



# First Quarter 2024 Financial Report

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# CEO Statement

*Demand for HBC's salmon oil and hydrolysed proteins continues to grow and despite a seasonally weak quarter for commodity oil pricing, HBC has delivered a new high in terms of sales in Q1 2024. The premium pet sector and consumer health segment is now showing the fastest growth.*

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In the first quarter of 2024, we continue to deliver on our growth strategy and to prove our business model. Despite the soft season in the salmon oil market during wintertime, our revenues increased and reached 52 million, a 17 % growth compared to Q1 2023 and up 14 % compared to Q4 2023.

Our growth is a result of increased interest in our hydrolysed protein sales across all regions, with steady demand for our core pet food product, but we have also seen increased demand for our premium pure SPH product, especially within the petfood segment. Additionally, the increase need for human grade salmon oil over the last quarters, has also supported our growth. We anticipate these trends to continue in the coming quarters, driving growth and margins.

Our R&D team continue to deliver good results. We have successfully completed various analyses, including the bioavailability assessment of marine collagen in joint health and the characterization of the anti-diabetic effects of our bioactive peptides. These findings not only validate the efficacy of our products but also secure our R&D innovations and future market expansion.

In January, the transaction converting accounts payables into new issued preference B-shares has led to a notable improvement in our equity ratio, which ended at 40 % at the end of the first quarter.

The sales team have reported a new record quarterly revenue, and continue to promote our product portfolio directly and through our distribution partners around the world. The increase in demand for salmon proteins, and the growth in human-grade ingredients, has offset the softer commodity salmon oil market, resulting in a strong quarter.

Further into 2024, we will continue to expand our market presence, and delivering long-term value to our shareholders and stakeholders. Growth is essential and based ongoing dialogue with customers and distributors across the EU, US and APAC, we are optimistic about the opportunities that lie ahead.

I also want to congratulate our Quality team in their efforts at attaining the accreditation for our laboratory in Midsund, a significant milestone for our team and pays testament to the quality of their work.

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 2024	Q1 2023	2023
Gross operating revenue	52 358	44 769	218 511
EBITDA	-16 225	-28 501	-66 116
Operating profit/loss	-26 209	-36 460	-102 529
Net cash flow	-1 735	-9 573	-8 537
Equity ratio	39.8%	28.8%	10.5%

## HIGHLIGHTS IN THE FIRST QUARTER

- › Revenues continues on a positive growth trend. Gross revenues were 52.3 million NOK while sales revenues were 52.1 million NOK in the quarter, up 17 percent compared to first quarter 2023 and up 14 percent compared to fourth quarter in 2023. This increase has come despite the seasonal downturn in the salmon oil market during wintertime.
- › The main source of revenue that makes up for the lower salmon oil demand is an increased interest in our protein offering, across all geographies. Secondly, the human grade quality of the HBC salmon oil is translating into higher prices for the volumes sold. Both these effects are expected to continue in the quarters going forward. For our consumer business, two new products in the Brilliant Petcare portfolio were launched in the quarter.
- › The gross margin in the first quarter is at 48 percent, a significant increase compared to first quarter of 2023 and on level with second quarter last year. Gross margin in the previous quarter, excluding the write-down, was at 27 percent. Reducing our stock of excess calcium inventory is still in process.
- › Recruitment on the allergic asthma trial was completed early in the first quarter, as was the bioavailability analysis of CalGo, which showed encouraging results for use of marine collagen in joint health. HBC has also initiated a collaboration with the University of Manchester (UoM) to assess the antioxidant and anti-inflammatory effects of the bioactive peptides in ProGo in lung health, providing further insights. The proof-of concept clinical trial on inflammatory bowel disease at Stanford is expected to commence in second half of 2024
- › The transaction converting accounts payables to new issued preference B-shares was concluded first week of January 2024. The equity ratio of HBC consequently improved and is at the end of first quarter at 40 percent.

## SUBSEQUENT EVENTS

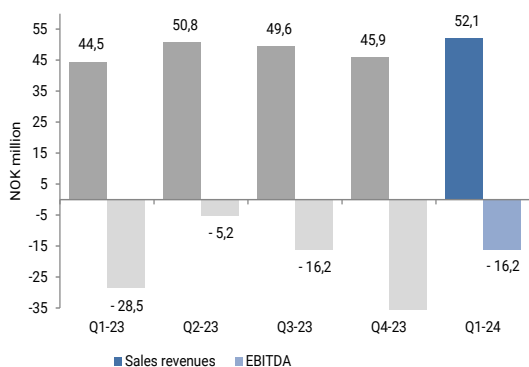
- › Our laboratory in Midsund was accredited according to ISO 17025 in April, which will enable HBC to perform most of its microbiological analyses in-house.

# Financial Review

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

## P&L first Quarter 2024

HBC had gross operating revenues of NOK 52.4m (44.8m) in the first quarter. This represents an increase of 17 percent from the same quarter last year, and a y-o-y growth of first quarter sales revenues since 2021 of 46 percent.



Cost of sales (CoGS) amounted to NOK 27.3m (41.3m) in the quarter. This is on par with second quarter last year, but significantly lower than first and fourth quarter 2023. There have been no extraordinary write-downs this quarter, and the sales mix of products has been positive for the company, resulting in a gross margin of 48 percent in the quarter. Reduction of excess calcium volumes, which will affect the gross margin, is expected during the next 6 months. Operating expenses were NOK 23.9m in the quarter, an increase compared to corresponding quarter last year of NOK 6.3m new consultants hired strengthening our international sales team and maintenance work performed in the quarter.

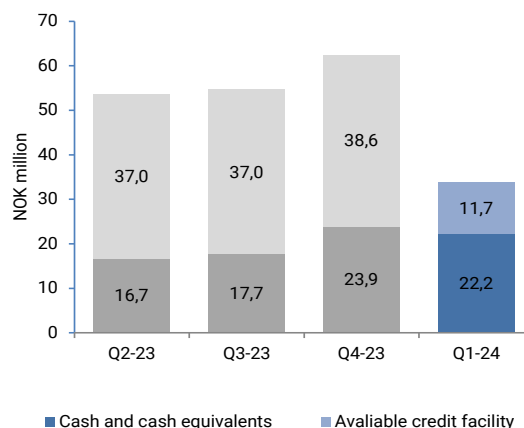
The operating loss (EBITDA) for the quarter was NOK -16.2m (-28.5m). Operating result (EBIT) amounted to NOK -26.2m



(-36.5m) in the first quarter 2024. Net financial items in the first quarter were NOK -2.7m (-1.3m).

## Cash flow

Cash flow from operations during the first quarter was negative NOK -19.5m, compared to NOK 0.1m in the first quarter 2023, and NOK -27.2 in final quarter last year. The negative cash includes payments of current payables to Hofseth international that has not been done earlier. Net cash flow from investment



activities was NOK -1.6m in the first quarter, compared to NOK -4.5m in the corresponding quarter last year. Cash flow from financing activities amounted to NOK 19.4m in the quarter, compared to NOK -5.1m in the first quarter 2023. Financing includes draw-down on the company's credit facilities.

Cash and cash equivalents decreased by NOK -1.7m during the quarter, leaving total holding at NOK 22.2m at the end of the year, compared to NOK 22.8m at the end of first quarter 2023.

Including credit facilities, HBC had NOK 33.8m in free liquidity as of the end of March 2024.

## Financial position

Total assets for HBC were NOK 390.7m (391.3m) at the end of March 2024. Deferred tax asset of NOK 257.4m is not recognized in the statement of financial position. Current liabilities significantly reduced following conversion to B-shares in January.

Total equity amounted to NOK 155.7m (112.7m) corresponding to an equity ratio of 39.8 % (28.8 %) for the group. The equity ratio was significantly improved a few days after the turn of the year when the investment in new equity of NOK144m by Hofseth International was approved by the general meeting.

## Sales & marketing

After an abnormally strong period last year for the salmon oil market, Q1 of this year normalized into a more normal seasonal weak period of low demand associated with lower water temperatures and growth from the aqua feed segment in winter. Despite this, and notwithstanding salmon oil is our largest contributor to revenues and profit, HBC still reported a new record quarterly revenue with NOK52.4m, up 17% yoy. Our gross margin in Q1 was also solid, coming in at 48% for the group.

This first quarter highlights two positive trends. Firstly, there has been a material pick-up in demand for all protein products, particularly from the pet segment having sold more than 320 tons in the quarter. This was diversified across all geographies - Asia, US and Europe. Notably it is the highly hydrolyzed product that has caught the attention of new buyers. Secondly, the growth in higher priced human grade continues to offset commodity weakness as demand for OmeGo Full Spectrum Omegas sees steady growth in all markets. It is for this reason that the seasonal weakness in commodity oil failed to translate in a weaker quarter. The outlook for the PetGo products



appears particularly positive for Q2 and the rest of the year as we see interest picking up for marine protein globally. We also expect oil prices to pick up as the months warm up in Q2. We will be presenting at the largest trade show of the year at Interzoo in Nuremberg in May, where all the main players congregate and do business.

For the B2B consumer health segment, the first quarter showed strong sales growth (albeit off small a smaller basis) with revenue increasing by approximately 110% year-over-year to NOK 4.0m. This growth was driven by strong demand in Asia and Europe for all three consumer health ingredients (ProGo®, OmeGo® Full Spectrum Omegas and CalGo®. Of note was the continued sales growth and development in China. HBC attended the Food Ingredients China held in Shanghai in March where we held numerous positive and constructive meetings with our distributors and brand customers. In Q2 we



will be attending Supply Side East in the US and Vitafoods in May in Geneva where the whole industry congregates to show case the new trends in health and nutrition.

## Consumer and Pet Health

Q1 saw the e-commerce launch of 2 new products in the Brilliant Petcare portfolio, as well as continued growth of Brilliant Salmon Oil as our key product.

Revenue was up 17% with increases in both gross and net profit, driven through organic growth, new retail listings and expanded distributor partnerships. Some operational challenges around supply restricted further sales growth, particularly various global shipping restrictions and UK Brexit requirements, but these are not expected to have a significant impact moving forward and resolve themselves in the future.

The UK and US markets continue to be both the largest in size and the key revenue growth drivers for the brand, and as part of expanded and new agreements Brilliant is now present in 4 continents and over 20 countries around the world. Substantial revenue growth for the year is planned, with increased presence in the UAE, Mainland Europe, and Asia.

Our new agreement signed with e-commerce specialists at the end of Q4 is beginning to bear fruit as they begin to manage our Global Amazon business. The early results have driven significant results, with our US revenue account growing at more than 100% with a significant improvement in margins too and further acceleration is expected across both the Brilliant brand and our Cardio softgels offering. A private label agreement with a Top 10 European Pet Retailer has also now been finalized, and these are expected to lead to strong performance in future quarters from the second half of the year onwards.

# R&D Update

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

- i. We have completed our analysis of the bioavailability of undenatured type 2 collagen in both our standard salmon bone powder (CalGo) and in fractionated bone powder. In brief, this entailed the use of the INFOGEST 2.0 consensus model of GI digestion followed by assessment of the quantity of undenatured collagen remaining after digestion using the standard Chondrex ELISA test. The results are highly encouraging for the use of our marine collagen in joint health.
- ii. HBC published a research paper titled “Glucoregulatory Properties of a Protein Hydrolysate from Atlantic Salmon (*Salmo salar*): Preliminary Characterization and Evaluation of DPP-IV Inhibition and Direct Glucose Uptake In Vitro” in the peer-review journal Marine Drugs. This work characterises some of the anti-diabetic effects energy-enhancing benefits of the bioactive peptides in ProGo
- iii. HBC’s in vitro results showing the GLP-1 (glucagon-like peptide) and GIP (glucose-dependent insulinotropic polypeptide) agonist activity of ProGo® identifies a major driver behind the improved nutrient metabolism and significant weight loss effects of ProGo®. Work is ongoing to fractionate the peptides by Molecular weight to isolate the most active fraction.
- iv. HBC’s research paper “Further In Vitro Studies on the Effects of a Novel Peptide Hydrolysate, SPH1, Against Muscle Atrophy using Primary Normal Human Skeletal Myo-

blasts (HskM)” has been accepted for presentation at the Annual Multinational Association of Supportive Care in Cancer (MASCC) meeting in June 2024. The research provides further mechanistic insights into ProGo’s potential in tackling muscle loss in cancer cachexia and sarcopenia (accelerated age-related muscle wasting). MASCC is the premier global organisation for supportive cancer care.

- v. Recruitment to our clinical trial of OmeGo in allergic asthma completed at the end of January 2024. Results are anticipated later in H2 2024. These will subsequently be published in peer-review journals. This study will provide further insights into the immune health benefits of OmeGo.



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

## Research Pipeline

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

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

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

viii. Analyses of OmeGo®'s resolution of inflammation following acute infection in adults, via its impact on the modulation of genes involved in the initiation and resolution of inflammation will be published in a peer-reviewed scientific journal in Q2 2024. This work provides a deeper understanding of how OmeGo® can help support better immune and overall health.

ix. We have started a collaboration with the University of Manchester (UoM) assessing the antioxidant and anti-inflammatory effects of the bioactive peptides in ProGo in lung health. Resected lung tissue enables the study of the impact of the peptides on both immune cells and lung tissue itself. This will help provide further insights into how the peptides support better function in individual organs of the body along with helping refine the design of any future clinical studies

improve quality of life in this patient group and we anticipate significant market demand for SPHi, upon completion of successful clinical trials.

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

We already have two clinical datasets which have assessed the pro-metabolic, fat burning qualities of ProGo®, one with weight reduction as the primary endpoint and the other as a secondary endpoint. We recently published in vitro work further delineating the anti-diabetic and energy-increasing properties of the peptides. In vitro work relating to improved nutrient metabolism via GLP-1 and GIP agonism will be submitted for publication in a peer-reviewed journal during Q2 2024.

### 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. Full data read-out is expected in 2024.

The bone health trial will assess whether CalGo® prevents bone loss in osteopenic woman over 50 years of age. A progressive weakening of bones is seen with ageing, and we expect supplementation with CalGo® which supplies all elements contained in healthy bone (calcium hydroxyapatite, collagen and trace elements) will better support bone health. Previously we have shown CalGo® to have a greater ability to stimulate bone cells to form bone and that CalGo® is more easily absorbed in postmenopausal women. Data from the bone health study is expected in 2025.

### OmeGo® softgels for immune health

Analyses of OmeGo®'s resolution of inflammation following mild viral infection in adults, via its impact on the expression of genes involved in the immune response, has provided a deeper understanding of how OmeGo® supports immune health. Submission for publication in a peer-reviewed scientific journal is planned for May 2024.

## HBC Research

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

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

## 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 Matabolism: 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

## MA-022s

We have completed a two-week study of MA-022s treatment and a ten-week study in animal models of eosinophilic (allergic) asthma with impressive results: a reduction in lung goblet cell mass, a reduction in smooth muscle hypertrophy and airway obstruction. The goblet cells secrete mucus in the lungs and in asthma they become overactive, increase in number and contribute to the airway obstruction alongside an increase in smooth muscle around the airways. The reduction of these signature lung changes of asthma are exciting findings and indicate that the analogue has good bioavailability and significant target engagement (inhibition of eosinophil overactivity). This would be expected to result in improved lung function. MA-022s is our lead candidate for the treatment of eosinophilic (allergic) asthma.

## FTH1 modulation with bioactive peptides derived from SPH

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

Iron metabolism is important for the survival and spread of numerous cancer types, including prostate and breast cancer, and hence FTH1 modulation with the peptides could potentially improve patient outcomes across a number of tumor types, at earlier and later stages of the disease process. Preclinical work continues at HBCI to assess the impact of FTH1 modulation in prostate cancer. Two trials have been completed and a third one will complete by mid-2024.

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 2.00 and 2.76 per share in the first quarter and the last closing price on 27 March 2024 was NOK 2.58. Based on 411,081,030 outstanding shares, this values HBC's equity at approximately NOK 1,060m. As of 27 March 2024, HBC had 1,431 shareholders. The 20 largest shareholders controlled 88.51 per cent of the shares.

## Related party transactions

All related party transactions are being made in the ordinary course of the business at arm's length principle. Hofseth International, a related party to HBC, was issued 16m new B-shares in HBC. The B-shares hold no voting rights and will carry a preferential right to receive dividends over the Company's ordinary shares. After a minimum of 5 years, the B-shares can request the B-shares to be converted into ordinary shares at a price at NOK 9 per share. There were no other significant new types of transactions with related parties during the first quarter 2024.



Hofseth BioCare ASA Board of Directors  
Ålesund, 15 May 2024



Linda Christin Hoff  
Chair of the board



Maria Bech  
Board member



Crawford Currie  
Board Member



Christoph Baldegger  
Board member



Amy Novogratz  
Board member



Roger Hofseth  
Board member



Jon Olav Ødegård  
CEO

# Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**IP** - Intellectual Property

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

structures.

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

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

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

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

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

**OmeGo<sup>®</sup>** – HBC’s proprietary fresh, unrefined Salmon Oil.

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

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

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

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

the body sends signals to control different aspects of bodily functions such as a number of hormones, enzymes and neurotransmitters.

**PetGo** – is HBC’s commercial name for PHP

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

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

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

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

**SO** – Salmon Oil (or OmeGo)

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

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

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

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

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

# Interim Financial Statements

Consolidated



## Consolidated statement of comprehensive income

(figures in NOK 1 000, except EPS)	Q1 2024	Q1 2023	2023	Notes
Sales revenue	52 097	44 530	190 815	8
Other revenue	261	238	4 059	8
Gain on sale of assets	0	0	23 637	8
<b>Gross operating revenue</b>	<b>52 358</b>	<b>44 769</b>	<b>218 511</b>	
Cost of sales	27 346	41 308	150 686	9
Salaries and other payroll costs	17 339	14 400	58 275	11
Other operating expenses	23 898	17 561	75 665	
<b>EBITDA</b>	<b>-16 225</b>	<b>-28 501</b>	<b>-66 116</b>	
Depreciation and Write-down	9 984	7 959	36 413	
<b>Operating profit/loss (EBIT)</b>	<b>-26 209</b>	<b>-36 460</b>	<b>-102 529</b>	
Results from investments in associated companies	-811	0	2 542	13
Financial income	1 699	1 606	6 597	13
Financial expenses	3 686	2 983	13 293	13
Net financial items	-2 799	-1 377	-4 154	13
<b>Profit/loss before taxes</b>	<b>-29 008</b>	<b>-37 837</b>	<b>-106 683</b>	
Tax expense	0	0	0	
<b>Profit for the period</b>	<b>-29 008</b>	<b>-37 837</b>	<b>-106 683</b>	
Total comprehensive income for the period attributable to:				
Non-controlling interests	-1	0	-1	
Shareholders in HBC (majority)	-29 007	-37 837	-106 682	
<b>Total</b>	<b>-29 008</b>	<b>-37 837</b>	<b>-106 683</b>	
<b>Earnings per share (EPS)</b>	<b>-0.07</b>	<b>-0.10</b>	<b>-0.27</b>	
<b>Basic earnings per share (NOK)</b>	<b>-0.07</b>	<b>-0.10</b>	<b>-0.27</b>	

The interim financial information has not been subject to audit.

## Consolidated condensed statement of financial position

(figures in NOK 1 000)	Q1 2024	Q1 2023	2023	Notes
Research, patents etc.	53 916	61 872	55 284	5
Property, plant and equipment	160 650	164 041	165 703	6
Financial assets	37 363	6 893	38 130	7
<b>Total non-current assets</b>	<b>251 929</b>	<b>232 806</b>	<b>259 116</b>	
Inventories	83 715	108 752	82 542	10
Trade receivables	23 406	15 867	14 849	12
Other current assets	9 509	10 990	9 721	
Cash and cash equivalents	22 155	22 853	23 890	
<b>Total current assets</b>	<b>138 714</b>	<b>158 463</b>	<b>131 003</b>	
<b>Total assets</b>	<b>390 714</b>	<b>391 269</b>	<b>390 119</b>	
Share capital	4 113	3 951	3 951	14
Other Paid in equity (+) Uncovered losses (-)	152 241	109 386	37 876	
Non-controlling interests	-687	-686	-687	
<b>Total equity</b>	<b>155 666</b>	<b>112 650</b>	<b>41 140</b>	
Non-current liabilities interest bearing	95 689	88 904	97 102	
<b>Total non-current liabilities</b>	<b>95 689</b>	<b>88 904</b>	<b>97 102</b>	
Other Interest-bearing loans, leasing and borrowings	66 899	12 122	39 687	
Trade payables	60 441	166 744	55 161	
Other current liabilities	12 018	10 847	157 029	
<b>Total current liabilities</b>	<b>139 714</b>	<b>189 714</b>	<b>251 877</b>	
<b>Total equity and liabilities</b>	<b>390 714</b>	<b>391 269</b>	<b>390 119</b>	

The interim financial information has not been subject to audit.

## Consolidated condensed statement of changes in equity

(figures in NOK 1 000)	Q1 2024	Q1 2023	2023	Notes
<b>Equity at start of period</b>	<b>41 140</b>	<b>148 036</b>	<b>148 036</b>	
Other changes in equity	-174	2 452	2	
Issue new shares 04.01.2024	144 000	0	0	
Share issue costs	-292	0	-215	
Profit/loss for the period	-29 008	-37 837	-106 683	
Other comprehensive income/expenses	0	0	0	
Total comprehensive income	-29 008	-37 837	-106 683	
<b>Equity at the end of period</b>	<b>155 666</b>	<b>112 651</b>	<b>41 140</b>	

## Earnings per share

(figures in 1 000, except EPS)	Q1 2024	Q1 2023	2023
Number of shares end of period	411 081*	395 081	395 081
Weighted average number of shares	410 378*	395 081	395 081
Effect of employee stock options and warrants	1 172	1 172	1 172
Weighted average number of shares diluted	411 549*	396 253	375 737
Basic earnings per share (NOK)	-0.07	-0.10	-0.37
Diluted earnings per share (NOK)	-0.07	-0.10	-0.37

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

## Consolidated condensed cash flow statement

(figures in NOK 1 000)	Q1 2024	Q1 2023	2023
<b>Cash flow from operational activities</b>			
Profit before taxes	-29 008	-37 837	-106 683
Depreciation and write-off	9 984	7 959	35 598
Gain on sale of assets	0	0	-23 637
Changes in Inventory	-1 172	7 773	33 983
Changes in trade debtors	-8 557	-1 795	-778
Changes in trade creditors	5 280	23 827	53 409
Changes in other current bal. sheet items	727	-2 146	-9 981
Classified as financial activities	3 279	2 298	7 543
<b>Net cash flow from operational activities</b>	<b>-19 467</b>	<b>78</b>	<b>-9 730</b>
<b>Cash flow from investment activities</b>			
Investments in tangible assets	-1 651	-1 583	-14 981
Investments in intangible assets	0	-2 917	-8 689
<b>Net cash flow from investment activities</b>	<b>-1 651</b>	<b>-4 501</b>	<b>-23 670</b>
<b>Cash flow from financing activities</b>			
Issurance of share capital	0	0	0
Transaction cost on issue of shares	-292	0	-215
Payment of interest	-3 279	-2 298	-7 543
Proceeds from borrowings	26 966	0	28 353
Repayment of borrowings	-4 012	-2 853	4 269
<b>Net cash flow from financing activities</b>	<b>19 382</b>	<b>-5 151</b>	<b>24 864</b>
Net change in cash and cash equivalents	-1 735	-9 573	-8 536
Cash and cash equivalents at the beginning of the period	23 890	32 427	32 427
<b>Cash and cash equivalents at the end of the period</b>	<b>22 155</b>	<b>22 854</b>	<b>23 890</b>
Available unused credit facility	11 682	37 000	38 647
<b>Total cash and unused credit facility</b>	<b>33 837</b>	<b>59 854</b>	<b>62 538</b>

## Selected notes to the condensed financial statements

### 1. General information and basis for preparation

This report has been prepared in accordance with IAS 34 Interim Financial Statements. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as of 31 December 2023.

### 2. Use of estimates and judgements

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

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

### 5. Intangible assets

(figures in NOK 1 000)	R&D	Systems	Patents	Total
<b>Book value at 31.12.2023</b>	<b>50 282</b>	<b>4 368</b>	<b>634</b>	<b>55 284</b>
Additions	0	0	0	0
Sold assets	0	0	0	0
Depreciations for the period	1 245	70	53	1 368
<b>Book value at 31.03.2024</b>	<b>49 037</b>	<b>4 298</b>	<b>581</b>	<b>53 916</b>
Economic life	10 years	5 years	5-10 years	

### 6. Property, plant and equipment

(figures in NOK 1 000)	Machines and Equipment	Fixtures and fittings	Total
<b>Book value at 31.12.2023</b>	<b>56 066</b>	<b>0</b>	<b>56 066</b>
Additions	1 651	0	1 651
Depreciations for the period	5 137	0	5 137
<b>Book value at 31.03.2024</b>	<b>52 579</b>	<b>0</b>	<b>52 579</b>
Economic life	5-10 years	3-10 years	
Method of depreciation	straight line	straight line	

### Going Concern

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

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

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

### 3. Taxes

Deferred tax assets are not recognized in the financial statements. Estimated value is NOK 257.4m.

### 4. Transactions with related parties

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



## Leased objects

(figures in NOK 1 000)	Rented buildings	Machinery and equipment	Other rentals	Total
<b>Book value at 31.12.2023</b>	<b>67 104</b>	<b>42 231</b>	<b>302</b>	<b>109 637</b>
Additions	1 730	0	0	1 730
Depreciations for the period	1 793	1 686	0	3 479
<b>Book value at 31.03.2024</b>	<b>67 224</b>	<b>40 545</b>	<b>302</b>	<b>3 479</b>
Economic life	13 years	5-10 years	3-5 years	
Method of depreciation	straight line	straight line	straight line	

## 7. Financial assets

(figures in NOK 1 000)	Q1 2024	Q1 2023	2023
Atlantic Delights Limited	3 443	5 559	3 443
HBC Immunology Llc.	33 436	0	34 247
Investments in other companies	25	25	25
Other	459	351	414
<b>Total Financial Assets</b>	<b>37 363</b>	<b>5 935</b>	<b>38 130</b>

## 8. Segments

(figures in NOK 1 000)	Q1 2024	Q1 2023	2023
<b>Per product</b>			
Salmon oil	33 986	28 978	129 428
Protein	8 746	6 364	23 896
Calcium	1 406	1 203	2 603
PHP	7 767	7 518	33 254
Gain on sale of asset	0	0	23 637
Insurance settlement	0	0	3 260
Other	453	706	2 433
<b>Total revenues</b>	<b>52 358</b>	<b>44 769</b>	<b>218 511</b>

## 9. Cost of sales

(figures in NOK 1 000)	Q1 2024	Q1 2023	2023
Cost of goods sold	24 053	42 009	130 186
Net obsolete cost/writedowns inventory	3 293	-700	20 501
<b>Net cost of sales</b>	<b>27 346</b>	<b>41 308</b>	<b>150 686</b>

## 10. Inventory

(figures in NOK 1 000)	Q1 2024	Q1 2023	2023
<b>Per product</b>			
Raw material	9 899	13 437	9 990
Finished goods	70 179	91 463	68 280
Spare parts equipment	3 636	3 853	4 272
<b>Total inventory</b>	<b>83 715</b>	<b>108 752</b>	<b>82 542</b>

Finished goods value of NOK 68m in 2023 includes NOK 15m write-down of calcium inventory.

## 11. Salaries and other payroll costs

(figures in NOK 1 000)	Q1 2024	Q1 2023	2023
Salaries incl social security and pension	17 542	14 837	60 369
Activated costs	-203	-436	-2 093
<b>Salaries and other payroll costs</b>	<b>17 339</b>	<b>14 400</b>	<b>58 275</b>

## 12. Trade receivables

(figures in NOK 1 000)	Q1 2024	Q1 2023	2023
Trade receivables	23 406	15 867	14 849
<b>Total receivables</b>	<b>23 406</b>	<b>15 867</b>	<b>14 849</b>

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

## 13. Finance

(figures in NOK 1 000)	Q1 2024	Q1 2023	2023
Income from investment in associated companies	0	0	5 789
Loss from investment in associated companies	811	0	3 247
Interest expense	3 279	2 298	7 543
Interest income	1	0	550
Net currency exchange	1 291	921	298
<b>Net financial items</b>	<b>-2 799</b>	<b>-1 377</b>	<b>-4 154</b>

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

## 14. Shareholders

Largest shareholders as of 27 March 2024. Total number of shareholders: 1,431

Shareholder	Account Type	A-shares	% stake	B-shares	Sum % stake
SIX SIS AG	Nominee	83 995 163	21.26		20.43
HOFSETH INTERNATIONAL AS	Ordinary	59 611 772	15.09	16 000 000	18.39
RH INDUTRI AS	Ordinary	69 300 190	17.54		16.86
YOKOREI CO. LTD	Ordinary	40 951 333	10.37		9.96
GOLDMAN SACHS INTERNATIONAL	Nominee	22 450 000	5.68		5.46
BRILLIANT INVEST AS	Ordinary	11 000 000	2.78		2.68
GOLDMAN SACHS & CO. LLC	Nominee	9 251 830	2.34		2.25
CREDIT SUISSE(SWITZERLAND) LTD	Nominee	8 840 920	2.24		2.15
CITIBANK, N.A.	Nominee	8 015 022	2.03		1.95
THE BANK OF NEW YORK MELLON SA/NV	Nominee	5 050 783	1.28		1.23
JPMORGAN CHASE BANK, N.A., LONDON	Nominee	4 811 597	1.22		1.17
UBS SWITZERLAND AG	Nominee	3 757 425	0.95		0.91
BOMI FRAMROZE HOLDING AS	Ordinary	3 453 370	0.87		0.84
SAXO BANK A/S	Nominee	3 439 646	0.87		0.84
LGT BANK AG	Nominee	3 266 329	0.83		0.79
VERDIPAPIRFONDET DNB SMB	Ordinary	2 376 970	0.60		0.58
INTERACTIVE BROKERS LLC	Nominee	2 220 809	0.56		0.54
ØDEGÅRD PROSJEKT AS	Ordinary	2 174 039	0.55		0.53
CLEARSTREAM BANKING S.A.	Nominee	2 042 468	0.52		0.50
J.P. MORGAN SE	Nominee	1 846 244	0.47		0.45
<b>Total 20 largest</b>		<b>347 855 910</b>	<b>88.05</b>	<b>16 000 000</b>	<b>88.51</b>
Total other		47 225 120	11.95	0	11.49
<b>Total no. of outstanding shares</b>		<b>395 081 030</b>	<b>100.00</b>	<b>16 000 000</b>	<b>100.00</b>

# This is Hofseth BioCare

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

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




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

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

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

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

## OUR PRODUCTS AND INGREDIENTS

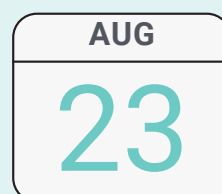
Ingredient	About	Finished products
	<p>Fresh unrefined salmon oil. Produced with 4 years shelf life, full spectrum of omegas and natural antioxidants.</p>	<p>Cardio Salmon Oil™ for human consumption and Brilliant Salmon Oil™ for pets</p>
	<p>Salmon protein hydrolysate. Peptides for fast uptake, and documented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

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Q2  
Financial Report



Q3  
Financial Report