



Hofseth®
BIOCARE

QUARTERLY REPORT

Q4 2019

PYREX

250ml

APP

THIS IS HOFSETH BIOCARE ASA

Hofseth Biocare ASA (HBC) is a Norwegian biotech company that develops high-value marine ingredients and finished products. Ingredients are further developed into discovery and pre-clinical studies in multiple clinics and university research labs in several countries.

Successful lead clinical and pre-clinical assays are developments towards a Gastro-Intestinal (GI) Protective Medical Food, Medical Food to help treat age-related Sarcopenia, and future phase 1 studies on treatment of Anemia and NEC-IBS with Salmon Protein Hydrolysate fractions.

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

HBC's headquarters are in Ålesund, Norway with offices in Oslo, Zürich, Chicago, Menlo Park and Tokyo. HBC is listed on Oslo Stock Exchange Axxess list with ticker "HBC". More information about HBC at hofsethbiocare.com and facebook.com/hofsethbiocare

OUR VISION

Sustainable production of premium bioactive marine ingredients with documented health effects

CALENDAR

March

20

Annual Report
2019 & ESG
Report

April

24

Annual General
Meeting






IR CONTACTS

James Berger, Head of Investor Relations
Tel: +41 79 950 1034
E-mail: jb@hofsethbiocare.no

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

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

OUR PRODUCTS AND INGREDIENTS

Ingredient	About	Finished products
 OmeGo	Fresh unrefined salmon oil. Produced with 4 years shelf life, full specter of omegas and natural antioxidants.	Cardio Salmon Oil™ for human consumption and Brilliant Salmon Oil for pets
 ProGo	Salmon protein hydrolysate. Peptides for fast uptake, and documented BMI reduction, hemoglobin increase and energy increase	Endurance Protein™ series as sports nutrition for athletes, active and people looking for a high quality, hypoallergenic protein source
 CalGo	Marine bone powder, as hydroxyapatite form of calcium for best bone growth and density increase	Strength Calcium™ as tablets for human consumption
 PetGo	Partially hydrolyzed salmon protein produced as salmon meal for feed and pet food industry	
 CollaGo	Salmon peptides with more than 25 % collagen type I & III for skin, hair and nails.	Collagen Peptides for human consumption as drink

R&D INDICATIONS FOR VALUE CREATION

HBC's R&D work encompasses both clinical and pre-clinical stages of development with the ultimate aim of supporting the application of its products for the treatment of various health conditions, with a significant focus on the clinical areas and indications listed below. The trials to date have been positive and supportive of HBC's confidence that it has unique products for the human and pet health supplement market. If trials continue in their current trajectory, HBC is optimistic about obtaining regulatory approval for nutraceutical label claims from Health Canada, the FDA and EFSA in the near future.

KEY PRE-CLINICAL PROJECTS

Reducing Gastrointestinal (GI) inflammation – Necrotizing Enterocolitis (NEC) to Irritable Bowel Syndrome (IBS): NEC is a serious inflammatory condition of the neonatal GI tract with a mortality rate of 20-30%. It is predominantly a condition of preterm infants, with the risk of developing NEC increasing with diminishing birthweight. There have been no significant improvements in outcome for several years. However, the scientific understanding of the underlying process has greatly increased.

Professor Karl Sylvester at the Stanford School of Medicine (SSM) is currently working on SSM's proprietary animal model of NEC. ProGo® (salmon protein hydrolysate) boosted markers of GI protection in the NEC animal model and lab work on human GI cell lines showed ProGo® to reduce inflammation and to upregulate genes that protect against oxidative stress. Taken together this work suggests that ProGo® has significant potential for GI-protection and improved outcomes in NEC. Further preclinical work of ProGo® in NEC is to be undertaken during 2020, in conjunction with SSM.

IBS is a common intestinal disorder causing pain in the stomach, bloating, diarrhea, and constipation. Twelve percent of people in the US estimated to suffer with IBS. The cause of IBS is not well understood, with the diagnosis based on symptoms and the exclusion of other conditions such as inflammatory bowel disease. Current treatments include self-care, including dietary modification, exercise, stress management and relaxation techniques. The cause of IBS remains unclear. Low grade intestinal inflammation is seen especially in IBS following gastroenteritis as well as altered GI barrier function. The company believes that the GI-protective properties seen with ProGo®, including anti-inflammatory and antioxidant effects, could provide benefit in the management of IBS and invitro work is ongoing.

Asthma co-treatment: Asthma is an inflammatory condition of the lungs resulting in the airways becoming inflamed and narrowed. Coughing, wheezing, shortness of breath, and chest tightness are classic asthma symptoms. The Centers for Disease Control and Prevention (CDC) estimates that 1 in 13 people suffer from asthma in the US: 7.7 % of adults and 8.4 % of children. There have been anecdotal reports of improvements in asthma symptoms with fish-rich diets and countries with higher levels of fish consumption tend to have a lower incidence of asthma.

Early preclinical work with one of the fractions contained in our natural, unprocessed salmon oil OmeGo® has shown a reduction in inflammatory markers in human lung cells. This bio-active fraction is not present in 18/12 salmon oils or other processed / distilled fish oils. Further preclinical work to assess OmeGo® in asthma is planned to commence in 2020.

Prostate Cancer co-treatment: Prostate cancer is cancer that occurs in the prostate — a small walnut shaped gland in men that produces the seminal fluid that nourishes and transports sperm. About 1 man in 9 will be diagnosed with prostate cancer during his lifetime.

Viral Chronic Fatigue Syndrome (CFS): CFS is also referred to as myalgic encephalomyelitis (ME). It is a disorder characterized by extreme fatigue or tiredness that doesn't go away with rest and can't be explained by an underlying medical condition. Studies estimate that 836,000 to 2.5 million Americans and 250,000 people in the UK have CFS.

Retarding the progress of Rheumatoid Arthritis (RA) without anti-inflammatories: RA is an autoimmune disease in which the body's immune system – which normally protects its health by attacking foreign substances like bacteria and viruses – mistakenly attacks the joints. Osteoarthritis (OA) typically only affects one joint, while RA commonly affects multiple joints. A key difference between these forms of arthritis is that RA involves a range of systemic symptoms - symptoms that affect the entire body. RA is a chronic disease affecting over 1.3 million Americans and as much as 1% of the worldwide population. Invitro work with ProGo® is ongoing.

Acne treatment: Acne is a chronic, inflammatory skin condition that causes spots and pimples, especially on the face, shoulders, back, neck, chest, and upper arms. It is the most common skin condition in the United States, affecting up to 50 million Americans yearly. Invitro work with OmeGo® is ongoing.

Prediabetes: Diabetes is characterized by elevated blood glucose (blood sugar) levels and commonly raised blood lipids and systemic inflammation. It is often associated with being overweight and obese. Insulin, a hormone made by the pancreas, helps move glucose from food into the cells of the body to be used for energy. In diabetes the effect of insulin is reduced (this is often referred to as insulin resistance) and blood glucose rises. Diabetes is a major cause of blindness, kidney failure, heart attacks, stroke and lower limb amputations.

The WHO estimates it was the seventh leading cause of death in 2016. By treating at an earlier stage, prediabetes, it is possible to reverse insulin resistance and associated metabolic changes and stop the progression to diabetes. The pro-metabolic effects of SPH along with antioxidant and anti-inflammatory actions indicates an interesting potential to help reverse prediabetes.

Reduction Sarcopenia Muscle Loss: Sarcopenia literally means "lack of flesh". Whilst ageing is associated with progressive muscle loss – on average after middle age, adults lose 3 % - 8 % of their muscle strength every year – sarcopenia sufferers have greater muscle loss and functional deterioration than their-age matched peers. Sarcopenia leads to higher disability and mortality rates along with higher healthcare costs.

Based on the results of a meta-analysis conducted by the Journal of Diabetes and Metabolic disorders, the overall prevalence of sarcopenia was 10 % in adults over 60 years (the survey used c.60k individuals) with higher rates seen in individuals in long term residential care. Sarcopenia has been associated with reduced anabolic signaling (leading to reduced protein production), chronic low-grade inflammation and dietary factors such as reduced protein consumption. A reduced ability to deal with reactive oxygen species with accumulated damage at a cellular level has also been implicated.

The high bioavailability of the peptides in ProGo® along with ProGo® antioxidant and anti-inflammatory effects looks an interesting profile for sarcopenia. Invitro work is ongoing.

KEY CLINICAL WORK

Retarding the process of Osteoporosis: Osteoporosis is the most common bone disease in humans. Osteoporosis is a disease that is characterized by low bone mass and deterioration of bone structure with an increased risk of non-traumatic fractures, most commonly in the spine, hip and wrist. It results in decreased quality of life, increased disability and potentially reduced lifespan. The International Osteoporosis Foundation (IOF), has estimated that worldwide 1 in 3 women over the age of 50, and 1 in 5 men will experience osteoporotic fractures in their lifetime. Unsurprisingly, it carries a huge financial burden to health systems around the world. With early diagnosis and treatment osteoporosis can be significantly slowed or even prevented.

Preclinical work with HBC's marine calcium, CalGo®, has shown superior biomarker data on bone formation in human osteoblasts (the bone producing cells) compared to commonly used calcium supplements. CalGo® has also shown significant increases in bone mineral density (BMD) and cortical thickness (bone strength) in animal studies compared to commonly used calcium supplements. Based on the strength of this data HBC will undertake a phase 2 trial of CalGo® vs standard calcium supplementation to assess the relative impact on BMD in postmenopausal women.

Cardiovascular Health: Cardiovascular disease generally refers to conditions that involve narrowed or blocked blood vessels leading to heart attack, angina (chest pain) or stroke. Other heart conditions, such as those that affect the heart's muscle, valves or rhythm, also are considered forms of heart disease. Heart disease is the leading cause of death in the US for men and women. Common causes include smoking, raised blood pressure, obesity, raised cholesterol and diabetes. Despite new treatments for improving diabetes control and reducing cholesterol levels, CV disease remains a major health issue: according to the CDC, about 610,000 people die of heart disease in the United States every year – 1 in every 4 deaths.

Preclinical and clinical work by HBC has shown a lipid fraction within OmeGo® reduces oxidized-LDL-glycoprotein 1 complex (oxLDL-Gp1). OxLDL-Gp1 is pro-inflammatory, pro-atherogenic and an independent risk factor for CV disease. HBC is planning to undertake further work in 2020 to assess the potential role of the lipid fraction in OmeGo® to reduce CV disease.

Increasing Hemoglobin and reducing situational Anemia: Iron deficiency anemia (IDA) is the most common type of anemia – a condition in which blood lacks adequate numbers of red blood cells. Red blood cells carry oxygen to the body's tissues for the production of energy. As a result, anemia can result in fatigue, palpitations, shortness of breath and delayed healing. As the name implies, iron deficiency anemia is due to a lack of iron either from inadequate intake or from increased demands for iron (such as in athletes, children and women of childbearing age). Globally, anemia affects 1.62 billion people. It corresponds to 24.8 % of the global population according to the WHO. Iron sulphate tablets are used to help treat IDA but the 2-3 times a day regimen can be difficult for patients to adhere to and can result in a high rate of GI side effects including constipation and bloating.

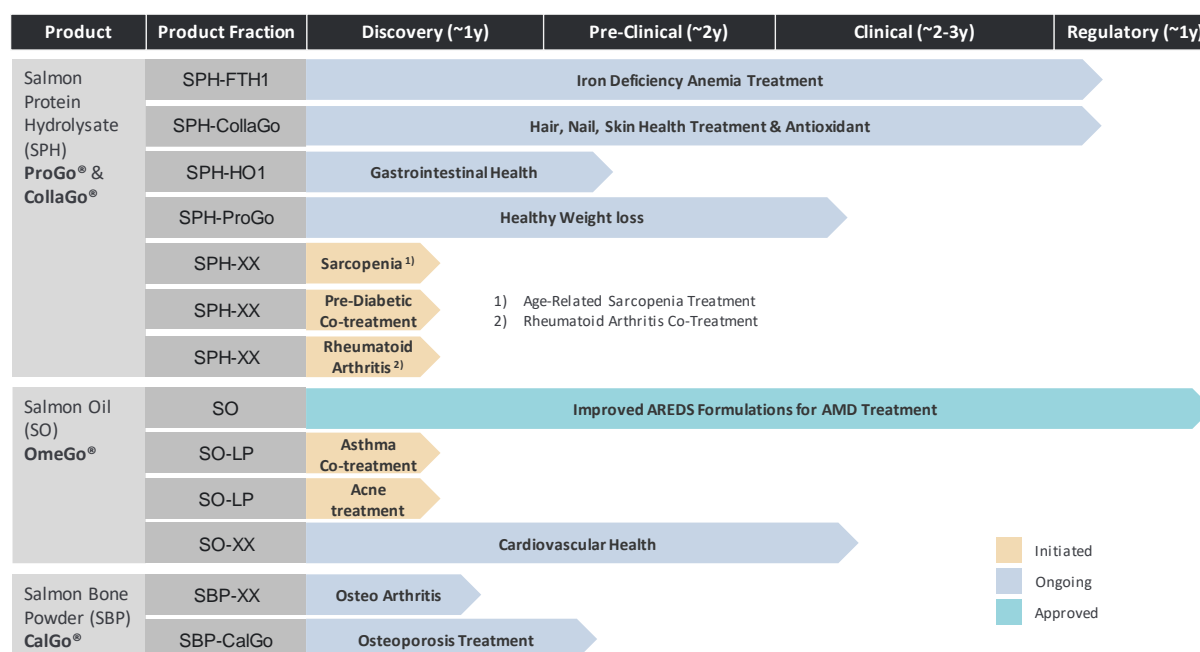
ProGo® is currently under review with Health Canada (HC) for a nutraceutical claim for the prevention of IDA. The application was based on trial data showing that ProGo® normalized blood ferritin levels (a marker of body iron stores) and almost fully corrected IDA in otherwise healthy adults after 6 weeks treatment of a single 18g sachet of ProGo® taken once daily. HBC expects to hear from HC during 1Q2020 on the IDA label claim.

Weight Management - BMI Reduction: Obesity is a medical condition that occurs when a person carries excess weight or body fat that might affect their health. Body mass index (BMI) is the most commonly used method to assess whether an individual is at a healthy weight or not. A BMI of 30 or over suggests that a person may have obesity. A new study, published in the New England Journal of Medicine, found that about a third of the global population—including adults and children—exceed a healthy weight. Estimates from ongoing health surveys in the US suggest that by 2030, 75 % of the US adult population is likely to be obese. Obesity can cause a number of health issues including accelerated joint damage / osteoarthritis, increased risk of diabetes, raised blood lipids, raised blood pressure and increased risk of cardiovascular disease along with an underlying inflammatory state. Weight loss of 5 % or more has been shown to have a significant benefit on health.

A 6-week trial of ProGo® in overweight but otherwise healthy adults showed a 5.9 % reduction in BMI (around 4kg loss in weight on average) without changing any lifestyle factors such as food intake and exercise. The comparator was whey protein which showed a 1.6% increase in BMI. Bile acids were significantly raised by ProGo®, driving the metabolism to burn more fat, along with underlying biomarkers of metabolic health / insulin sensitivity. IL-6, a potent marker of systemic inflammation, was significantly reduced supporting the benefit of ProGo® in the management of weight.

PIPELINE

Based on R&D developments throughout the fourth quarter, the current pipeline for our most important indications are shown below:



HIGHLIGHTS IN THE FOURTH QUARTER 2019

- In October, HBC hired on two new sales resources in Norway, Mr. Ove Brant-Hansen and Mr. Sindre Alnes
- HBC entered in October into a consultancy agreement with James Berger, through his company Nevera AG. Mr. Berger will assist HBC, inter alia, with investor relations and establishing a wider base of international investors.
- HBC Berkåk facility ended the toll manufacturing in September for a feed client and has been re-approved by The Norwegian Food Authorities in October for food grade production.
- HBC has entered into a consultancy agreement with Dr. Crawford Currie to strengthen medical R&D and Investor Relations

POST-PERIOD HIGHLIGHTS

- In January, HBC signed a new credit facility of up to NOK 37 million with SpareBank 1 Nordvest for working capital needs related to future sales contracts.
- Joint venture contract negotiations and technical planning has been initiated together with Atlantic Sapphire for the planned facility in Miami, FL.

KEY FIGURES

	Q4 2019	Q4 2018	2019	2018
Sales revenue	11 143	14 474	67 778	60 740
Gross operating revenue	11 143	14 474	67 778	60 740
EBITDA	-15 025	-13 138	-43 928	-55 658
Operating profit/loss	-23 023	-18 597	-71 384	-77 699
Profit/loss before taxes	-25 597	-23 213	-81 372	-84 527
Earnings per share (NOK)	-0.08	-0.08	-0.27	-0.33
Net cash flow	-14 801	-9 158	45 920	6 573
Interest-bearing liabilities	132 811	58 300	132 811	58 300
Total assets	302 693	187 945	302 693	187 945
Equity ratio	41.7%	45.8%	41.7%	45.8%

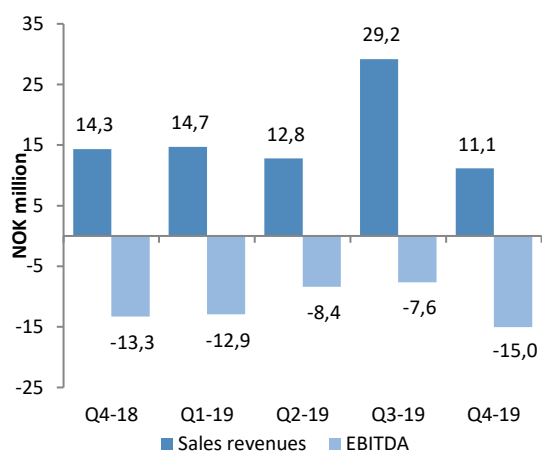
FINANCIAL REVIEW

Figures for the corresponding periods in 2018 are given in brackets.

PROFIT AND LOSS FOURTH QUARTER

HBC had operating revenues of NOK 11.1m (NOK 14.5m) in the fourth quarter of 2019.

Cost of Goods Sold (CoGS) amounted to NOK 8.4m (NOK 9.9m) in the period. Operational profit (EBITDA) for the fourth quarter 2019 was negative NOK 15.0m (NOK 13.1m).



Net financial items in the fourth quarter were negative NOK 2.6m (negative NOK 4.6m).

Loss before tax was NOK 25.6m in the quarter, compared to a loss of NOK 23.5m during fourth quarter 2018.

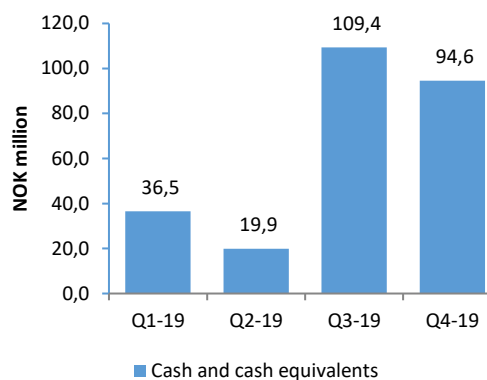
CASH FLOW

Cash flow from operations during the fourth quarter was negative NOK 10.8m compared to positive NOK 46.2m in the same quarter last year.

Net cash flow from investment activities was negative NOK 20.0m in the fourth quarter of 2019, compared to positive NOK 10.4m for the corresponding period last year.

Cash flow from the financing activities amounted to NOK 16.0m in the fourth quarter 2019, compared to negative NOK 65.8m in the fourth quarter of 2018.

Cash and cash equivalents decreased by NOK 14.8m during the quarter, leaving total holding of cash and cash equivalents at NOK 94.6m by the end of the period.



FINANCIAL POSITIONS

Total assets for HBC were NOK 302.7m at the end of fourth quarter of 2019 (NOK 187.9m). Deferred tax assets are not posted in the balance sheet. Estimated value is NOK 141.0m. Total equity amounted to NOK 126.3m (NOK 86.0m) giving an equity ratio of 41.7 % (45.8 %) for the group.

As described in the annual report for 2018, IFRS 16 effects are recognized from 1 January 2019. The Group has recognized their leased buildings and other lease agreements as fixed assets (NOK 62.8m) and as a lease liability (NOK 64.5m). Furthermore, operational rental cost is reduced (NOK 8.3m) in 2019, depreciations is increased (NOK 5.4m) and interest expenses are increased (NOK 4.5m) compared to last year.

HBC announced the completion of a private placement of NOK 117.9m on 29 July. The capital increase was approved and registered 17 August 2019. Furthermore, the following subsequent offer of NOK 6.0m is registered in Q4. Both placements were at a fixed price of NOK 4.00 per share.

PRODUCTION UPDATE

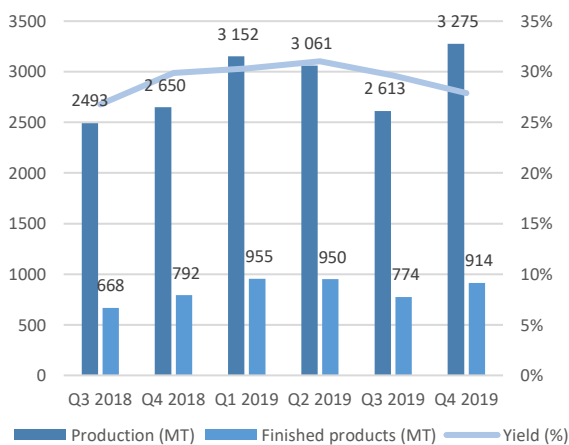
HBC produces Soluble Protein Hydrolysate (ProGo®), Partly Hydrolyzed Protein (PetGo™), fresh Salmon Oil (OmeGo®) and Marine Calcium (CalGo®).

The products are based on fresh off-cuts from the Norwegian salmon and trout processing industry. The proprietary production process with enzymatic hydrolysis splits the four fractions of the salmon raw material.

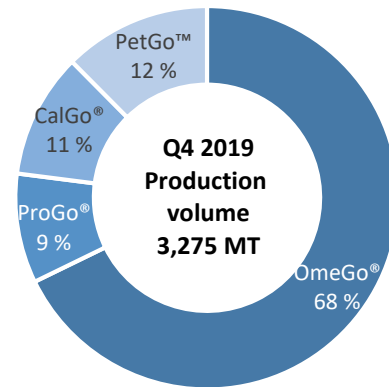
HBC operates two plants; The hydrolysis plant in Midsund and the spray-drying plant in Berkåk. In the fourth quarter of 2019, HBC Midsund processed 3,275 tons of salmon and trout raw materials. This is an increase of 662 tons compared to previous quarter, which is due to the summer break and the annual maintenance program for key components taking place in the plant in Q2. Compared to the same quarter in 2018, we have an increase of 625 tons (+23,6%). The reason for this increase is capacity improvements in the plant, as well as an improved raw material access.

Raw material availability from our suppliers remains at a stable level. However, we expect a short slowdown in the raw material access for the start of 2020 due to seasonal challenges and high Salmon prices in the market, which again reduce our access of raw material.

HBC Berkåk produced 85 tons of finished products in the fourth quarter 2019. The Berkåk plant has terminated the contract and stopped the capacity lease manufacturing. ProGo® production is now the only product made at Berkåk.

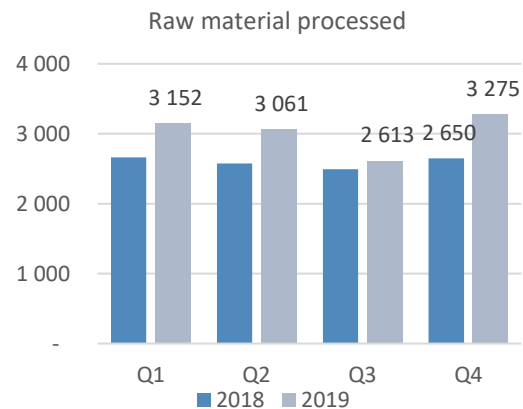


A total of 914 tons of finished goods were manufactured at all HBC plants, compared to 791 tons in the same quarter 2018. Higher



volumes than previous year, combined with yield improvements are the reason for this increase.

Based on recent research in our lab, we have discovered a way to improve further the sensory parameters on our powders. New process equipment is ordered after successful pilot trials at an external supplier. The new equipment was installed and in production during the fourth quarter. The new process line is delivering according to our expectations, which will be a benefit for our customers moving forward.



In order to improve yield, reduce costs and improve further our quality parameters for ProGo®, the planning of expansion and installation of a Spray Dryer at Midsund plant is moving forward as planned, and the building process is starting in Q1 2020. The target is to have the new process line at Midsund up and running by Q3 2020.

Our Berkåk plant targets to get certified according to the FSSC22000 standard during H1 2020, an evidence for product quality confirmation, requested by our customers.

PROCESS DEVELOPMENT

Process development research to reduce odor in ProGo®/CollaGo® (SPH) powder has continued to focus on inhibiting decarboxylation reactions. We have been able to slow down the decarboxylation by over 50% using a combination of food-approved reagents. Work is ongoing in 2020 to optimize this effect and write a new patent application for the same.

This quarter we completed the impact study of different dry matter concentrating equipment on odor concentration and the results have been communicated to process design to implement the best equipment for our ongoing Midsund factory expansion.

We also completed a short project on the in-process use of a specific food-approved colloidal excipient to reduce yield loss and increase through-put by reducing particulates via flocculation. We will write up and file a patent application for the same in 2020.

Yield improvement work continues into 2020 on the use of a new enzyme finishing step to improve the recovery of SPH and minimize loss during processing.

R&D INDICATIONS DISCOVERY UPDATE

In the final quarter in 2019 HBC R&D increased its focus on driving new biotech investigations forward for several indications within all three product fractions - Oil, Protein Hydrolysate and Bone Powder in preparation for an accelerated program beginning in 2020.

SITUATIONAL ANEMIA TREATMENT

Our second placebo-controlled, randomized, double-blind eight-week clinical trial on daily supplementation with 12g of Salmon Protein

Hydrolysate (ProGo®/CollaGo®) powder was completed with excellent primary and secondary outcome efficacy results and with no AE's reported. The study report was published in late December and submitted to Health Canada, as part of the current label review process, to bolster our unique and IP-protected label claims, *"Helps prevent iron-deficiency anemia"* and/or similar claims related to oxygen transport and hemoglobin levels. It is noteworthy that this quarter, HBC's Salmon Protein Hydrolysate powder already achieved the milestone of being the first protein/peptide product to have an approved label claim *"Provides antioxidants for the maintenance of good health"* with any major health authority (Health Canada).

We have made great strides this quarter in identifying the active peptides that are responsible for this efficacy. Using our new in-vitro HIEC-6 model which has shown excellent correlation to the human clinical data, we have narrowed the FTH1 gene upregulation mechanism activity to a 500 dalton wide peptide fraction. Structure identification analytical efforts are continuing to yield results which we will be validating throughout 2020.

Fractionation and identification of such active peptides will result in lead structures for new MOA (mechanism of action) pharmaceutical R&D in collaboration with appropriate pharmaceutical partners, while leaving HBC the option to self-develop and market both medical food and label-claimed nutraceutical co-treatment products.

GASTRO-INTESTINAL (GI) PROTECTIVE MEDICAL FOOD

This quarter we completed both the preclinical animal model as well as gene-regulation studies at Prof. Karl Sylvester's lab at the Stanford School of Medicine (SSM). The results were statistically positive, with ProGo®/ CollaGo® (SPH) showing significant prophylactic protection of H2O2-induced injury of the GI tract in neonatal mice at a moderate 100 ug/ml

SPH dose as well as significant upregulation of GI anti-inflammatory genes in GI tissue samples.

These positive results have given Prof. Sylvester and us the confidence to plan a collaborative multi-year pre-clinical and clinical program towards a NEC and IBD label claim for SPH.

This quarter we also completed the design and validation of a proprietary invitro model to fractionate the peptides in SPH for the observed in-vivo GI protective efficacy seen at Stanford.

ASTHMA CO-TREATMENT

It has been observed in a few published studies that a diet of oily fish reduces the symptoms associated with asthma. We have completed our latest test this quarter using a simple invitro human lung-cell assay to show that a significant respiratory anti-inflammatory effect is possible to achieve with our OmeGo® salmon oil, which is not possible using standard fish oils.

We have further confirmed that this effect is not due to any of the traditional components associated with fish oils such as the poly-unsaturated fatty acids EPA and DHA. We continue to generate positive invitro results towards possible asthma co-treatment with OmeGo® and we now know what fraction of the oil may be responsible for this biological activity. Further details will be reported after suitable IP protection is completed.

AGE-RELATED SARCOPENIA TREATMENT

Age-related sarcopenia is a syndrome characterized by progressive and generalized loss of skeletal muscle mass and strength and is correlated with physical disability, poor quality of life and death. Although it may seem that the solution is to provide more protein, this has been clearly shown to not be the solution in most cases. Indeed, age-related sarcopenia is a syndrome with multiple pathway breakdowns leading to the inability of a patient to arrest muscle loss.

This quarter, we initiated our targeted research into this syndrome by validating a multi-pathway muscle cell in-vitro assay to look for possible modes-of-action for our salmon peptides to impact this disease. We will be carrying out multiple trials in the first half of 2020 to look for critical path interventions by these peptides.

OTHER INDICATIONS

Further work continues in in-vitro experiment design and implementation towards our other clinical treatment programs for a) pre-diabetic progress retardation co-treatment and b) prostate cancer co-treatment using fractionated peptides in SPH, as well as planning for c) a major clinical trial towards retarding osteopenia/osteoporosis with our salmon bone powder.

Our R&D department also spends significant time to support our worldwide patent/trademark applications and prosecutions as well as our QA, Marketing, and Sales efforts with targeted studies, publications and presentations.

SALES & MARKETING

The HBC sales team continue to grow, with additional team members in Chicago, and in Singapore. HBC also seeks to secure more sales employees in Europe and US to ensure steady growth in these markets. HBC is proud to announce that Teodor Strand-Johansen and Scott Somers is onboard and already active members of the sales force.

Upcoming shows in Orlando, Nürnberg, Las Vegas, Paris and Genève are scheduled for 2020, with focus on entering into the US market, strengthening the position in the European market and continue to grow in the Asian market.

HBC has spent the time from PetExpo Connection efficiently and has lined up its Brilliant series for a push into the US market, kicking it off in Orlando at the Global Pet Expo, with a follow up in Las Vegas at Super Zoo later

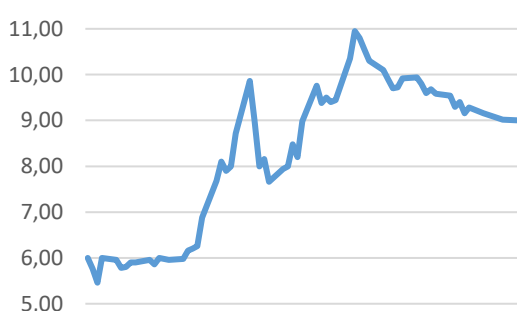
in the year. Equally the team will follow up from its Interzoo success in Bologna with a strong presence in in Nürnberg at this year's Interzoo.

As the PetGo™ and OmeGo® ingredients continue to be sold at growing volumes, the focus for the new sales team is to increase sales of ProGo® and CalGo® ingredients and finished products, as well as increasing the average achieved price for the OmeGo® ingredient through the Brilliant Salmon Oil™ product. For CalGo®, the Nøre™ product remains important where HBC is focusing its efforts on building the brand and creating a market, locally and in Norway as a whole, at the same time working on a launch into the UK, German and French markets in the upcoming months.

HBC is currently also launching its Endurance Protein Drink™ product with 4 new flavors. The Norwegian sales team will be present at TREN20, an annual expo for the health and fitness industry in Norway. The focus will be on getting the Endurance™ series of products into the national health and fitness scene.

SHARE INFORMATION

HBC shares were traded between NOK 5.10 and 10.95 per share in the fourth quarter and the last closing price on 30 December 2019 was NOK 9.00.



Based on 325,820,511 outstanding shares, this values HBC's equity at approximately NOK 2,932.4 million.

As of 30 December 2019, HBC had 1,020 shareholders. The 20 largest shareholders controlled 86.13 per cent of the shares.

RELATED PARTY TRANSACTIONS

There are no significant new types of transactions with related parties during 2019.

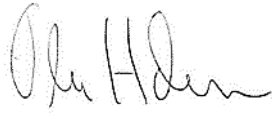
OUTLOOK

HBC is a fast-growing consumer health business, specifically driven by strong demand for world leading natural, unprocessed marine oils, hydrolyzed proteins and calcium. HBC expects that ongoing Scientific research and successful medical studies on the health benefits of its products will have a positive effect on sales and marketing, as well as laying the foundation for a promising pipeline of nutraceutical and pharmaceutical options in the future. This supports the rationale for a potential listing in the US.

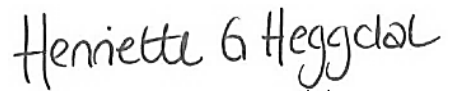
HBC has started to ramp up global sales activities and are hiring sales resources globally.

We have also intensified the R&D development towards treating age-related Sarcopenia and Gastro-Intestinal (GI) Protective Medical Food at Stanford University.

Hofseth BioCare ASA Board of Directors
Ålesund, 6 February 2020



Ola Holen
Chairman of the Board



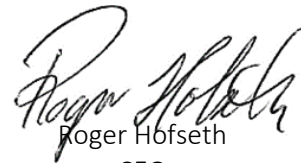
Henriette G. Heggdal
Board member



Christoph Baldegger
Board member



Torill Standal Eliassen
Board member



Roger Hofseth
CEO

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(figures in NOK 1 000, except EPS)</i>	Q4 2019	Q4 2018	2019	2018	Notes
Sales revenue	11 143	14 474	67 778	60 740	7
Gross operating revenue	11 143	14 474	67 778	60 740	
Cost of sales	8 427	9 923	51 416	48 361	8
Salaries and other payroll costs	8 717	8 784	29 211	31 402	
Other operating expenses	9 023	8 904	31 078	36 485	
EBITDA	-15 025	-13 138	-43 928	-55 508	
Depreciation and Write-down	7 998	5 459	27 456	22 190	6
Operating profit/loss (EBIT)	-23 023	-18 597	-71 384	-77 699	6
Financial income	1 146	605	5 168	3 036	10
Financial expenses	3 720	5 221	15 156	9 865	10
Net financial items	-2 574	-4 616	-9 988	-6 829	10
Profit/loss before taxes	-25 597	-23 213	-81 372	-84 528	
Tax expense	0	249	0	249	
Profit for the period	-25 597	-23 462	-81 372	-84 776	
Other comprehensive income/expenses	0	0	0	0	
Total comprehensive income	-25 597	-23 462	-81 372	-84 776	
Total comprehensive income for the period attributable to:					
Non-controlling interests	0	-8	0	-8	
Shareholders in HBC (majority)	-25 597	-23 453	-81 372	-84 768	
Total	-25 597	-23 462	-81 372	-84 776	
Earnings per share (EPS)					
Basic earnings per share (NOK)	-0.08	-0.08	-0.27	-0.33	

The interim financial information has not been subject to audit.

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

<i>(figures in NOK 1 000)</i>	2019	2018	Notes
Research, patents etc.	24 346	17 357	5
Property, plant and equipment	128 353	67 361	6
Financial fixed assets	1 734	2 909	
Total non-current assets	154 433	87 626	
Inventories	42 140	29 402	9
Trade receivables	5 542	14 697	
Other current assets	6 017	7 578	
Cash and cash equivalents	94 561	48 641	
Total current assets	148 260	100 319	
Total assets	302 693	187 945	
Share capital	325 821	294 837	11
Other Paid in equity (+) Uncovered losses (-)	-198 819	-208 120	
Non-controlling interests	-673	-673	
Total equity	126 328	86 043	
Non-current liabilities interest bearing	106 959	30 387	
Total non-current liabilities	106 959	30 387	
Other Interest-bearing loans, leasing and borrowings	25 851	27 912	
Trade payables	29 712	32 112	
Other current liabilities	13 843	11 490	
Total current liabilities	69 406	71 514	
Total equity and liabilities	302 693	187 945	

The interim financial information has not been subject to audit.

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

<i>(figures in NOK 1 000)</i>	Q4 2019	Q4 2018	2019	2018
Equity at start of period	144 519	109 670	86 043	37 083
Other changes in equity	1 589	-77	1 586	0
Issue new shares 1 st August 2018	0	0	0	120 283
Issue new shares 26 th September 2018	0	0	0	13 461
Issue new shares 17 th August 2019	0	0	114 251	0
Issue new shares 1 st October 2019	5 816	0	5 816	
<i>Profit/loss for the period</i>	-25 597	-23 462	-81 372	-84 776
<i>Other comprehensive income/expenses</i>	0	0	0	0
Total comprehensive income	-25 597	-23 462	-81 372	-84 776
Equity at the end of period	126 328	86 131	126 328	86 043

EARNINGS PER SHARE

<i>(figures in NOK 1 000, except EPS)</i>	Q4 2019	Q4 2018	2019	2018
Number of shares end of period	325 821	294 837	325 821	294 837
Weighted average number of shares	325 821	294 837	304 500	258 098
Effect of empl. stock options and warrants	6 484	0	6 484	0
Weighted average number of shares diluted	332 305	294 837	310 985	258 098
Basic earnings per share (NOK)	-0.08	-0.08	-0.27	-0.33
Diluted earnings per share (NOK)	-0.08	-0.08	-0.27	-0.33

CONSOLIDATED CONDENSED CASH FLOW STATEMENT

<i>(figures in NOK 1 000)</i>	Q4 2019	Q4 2018	2019	2018
Cash flow from operational activities				
Profit before taxes	-25 597	-23 213	-81 372	-84 527
Paid taxes	0	0	0	-249
Depreciation and write-off	7 998	5 459	27 456	22 190
Changes in Inventory	-10 153	-4 997	-12 738	-12 544
Changes in trade debtors	1 140	-9 389	9 155	12 066
Changes in trade creditors	-9 890	9 014	-2 400	-19 817
Changes in other current bal. sheet items	23 494	63 501	18 175	50 695
Classified as financial activities	2 204	5 834	9 185	3 621
Net cash flow from operational activities	-10 804	46 209	-32 539	-28 625
Cash flow from investing activities				
Investments in non-current tangible assets	-11 430	9 744	-19 395	-7 529
Investments in non-current intangible assets	-5 355	-918	-12 191	-2 308
Other investments	-3 216	1 618	-1 635	0
Net cash flow from investment activities	-20 001	14 445	-33 221	-9 837
Cash flow from financing activities				
Issuance of share capital	6 000	-65 790	123 935	72 219
Transaction cost on issue of shares	-184	-165	-3 867	-4 265
Payment of interest	-2 204	-5 834	-9 185	-3 621
Proceeds from borrowings	18 409	903	21 607	14 612
Repayment of borrowings	-6 017	5 075	-20 808	-33 919
Net cash flow from financing activities	16 004	-65 811	111 680	45 035
Net change in cash and cash equivalents	-14 801	-9 158	45 920	6 573
Cash and cash equivalents at the beginning of the period	109 362	58 048	48 641	42 068
Cash and cash equivalents at the end of the period	94 561	48 890	94 641	48 641
Significant transactions in the accounts without cash flow:				
New shares subscribed from debt	0	0	15 000	65 790
Proceeds from financial lease	-1 585	0	5 557	11 169
Proceeds from financial lease buildings	2 118	0	68 196	0

SELECTED NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS FOR PREPARATION

This report has been prepared in accordance with International Financial Reporting Standards (IFRS) and the standard for interim reporting (IAS 34). The same accounting principles and calculation methods used in the last Financial statements (IFRS) 2014 has been used here.

2. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires management to make estimates based on professional judgement and assumptions considered realistic. There may be situations or changes in market conditions that can lead to changes in

estimates, but management do not consider it to be significant estimation uncertainty associated with estimates and reported figures for the company's assets, liabilities, equity and profits.

3. TAXES

Deferred tax assets are not posted in the balance sheet. Estimated value is NOK 141.0m.

4. TRANSACTIONS WITH RELATED PARTIES

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

5. INTANGIBLE ASSETS

<i>(figures in NOK 1 000)</i>	<i>R&D</i>	<i>Trademarks</i>	<i>Patents</i>	<i>Other</i>	<i>Total</i>
Book value at 30.09.2019	18 098	1 430	1 174	1 219	20 623
Additions	6 381	0	0	343	6 724
Depreciations for the period	2 901	2	72	26	3 001
Book value at 31.12.2019	21 578	1 428	1 102	1 536	24 346
Economic life	10 years	5 years	5-10 years	10 years	

6. PROPERTY, PLANT AND EQUIPMENT

<i>(figures in NOK 1 000)</i>	<i>Machines and Equipment</i>	<i>Fixtures and fittings</i>	<i>Total</i>
Book value at 30.09.2019	66 410	748	67 158
Additions	2 577	0	2 577
Depreciations for the period	4 005	129	4 134
Book value at 31.12.2019	64 982	619	65 601
Economic life	5-10 years	3-10 years	
Method of depreciation	straight line	straight line	

<i>(figures in NOK 1 000)</i>	<i>Rented buildings</i>	<i>Other rentals</i>	<i>Total</i>
Book value at 30.09.2019	62 338	1 612	63 950
Additions	0	170	170
Depreciations for the period	1 247	121	1 368
Book value at 31.12.2019	61 091	1 661	62 752
Economic life	13 years	3-5 years	
Method of depreciation	straight line	straight line	

7. SEGMENTS

<i>(figures in NOK 1 000)</i>	<i>Q4 2019</i>	<i>Q4 2018</i>	<i>2019</i>	<i>2018</i>
Per product				
Salmon oil	5 697	4 754	24 228	21 049
Protein	693	643	20 418	7 196
Calcium	935	744	2 944	947
PHP	2 837	5 005	9 963	12 045
By-product/other	980	3 328	10 224	19 503
Total revenues	11 143	14 474	67 778	60 740

8. COST OF SALES

<i>(figures in NOK 1 000)</i>	<i>Q4 2019</i>	<i>Q4 2018</i>	<i>2019</i>	<i>2018</i>
Cost of goods sold	8 032	9 923	49 160	48 361
Write-downs inventory	395	0	2 256	0
Net cost of sales	8 427	9 923	51 416	48 361

9. INVENTORY

<i>(figures in NOK 1 000)</i>	<i>2019</i>	<i>2018</i>
Per product		
Raw material	2 282	1 826
Finished goods	39 858	27 576
Total inventory	42 140	29 402

10. FINANCE

<i>(figures in NOK 1 000)</i>	Q4 2019	Q4 2018	2019	2018
Interest expense	2 684	1 306	9 715	4 647
Interest income	479	180	529	209
Net currency exchange	-374	-3 490	-807	-2 391
Gain on investments	4	0	4	0
Net financial items	-2 574	-4 616	-9 988	-6 829

11. SHAREHOLDERS

Largest shareholders

Shareholder	Type	# of shares	% stake
SIX SIS AG	NOM	76 954 952	23.62
ROGER HOFSETH AS	ORD	51 389 998	15.77
ALLIANCE SEAFOODS INC.	ORD	40 951 333	12.57
HOFSETH AS	ORD	32 403 409	9.95
BRILLIANT INVEST AS	ORD	11 000 000	3.38
SEAFOOD FARMERS OF NORWAY AS	ORD	10 574 921	3.25
HOFSETH INTERNATIONAL AS	ORD	8 585 905	2.64
CREDIT SUISSE (Switzerland) Ltd.	NOM	8 458 282	2.60
GOLDMAN SACHS & CO. LLC	NOM	5 012 894	1.54
HOFSETH AALESUND AS	ORD	4 860 718	1.49
INITIA AB	ORD	4 276 000	1.31
SWELANDIA INTERNATIONAL AB	ORD	3 745 000	1.15
VARMA MUTUAL PENSION INSURANCE CO.	ORD	3 648 352	1.12
JPMORGAN CHASE BANK, N.A., LONDON	NOM	3 373 215	1.04
UBS SWITZERLAND AG	NOM	3 228 417	0.99
MORGAN STANLEY & CO. INT. PLC.	NOM	2 907 471	0.89
UBS AG	NOM	2 679 804	0.82
HOFSETH LOGISTICS AS	ORD	2 456 825	0.75
ØDEGÅRD PROSJEKT AS	ORD	2 104 039	0.65
SAXO BANK A/S	NOM	2 006 536	0.62
Total 20 largest		280 618 061	86.13
Total other		45 202 450	13.87
Total no. of outstanding shares		325 820 511	100.00
Total no. of shareholders: 1,020			