	-2 052	-1 235	-7 026	-5 045	-9 394
Proceeds from borrowings	0	0	28 433	0	1 087
Repayment of borrowings	-53 376	-2 753	-59 872	-8 450	-14 890
Net cash flow from financing activities	86 355	-3 988	103 317	-13 495	-23 197
Net change in cash and cash equivalents	40 527	-27 162	-3 705	-87 329	-122 915
Cash and cash equivalents at the beginning of the period	5 689	112 668	49 920	172 835	172 835
Cash and cash equivalents at the end of the period	46 215	85 506	46 215	85 506	49 920
Available unused credit facility	37 000	37 000	37 000	37 000	37 000
Total cash and unused credit facility	83 215	122 506	83 215	122 506	86 920

Selected notes to the condensed financial statements

1. General information and basis for preparation

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

2. Use of estimates and judgements

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

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

5. Intangible assets

(figures in NOK 1 000)	R&D	Systems	Patents	Total
Book value at 30.06.2022	48 622	4 875	1 152	54 471
Additions	5 174	286	0	5 461
Depreciations for the period	1 105	352	70	1 527
Book value at 30.09.2022	52 691	4 809	1 082	58 404
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 30.06.2022	54 725	1 981	63 269
Additions	865	0	865
Depreciations for the period	2 275	148	2 423
Book value at 30.09.2022	53 314	1 833	61 710
Economic life	5-10 years	3-10 years	
Method of depreciation	straight line	straight line	

Going Concern

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

It is emphasized that in general there is uncertainty associated with continuing operations, considering the Group's ability to sell the products with sufficiently high margins, and have sufficient cash available. The company has established several contracts that secure large sales volumes, but at a lower price than the long-term objective. The Board of Directors is continuously reviewing the cash balance and equity of the Company and plan to implement appropriate measures in form of loans or equity, if needed, to ensure continuous operations and sufficient cash to execute on planned activities to generate positive cash flow and profitability.

3. Taxes

Deferred tax assets are not been recognized in the financial statements. Estimated value is NOK 215.1m.

4. Transactions with related parties

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

Leased objects

(figures in NOK 1 000)	Rented buildings	Machinery and equipment	Other rentals	Total
Book value at 30.06.2022	78 736	34 139	1 548	114 767
Additions	0	0	0	0
Depreciations for the period	2 785	926	0	3 711
Book value at 30.09.2022	75 951	33 213	1 548	111 056
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 2022	Q3 2021	2021
Atlantic Delights Limited	6 517	6 517	6 517
Investments in other companies	25	25	25
Other	310	314	261
Total Financial Assets	6 852	6 856	6 803

8. Segments

(figures in NOK 1 000)	Q3 2022	Q3 2021	9M 2022	9M 2021	2021
Per product					
Salmon oil	19 353	8 512	50 690	32 664	43 081
Protein	1 427	112	10 013	7 720	9 503
Calcium	538	472	2 627	2 230	2 716
PHP	8 884	4 209	21 962	18 385	20 920
By-product/other	20	351	1 547	537	6 048
Insurance settlement	0	0	0	0	5 348
Total revenues	30 222	13 657	86 839	61 536	87 616

9. Cost of sales

(figures in NOK 1 000)	Q3 2022	Q3 2021	9M 2022	9M 2021	2021
Cost of goods sold	22 717	11 759	60 768	44 908	64 075
Net obsolete cost	1 761	1 857	3 538	-1 340	399
Net cost of sales	24 478	13 616	64 306	43 568	64 474

10. Inventory

(figures in NOK 1 000)	Q3 2022	Q3 2021	2021
Per product			
Raw material	11 484	4 557	5 146
Finished goods	94 189	81 900	83 474
Spare parts equipment	3 254	3 254	2 236
Total inventory	108 927	88 976	90 856

11. Salaries and other payroll costs

(figures in NOK 1 000)	Q3 2022	Q3 2021	9M 2022	9M 2021	2021
Salaries incl social security and pension	14 434	12 134	38 392	37 732	46 649
Share based payment	506	506	1 519	2 980	3 487
Activated costs	-316	-685	-1 238	-3 050	-3 569
Salaries and other payroll costs	14 625	11 955	38 673	32 663	46 566

12. Trade receivables

(figures in NOK 1 000)	Q3 2022	Q3 2021	2021
Trade receivables	14 294	11 218	10 089
Total receivables	14 294	11 218	10 089

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

13. Finance

(figures in NOK 1 000)	Q3 2022	Q3 2021	9M 2022	9M 2021	2021
Interest expense	2 138	1 235	7 114	5 059	9 377
Interest income	86	0	87	14	613
Net currency exchange	97	196	1 277	392	914
Net financial items	-1 955	-1 039	-5 750	-4 716	-7 914

14. Shareholders

Largest shareholders as of 30 September 2022

Shareholder	Account Type	Shareholdings	% stake
SIX SIS AG	Nominee	76 613 050	19.39
RH INDUSTRI AS	Ordinary	69 300 190	17.45
HOGSETH INTERNATIONAL AS	Ordinary	58 938 778	14.92
YOKOREI CO. LTD	Ordinary	40 951 333	10.37
GOLDMAN SACHS INTERNATIONAL (AQUA-SPARK)	Nominee	22 450 000	5.68
BRILLIANT INVEST AS	Ordinary	11 000 000	2.78
GOLDMAN SACHS & CO. LLC	Nominee	9 251 830	2.34
CREDIT SUISSE (Switzerland) LTD.	Nominee	9 183 049	2.32
CITIBANK, N.A.	Nominee	7 515 022	1.90
THE BANK OF NEW YORK MELLON SA/NV	Nominee	4 959 151	1.26
JPMORGAN CHASE BANK, N.A., LONDON	Nominee	4 941 801	1.25
THE BANK OF NEW YORK MELLON	Nominee	4 379 250	1.11
UBS SWITZERLAND AG	Nominee	3 870 898	0.98
LGT BANK AG	Nominee	3 455 692	0.87
BOMI FRAMROZE HOLDING AS	Ordinary	3 253 370	0.82
INITIA AB	Ordinary	2 939 000	0.74
SAXO BANK A/S	Nominee	2 759 890	0.70
VERDIPAPIRFONDET DNB SMB	Ordinary	2 466 035	0.62
THE NORTHERN TRUST COMP, LONDON BR	Nominee	2 433 865	0.62
CLEARSTREAM BANKING S.A.	Nominee	2 416 265	0.61
Total 20 largest		343 078 469	86.84
Total other		52 002 561	13.16
Total no. of outstanding shares		395 081 030	100.00

Total number of shareholders: 1,403

This is Hofseth BioCare

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

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

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

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

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

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

OUR PRODUCTS AND INGREDIENTS

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

IR CONTACTS

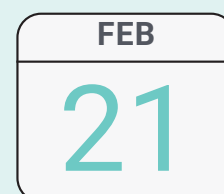
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Q4/22 Financial
Report



Keynote speaker
at Pharma R&D,
Las Vegas