



Hofseth®
BIOCARE

QUARTERLY REPORT

Q1 2020

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-IBD 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, London, 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

May

25

Annual General Meeting

August

28

Q2/Half yearly Financial Report






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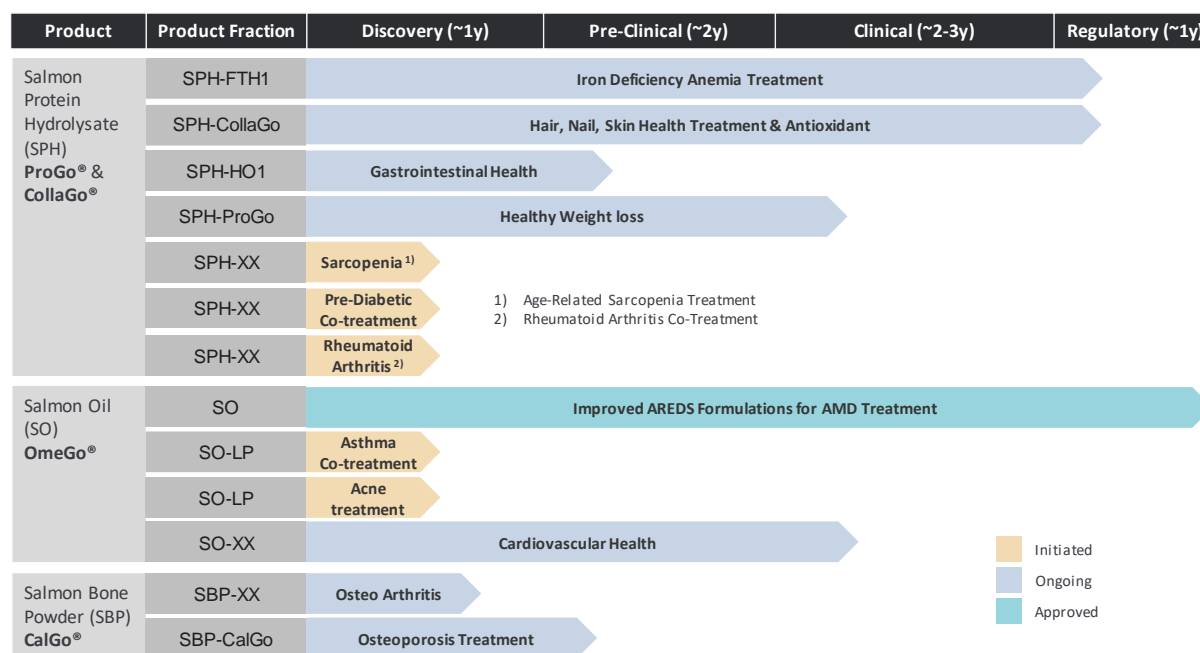
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OUR PRODUCTS AND INGREDIENTS

Ingredient	About	Finished products
	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
	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
	Partially hydrolyzed salmon protein produced as salmon meal for feed and pet food industry	
	Salmon peptides with more than 25 % collagen type I & III for skin, hair and nails.	Collagen Peptides for human consumption as drink

PIPELINE

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



HIGHLIGHTS IN THE FIRST QUARTER 2020

- 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.
- In March, HBC signed a comprehensive distribution contract with Prinova Europe. The agreement is a European exclusive distribution contract for branded marine products.
- On March 23rd HBC completed a private placement towards CSO Dr. Bomi Framroze, through issuance of 3,253,370 new shares, at a price per share of NOK 6.73 and Dr. Framroze now holds a total of 5 million shares in HBC.
- Preclinical research with OmeGo® demonstrates potential to target eosinophil-driven illnesses including steroid-resistant asthma.

POST-PERIOD HIGHLIGHTS

- In May, HBC signed a research agreement and initiating our research collaboration with Prof. Karl Sylvester at Stanford University School of Medicine on a multi-year pre-clinical and clinical program towards a NEC and IBD label claim for SPH.
- In week 18, HBC had record production of 413 metric tons of raw material, equal to an annualized volume of 19,400 metric tons.
- Brilliant® Salmon Oil brand has been launched in USA, and contracts with new US distributors have been signed for delivery from end of May.
- Volumes so far in the second quarter have increased significantly and production is currently running on a 19,000MT annualized rate
- In May, HBC Berkåk received the Kosher approval by OU

KEY FIGURES

	Q1 2020	Q1 2019	2020	2019
Sales revenue	10 357	14 681	10 357	67 778
Other operating revenue	8 167	0	8 167	0
Gross operating revenue	18 524	14 681	18 524	67 778
EBITDA	-10 222	-12 912	-10 222	-52 118
Operating profit/loss	-15 989	-19 306	-15 989	-79 574
Profit/loss before taxes	-17 885	-20 638	-17 885	-89 218
Earnings per share (NOK)	-0.05	-0.07	-0.05	-0.29
Net cash flow	-27 108	-12 125	-27 108	6 573
Interest-bearing liabilities	114 601	125 760	114 601	132 465
Total assets	293 669	245 098	293 669	293 011
Equity ratio	41.8%	27.3%	41.8%	40.2%

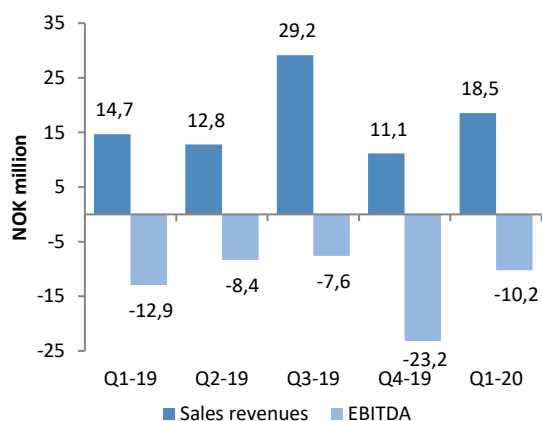
FINANCIAL REVIEW

Figures for the corresponding periods in 2019 are given in brackets.

PROFIT AND LOSS FIRST QUARTER

HBC had operating revenues of NOK 18.5m (NOK 14.7m) in the first quarter of 2020.

Cost of Goods Sold (CoGS) amounted to NOK 6.2m (NOK 10.9m) in the period. Operational profit (EBITDA) for the first quarter 2020 was negative NOK 10.2m (negative NOK 12.9m).



Net financial items in the first quarter were negative NOK 1.9m (negative NOK 1.3m).

Loss before tax was NOK 17.9m in the quarter, compared to a loss of NOK 20.6m during first quarter 2019.

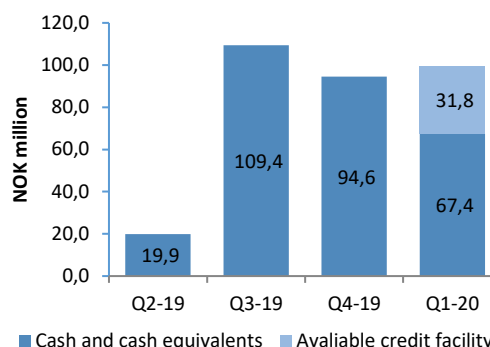
CASH FLOW

Cash flow from operations during the first quarter was negative NOK 24.3m compared to negative NOK 5.9m in the same quarter last year.

Net cash flow from investment activities was negative NOK 7.4m in the first quarter of 2020, compared to negative NOK 2.9m for the corresponding period last year.

Cash flow from the financing activities amounted to NOK 4.6m in the first quarter 2020, compared to negative NOK 3.3m in the first quarter of 2019.

Cash and cash equivalents decreased by NOK 27.1m during the quarter, leaving total holding of cash and cash equivalents at NOK 67.5m by the end of the period.



FINANCIAL POSITIONS

Total assets for HBC were NOK 293.7m at the end of first quarter of 2020 (NOK 245.1m). Deferred tax assets are not posted in the balance sheet. Estimated value is NOK 147.6m. Total equity amounted to NOK 122.8m (NOK 66.8m) corresponding to an equity ratio of 41.8 % (27.3 %) for the group.

HBC announced the completion of a private placement of NOK 21.9m on 22 March. The capital increase was approved and registered 4 April 2020. The private placement was done at a fixed price of NOK 6.73 per share.

PRODUCTION UPDATE

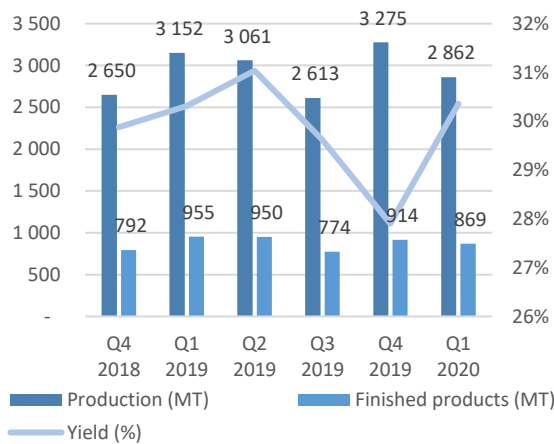
HBC produces Soluble Protein Hydrolysate (SPH, ProGo® and CollaGo®), Partly Hydrolyzed Protein (PetGo™), fresh Salmon Oil (OmeGo®) and Marine Calcium (CalGo®).

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.

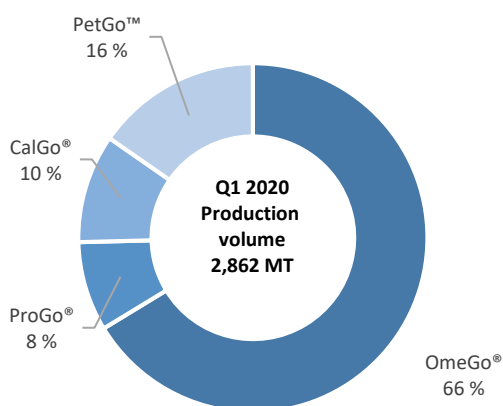
HBC operates two plants: The hydrolysis plant in Midsund and the spray-drying plant in Berkåk. In the first quarter of 2020, HBC Midsund processed 2,862 tons of salmon and trout raw materials. Planned and required yearly maintenance commenced this year 10 days later than usual in the beginning of

January, resulting in 13 days of down time. Raw material forecast for the coming quarter is good, so we expect to catch up the reduced volumes in the first quarter. Compared to the first quarter in 2019, we have a decrease of 290 tons. However, the overall yield has increased by 6.8 % compared to previous quarter due to an improvement in one of our production lines.

HBC Berkåk produced 72 tons of finished products in the first quarter of 2020. A reduction of 13 tons vs. the previous quarter. ProGo® production is now the only product made at Berkåk versus last year when we had hire production for an external feed producer.

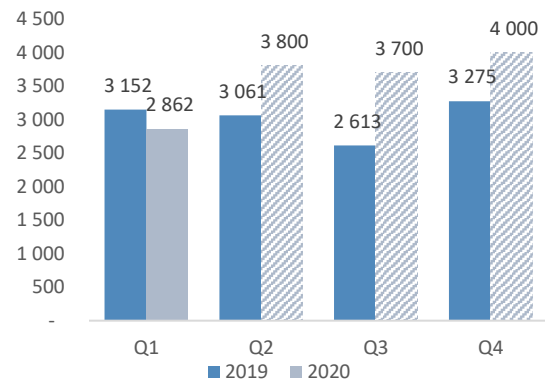


A total of 869 tons of finished goods were manufactured at all HBC plants, compared to 914 tons in the previous quarter.



We have discovered a way to improve further the sensory parameters on our powders, and the new process equipment are up running. The new process line delivers according to our

expectations, which gives an improved quality on our finished product at our Berkåk plant.



Processed raw material (metric tons)

In order to improve yield, reduce costs and improve further our quality parameters for ProGo®, the expansion and installation of a Spray Dryer at Midsund plant is moving forward as planned. The building process has started, and the target is to have the new processing line at Midsund up and running by Q3 2020. Despite the challenging situation with restrictions due to Covid-19, we are on schedule with the expansion.

Our Berkåk plant targets to get certified according to the FSSC22000 standard during H1 2020, as well as Kosher approval by OU. Both evidence for product quality confirmation, requested by our customers.

PROCESS DEVELOPMENT

Process development research to reduce odor in ProGo® and CollaGo® 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. In the first quarter of 2020 we have completed the research phase I. We will be testing this Phase I formulation on a commercial scale at our offcut production facilities in the third quarter and write up a new patent application after commercial success is seen.

During the patent application search, for the project to in-process use certain food-approved colloidal excipients, we found a new and

potentially better solution to explore this potential to reduce yield loss and increase through-put during separation and filtration steps. In this quarter, we explored this on a small scale, with very promising results. We will continue this project in the second quarter to bring it to a commercial trial in Midsund in the third quarter.

Yield improvement work continued in this quarter on the use of a new finishing enzyme step to improve the recovery of ProGo®/CollaGo® and minimize loss during processing.

A significant new process change was also successfully trialed at Midsund to eliminate a critical waste stream and increase overall protein yield. We carried out multiple assays to confirm that this change had no impact on the biological activities known to be present in the ProGo®/CollaGo® fraction.

R&D INDICATIONS DISCOVERY UPDATE

In the first quarter of 2020, HBC R&D focused largely on (i) use of OmeGo® in the treatment of steroid-resistant asthma (ii) identifying and tailoring enzymes to produce greater percent of active fractions of ProGo® for anemia treatment and (iii) invitro assay development on prediabetic treatment.

TREATMENT OF STEROID-RESISTANT ASTHMA

This quarter we continued our invitro assay work to confirm that minor components present only in our salmon oil show a significant respiratory EEF anti-inflammatory effect. These results are now protected in a US Provisional patent application filed by our US law firm. We will continue to develop this product/indication by progressing towards pre-clinical animal trials in the third quarter of 2020, while simultaneously carrying out the assay work required to identify the active components further, towards Rx applicability.

SITUATIONAL ANEMIA TREATMENT

We continue our efforts at identifying the active peptides that are responsible for the anemia treatment efficacy. Using our new in-vitro HIEC-6 model, the structure identification analytical efforts are progressing well this quarter and we will be working on this through most of 2020.

We are also simultaneously working on optimizing the process to produce more of each active lead fraction we identify, so that commercialization of our results, when successful, will be very quick.

Fractionation and identification of such active peptides will also result in lead structures for new MOA pharmaceutical R&D in collaboration with appropriate pharmaceutical partners. HBC will develop and market the medical food and label-claimed nutraceutical co-treatment products.

GASTRO-INTESTINAL PROTECTIVE MEDICAL FOOD

In the first quarter, our efforts were largely preparatory for this project, focused on concluding the research agreement and initiating our research collaboration with Prof. Karl Sylvester at Stanford University School of Medicine on a multi-year pre-clinical and clinical program towards a NEC and IBD label claim for SPH.

RETARDING THE PROGRESSION FROM PRE-DIABETES TO TYPE II DIABETES

This quarter we have initiated our invitro research into the use of SPH peptides into improving insulin function and thereby directly assist in the retardation of the progression from prediabetic to diabetic diagnosis.

Type II diabetes is a lifelong disease that keeps your body from using insulin the way it should be used and is often also called insulin resistance. Although people who are middle-aged or older are more likely to get this kind of

diabetes, it also impacts kids and teens due to increased childhood obesity. There are already over 30 million people in the U.S. with type 2 diabetes but more significantly another 85 million have prediabetes, meaning their blood sugar is high but not high enough to be classified officially as diabetes yet.

OTHER INDICATIONS

Further work continues in 2020 on in-vitro experiment design and implementation towards our other clinical treatment programs for a) age-related sarcopenia 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 shelf-life labeling for modified production batches, worldwide patent and trademark applications, and prosecutions as well as supporting our QA/Marketing/Sales efforts with targeted studies, publications and presentations.

SALES & MARKETING

The HBC sales team continues to grow, the team now count 7 salespeople in US, Europe, Norway and Asia.

As PetGo® Salmon Oil and PetGo® Salmon Meal continue to be sold in large volumes, HBC has entered into an agreement with Prinova Europe to focus on ProGo®, CollaGo®, OmeGo® and CalGo® ingredients. Prinova Europe is already working on concepts to showcase the benefits of HBC's products for Beauty from Within, Exercise Recovery & Energy, Cardiovascular Support and Bone Health. This agreement is an important step towards global distribution and fits well together with the work-in-progress on the distribution agreement with Nestlé-owned Garden of Life® for distribution of HBC products in the USA.

Since signing an exclusive distribution agreement with Prinova Europe, despite Covid-

19 disruptions to various trade events originally planned for April and May, the partnership is still on plan to preparing the way for broad distribution of all products into the European market immediately and the first purchase orders have already been made and sooner than expected.

Tony Gay, Head of NPD at Prinova Europe notes: *"that despite COVID-19, product development within consumer nutrition is accelerating and it's the hottest topic at present. The nutrition industry is taking advantage in areas such as meal replacements, protein powders and traditional supplements. People like to stay fit and healthy during times of a pandemic such as now."* He also noted that demand for healthy eating also tends to increase during periods of economic malaise as a way to get mental and psychological benefits during times of distress. *"There has a noticeable pick-up in demand for maintaining and improving a strong immune system at the time"* Tony says, *"and HBC offers unparalleled natural products with documented health benefits for this purpose"*.

Sales training, product white papers and sell sheets have been completed for marketing purposes and the first virtual webinar has taken place with far better than expected attendance in April at Digital Vitafoods. Prinova comments that the scale of the opportunity excites them and believes that their access to the nutrition, food & beverage markets across Europe will create an invaluable partnership.

The current virus causes great sadness for the world and one does not want to make light of a terrible situation but it's worth highlighting that this year Prinova had planned to exhibit in France, Italy, Spain, Switzerland, Australia, Mexico and Germany (as well as several shows in the US) with Vitafoods and FIE being the marque shows. These will be great places to promote the portfolio and hopefully HBC will get the opportunity next year to participate with them.

Before the launch of Brilliant Salmon Oil in US the sales team was able to attend the Global Pet Expo (GPE) in Orlando before shows in Las Vegas, Nurnberg, Paris and Genève were cancelled due to the ongoing pandemic. GPE was a success for the Brilliant brand, and the US team has already started signing up distributors for the North American market. The first pallets of Brilliant are expected to be in our US warehouse end of May.

GPE also connected us with customers in South- and Latin America and we are currently in the final stages of receiving orders for new clients in this region as well.

The pet oil marked in Asia is also expanding with an increase into new markets such as South Korea, Taiwan and Singapore. Singapore will also see the launch of our human products, and the first order are expected as soon as the necessary label work has been done to fit the market.

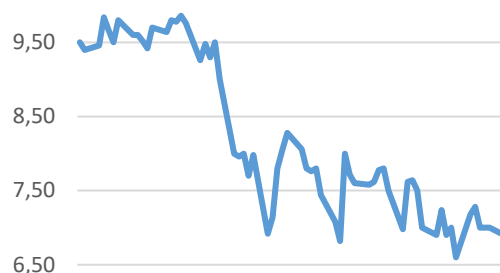
In Norway, we are currently developing a distribution agreement with the largest fitness product wholesaler in Norway, to ensure the presence of Endurance Protein Drink and other finished products in the Norwegian Health and Fitness industry.

The Brilliant Salmon Oil product is also set to enter the UK market with a launch in June. A substantial order is already in production, and

the team is working on marketing material and strategy before the launch.

SHARE INFORMATION

HBC shares were traded between NOK 6.60 and 9.86 per share in the first quarter and the last closing price on 31 March 2020 was NOK 7.80.



Based on 329,073,881 outstanding shares, this values HBC's equity at approximately NOK 2,566.8 million.

As of 31 March 2020, HBC had 1,012 shareholders. The 20 largest shareholders controlled 85.91 per cent of the shares.

RELATED PARTY TRANSACTIONS

There are no significant new types of transactions with related parties during the first quarter 2020.

Hofseth BioCare ASA Board of Directors

Ålesund, 15 May 2020

Ola Holen
Chairman of the Board

Henriette G. Heggdal
Board member

Christoph Baldegger
Board member

Torill Standal Eliassen
Board member

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(figures in NOK 1 000, except EPS)</i>	Q1 2020	Q1 2019	2020	2019	Notes
Sales revenue	10 357	14 681	10 357	67 778	7
Other operating revenue	8 167	0	8 167	0	
Gross operating revenue	18 524	14 682	18 524	67 778	
Cost of sales	6 244	10 917	6 244	59 570	8
Salaries and other payroll costs	9 805	8 252	9 805	29 212	
Other operating expenses	12 698	8 424	12 698	31 114	
EBITDA	-10 222	-12 912	-10 222	-52 118	
Depreciation and Write-down	5 766	6 395	5 766	27 456	6
Operating profit/loss (EBIT)	-15 989	-19 306	-15 989	-79 574	6
Financial income	804	1 632	804	5 148	10
Financial expenses	2 700	2 964	2 700	14 792	10
Net financial items	-1 896	-1 332	-1 896	-9 644	10
Profit/loss before taxes	-17 885	-20 638	-17 885	-89 218	
Tax expense	0	0	0	0	
Profit for the period	-17 885	-20 638	-17 885	-89 218	
Other comprehensive income/expenses	0	0	0	0	
Total comprehensive income	-17 885	-20 638	-17 885	-89 218	
Total comprehensive income for the period attributable to:					
Non-controlling interests	0	0	0	-9	
Shareholders in HBC (majority)	-17 885	-20 638	-17 885	-89 209	
Total					
Earnings per share (EPS)					
Basic earnings per share (NOK)	-0.05	-0.07	-0.05	-0.29	

The interim financial information has not been subject to audit.

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

<i>(figures in NOK 1 000)</i>	Q1 2020	Q1 2019	2019	Notes
Research, patents etc.	26 184	16 944	24 346	5
Property, plant and equipment	126 983	133 623	128 353	6
Financial fixed assets	942	2 681	2 460	
Total non-current assets	154 109	153 248	155 159	
Inventories	45 655	35 849	33 986	9
Trade receivables	13 087	12 480	5 542	
Other current assets	13 373	7 004	3 771	
Cash and cash equivalents	67 446	36 517	94 553	
Total current assets	139 560	91 850	137 852	
Total assets	293 669	245 098	293 011	
Share capital	329 074	294 837	325 821	11
Other Paid in equity (+) Uncovered losses (-)	-205 603	-227 372	-207 389	
Non-controlling interests	-682	-673	-682	
Total equity	122 789	66 792	117 750	
Non-current liabilities interest bearing	109 516	95 515	103 510	
Total non-current liabilities	109 516	95 515	103 510	
Other Interest-bearing loans, leasing and borrowings	5 085	30 245	28 955	
Trade payables	45 018	44 494	29 712	
Other current liabilities	11 262	8 052	13 085	
Total current liabilities	61 365	82 791	71 752	
Total equity and liabilities	293 669	245 098	293 011	

The interim financial information has not been subject to audit.

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

<i>(figures in NOK 1 000)</i>	Q1 2020	Q1 2019	2020	2019
Equity at start of period	117 749	86 044	117 749	86 044
Share based payment program	1 029	0	1 029	827
Issue new shares 17 th August 2019	0	0	0	117 935
Issue new shares 1 st October 2019	0	0	0	6 000
Issue new shares 22 nd March 2020	21 895	0	21 895	0
Share issue costs	0	0	0	-3 839
<i>Profit/loss for the period</i>	-17 885	-20 638	-17 885	-89 218
<i>Other comprehensive income/expenses</i>	0	0	0	0
Total comprehensive income	-17 885	-20 638	-17 885	-89 218
Equity at the end of period	122 789	66 792	122 789	117 749

EARNINGS PER SHARE

<i>(figures in NOK 1 000, except EPS)</i>	Q1 2020	Q1 2019	2020	2019
Number of shares end of period	329 074	294 837	329 074	323 821
Weighted average number of shares	326 146	294 837	329 074	304 500
Effect of employee stock options and warrants	6 484	0	6 484	6 484
Weighted average number of shares diluted	332 630	294 837	332 630	310 985
Basic earnings per share (NOK)	-0.05	-0.07	-0.05	-0.29
Diluted earnings per share (NOK)	-0.05	-0.07	-0.05	-0.29

CONSOLIDATED CONDENSED CASH FLOW STATEMENT

<i>(figures in NOK 1 000)</i>	Q1 2020	Q1 2019	2020	2019
Cash flow from operational activities				
Profit before taxes	-17 885	-20 638	-17 885	-89 218
Paid taxes	0	0	0	0
Depreciation and write-off	5 766	6 395	5 766	22 190
Changes in Inventory	-11 669	-6 446	-11 669	-12 544
Changes in trade debtors	-7 545	2 217	-7 545	12 006
Changes in trade creditors	15 306	12 382	15 306	-19 817
Changes in other current bal. sheet items	-10 446	-1 988	-10 446	50 695
Classified as financial activities	2 156	2 159	2 156	3 621
Net cash flow from operational activities	-24 316	-5 921	-24 316	-28 625
Cash flow from investing activities				
Investments in non-current tangible assets	-6 456	-2 644	-6 456	-16 718
Investments in non-current intangible assets	-959	-300	-959	-12 083
Other investments	0	0	0	0
Net cash flow from investment activities	-7 415	-2 944	-7 415	-27 166
Cash flow from financing activities				
Issuance of share capital	0	0	0	108 935
Transaction cost on issue of shares	0	0	0	-3 839
Payment of interest	-2 165	-2 159	-2 165	-8 065
Proceeds from borrowings	5 227	278	5 227	21 607
Repayment of borrowings	-20 342	-1 379	-20 342	-22 062
Net cash flow from financing activities	4 624	-3 260	4 624	96 576
Net change in cash and cash equivalents	-27 108	-12 124	-27 108	45 912
Cash and cash equivalents at the beginning of the period	94 553	48 641	94 553	48 641
Cash and cash equivalents at the end of the period	67 446	36 517	67 446	94 553
Significant transactions in the accounts without cash flow:				
New shares subscribed from debt	0	0	0	15 000
Proceeds from financial lease	0	4 448	0	557
Proceeds from financial lease buildings	0	66 078	0	68 196

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 147.6m.

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>Systems</i>	<i>Patents</i>	<i>Other</i>	<i>Total</i>
Book value at 31.12.2019	21 574	1 866	697	210	24 346
Additions	503	456	0	0	959
Depreciations for the period	779	2	72	26	879
Book value at 31.03.2020	21 298	2 320	625	184	26 184
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 31.12.2019	37 910	180	38 090
Additions	6 456	0	6 456
Depreciations for the period	4 209	34	4 243
Book value at 31.03.2020	38 097	146	38 243
Economic life	5-10 years	3-10 years	
Method of depreciation	straight line	straight line	

LEASED OBJECTS

<i>(figures in NOK 1 000)</i>	<i>Rented buildings</i>	<i>Machinery and equipment</i>	<i>Other rentals</i>	<i>Total</i>
Book value at 31.12.2019	61 091	27 511	1 661	90 263
Additions	0	0	0	0
Depreciations for the period	881	602	40	1 523
Book value at 31.03.2020	60 210	26 909	1 621	88 740
Economic life	13 years	5-10 years	3-5 years	
Method of depreciation	straight line	straight line	straight line	

7. SEGMENTS

<i>(figures in NOK 1 000)</i>	<i>Q1 2020</i>	<i>Q1 2019</i>	<i>2020</i>	<i>2019</i>
Per product				
Salmon oil	5 535	7 099	5 535	24 228
Protein	921	509	921	20 418
Calcium	512	1 821	512	2 999
PHP	2 891	1 864	2 891	9 963
By-product/other	499	3 389	499	10 170
Insurance settlement	8 167	0	8 167	0
Total revenues	18 524	14 681	18 524	67 778

8. COST OF SALES

<i>(figures in NOK 1 000)</i>	<i>Q1 2020</i>	<i>Q1 2019</i>	<i>2020</i>	<i>2019</i>
Cost of goods sold	6 244	10 917	6 244	49 160
Write-downs inventory	0	0	0	10 410
Net cost of sales	6 244	10 917	6 244	59 570

9. INVENTORY

<i>(figures in NOK 1 000)</i>	<i>Q1 2020</i>	<i>Q1 2019</i>	<i>2020</i>	<i>2019</i>
Per product				
Raw material	1 842	1 919	1 842	2 282
Finished goods	43 813	33 930	43 813	31 704
Total inventory	45 655	35 849	45 655	33 986

10. FINANCE

<i>(figures in NOK 1 000)</i>	<i>Q1 2020</i>	<i>Q1 2019</i>	<i>2020</i>	<i>2019</i>
Interest expense	2 160	2 171	2 160	9 715
Interest income	4	12	4	529
Net currency exchange	260	827	260	-807
Gain on investments	0	0	0	4
Net financial items	-1 896	-1 332	-1 896	-9 988

11. SHAREHOLDERS

Largest shareholders as of 31.03.2020

Shareholder	Acc. Type	# of shares	% stake
SIX SIS AG	NOM	78 133 787	23.74
ROGER HOFSETH AS	ORD	51 389 998	15.62
ALLIANCE SEAFOODS INC.	ORD	40 951 333	12.44
HOFSETH AS	ORD	32 403 409	9.85
BRILLIANT INVEST AS	ORD	11 000 000	3.38
SEAFOOD FARMERS OF NORWAY AS	ORD	10 574 921	3.21
HOFSETH INTERNATIONAL AS	ORD	8 585 905	2.61
CREDIT SUISSE (Switzerland) Ltd.	NOM	7 651 363	2.33
GOLDMAN SACHS & CO. LLC	NOM	5 563 166	1.69
HOFSETH AALESUND AS	ORD	4 860 718	1.48
INITIA AB	ORD	4 601 000	1.40
THE NORTHERN TRUST COMP, LONDON BR	NOM	3 648 352	1.11
SWELANDIA INTERNATIONAL AB	ORD	3 505 000	1.07
JPMORGAN CHASE BANK, N.A., LONDON	NOM	3 381 115	1.03
BOMI FRAMROZE HOLDING AS	ORD	3 253 370	0.99
UBS SWITZERLAND AG	NOM	2 875 070	0.87
HOFSETH LOGISTICS AS	ORD	2 456 825	0.75
SAXO BANK A/S	NOM	2 309 545	0.70
ØDEGÅRD PROSJEKT AS	ORD	2 104 039	0.64
CITIBANK, N.A.	NOM	1 982 479	0.60
Total 20 largest		281 231 395	85.46
Total other		47 842 486	14.54
Total no. of outstanding shares		329 073 881	100.00

Total no. of shareholders: 1,013

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 Inflammatory Bowel Disease (IBD): 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.

IBD 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 IBD. The cause of IBD 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 IBD remains unclear. Low grade intestinal inflammation is seen especially in IBD 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 IBD 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 modulation in eosinophil effector function. 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 eosinophilic asthma is ongoing.

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. In osteoarthritis HBC plans to initiate a clinical trial during 2020 to assess the benefit of CalGo on joint health in early OA.

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® in 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. HBC also plans to initiate a pilot study of CalGo®'s impact on joint health in mild osteoarthritis during H1 2021.

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. HC's review of HBC's IDA label claim continues positively however the COVID-19 crisis has put significant pressure on global regulatory health agencies. As such a decision may not be reached until August 2020, a slight delay over previously anticipated timelines.

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.