

NattoPharma®

INTERIM REPORT 4th Quarter 2007

Highlights:

- **STRONG FOCUS ON R&D:** Two clinical studies were completed according to plan this quarter. The previously announced “dose –response” study in adults showed very interesting results as even very low doses of vitamin K2 have a strong influence on the body’s ability to optimize calcium binding. The second study, which is being carried out as part of a PhD project indicates that vitamin K2 supplements can increase the probability of improved bone health in children. The result of these studies documents the importance of NattoPharma’s commitment to invest in R&D as a basis for further growth.
- **REGULATORY AFFAIRS:** “Self Affirmed” GRAS approval from FDA (US Food & Drug Administration) in USA was granted in January 2008. NattoPharma still expects that a final approval from EFSA for MenaQ7 will be granted at the end of Q1 2008.
- **FUNCTIONAL FOOD:** In December 2007, NattoPharma signed a new 10 years strategic agreement with Sumitomo Corp. The most important agreements signed during the quarter were distribution agreements with Cederroth International AB which covers the Nordic region including Iceland, GeeLawson in UK and Ocean Nutrition in Canada.
- **STRONG GROWTH:** 4th quarter revenue was NOK 22.4m compared to NOK 7.5m for the same period in 2006, which represents a growth rate of 199 %. EBIT equals NOK -6.2m (NOK -4.9m). The quarterly result reflects higher costs and resource usage incurred in connection with the application and subsequent floatation on the Oslo Axxess of Oslo Stock Exchange.

R&D & REGULATORY AFFAIRS

Two clinical studies were completed as planned during the quarter. The “dose- response” study in adults was completed and the results delivered to NattoPharma at the start of December 2007. The study shows that there is a dose dependent effect of vitamin K2 in activating calcium-binding proteins. It is particularly interesting with effect on these proteins with very low doses. This means that the addition of small doses of NattoPharma’s product MenaQ7 for example in food products can have positive biological effects. The results also provide NattoPharma with important information about dose levels which will be used in further studies.

The second study has been carried out in 6-10 year old children in the Netherlands. Previous nutritional studies and publications have suggested that children do not receive enough vitamin K, and especially in rapidly growing age group. NattoPharma’s study shows that when the children receive vitamin K2 supplements, there is increased biological activity in the calcium-binding protein osteocalcin in the bone marrow. Such activation is a requirement for better bone health. The study is also part of Dr Marieke van Summeren’s PhD thesis. Dr van Summeren has identified a relationship between bone condition and the usage of vitamin K2. Among children (6-18 years) who do not receive vitamin K2 supplements, Dr Summeren has shown that there is a

significantly increased level of biologically inactive protein when compared to adults, which as a result leads to less conducive bone health. It is therefore important that NattoPharma’s studies show that vitamin K2 supplements can activate osteocalcin thereby increasing the long terms chances of better bone health.

Other clinical studies are on schedule with two new human studies having commenced at the start of 2008.

On the 5th November the European Food Safety Authority (EFSA) announced long delays in the processing of applications. This has impacted the final stage of NattoPharma’s application. Final approval is expected at the end of Q1/2008.

Work with additional EU regulatory issues has led to NattoPharma’s health claims regarding MenaQ7/vitamin K2 being published on an official list in the Netherlands. This means that we can allow our customers in the EU to promote the positive effects on bone and heart health for products containing MenaQ7/vitaminK2. NattoPharma has also collated information on these claims, which can be submitted to EFSA upon request.

The first phase of our GRAS (Generally Regarded As Safe) filing to the US Food & Drug Administration (FDA) is now

complete. NattoPharma can now claim “Self Affirmed” GRAS status for the use of MenaQ7 vitamin K2 in food.

SALES AND MARKETING

In December 2007 NattoPharma signed a new strategic partnership agreement with Sumitomo Corp, pursuant to which NattoPharma is granted the exclusive right to sell, market and carry out research on Sumitomo’s natural vitamin K2. This exclusivity is now global with the exception of some parts of South East Asia, where NattoPharma has non-exclusive rights. The former agreement previously covered the EU and USA. The company is very satisfied with this strategic partnership, which has great importance for our relationship with international companies in the food and supplement sectors.

The interest in the product MenaQ7 is increasing, which has generated vast enquiries from a variety of companies, especially in the European market. There is a positive trend in information requests concerning the product MenaQ7, which amongst other things has resulted in the contracts with GeeLawson in the UK and Cederroth International AB in Sweden. The latter will launch its own MenaQ7 product in the Nordic region (including Island) in addition to a number of European countries through its distribution channels.

The US is also experiencing a high level of activity. And an important partnership with Ocean Nutrition in Canada has commenced, which represents a significant future opportunity for NattoPharma.

NattoPharma achieved a sales result for 2007 that was higher than the planned budget. Throughout the year, NattoPharma has signed agreements with a number of companies which means that we now have coverage in large parts of Europe, including better coverage in Eastern Europe. Participation in major exhibitions and trade shows such as VitaFood (EU), Supply Side West (US) and Supply Side East (US) have resulted in an increased network of contacts which is expected to have a positive revenue effect.

The sales and marketing function will be strengthened by two additional headcounts during Q1/2008. We continue to establish our international network and to promote the product MenaQ7 in the market in expectation of the EFSA approval.

GRAS approval in the US is expected to have a positive effect on the company’s ability to achieve the expected sales goals for 2008 and lay the foundations for future revenue growth in the years to come.

FINANCIALS

NattoPharma Consolidated				
Numbers in 1.000 kr	1.10-31.12.07	1.1.-31.12.07	1.10-31.12.06	1.1.-31.12.06
Revenue	2 118	22 385	3 091	7 519
EBIT	-6 393	-6 174	-2 193	-4 916
Net Finance	-593	-1 854	15	9
Result before tax	-6 986	-8 028	-2 178	-4 907
Gross Margin	35,65 %	58,41 %	39,96 %	49,89 %
EBIT margin	-301,84 %	-27,58 %	-70,95 %	-65,38 %
Year end result	-5 106	-5 856	-1 575	-3 540

The company was listed on Oslo Axess on 30th January 2008, after having carried out a share capital increase amounting to NOK 136,792.40 through the issue of 1,367,924 shares each with a par value of NOK 0.10 on 4th January 2008. Subscription price per share was NOK 12 which in total generated NOK 16,415,088 in new equity capital before deduction of emission costs. The total new capital was divided between NOK 136,792.40 in new share capital and NOK 16,278,295.60 in share premium reserve. After the share capital increase, the company’s new share capital is equal to NOK 2,044,522.40.

The company has one subsidiary, NattoPharma UK Limited, which was not active in 2007 and has no accounts. Therefore group numbers are presented in this report.

As of the end of Q4/2007 the company recorded a turnover of NOK 22.4m which represents a growth rate of 199% compared to the same period in 2006. The turnover is slightly higher than budgeted, which is the result of good activity level in the market, most notably in the USA. The turnover numbers for Q4/2007 are NOK 2.1m compared to NOK 3.0m in Q4/2006.

Total operating costs as of the end of Q4/2007 were NOK 28.6m, which after financing costs of NOK 1.9m leads to a negative result before tax of NOK 8.0m. The negative result is higher than expected, and among other things, is due to increased costs in connection with the listing on Oslo Axess, the application for GRAS approval in the US and the continued funding of our research activities.

The basis for recording of intangible assets on the balance sheet is in accordance with IFRS, and is based on purchase of technology and IPR from an external supplier. Patent purchased in December 2006, approved by EU spring 2007, completion of technology and IPR by the end of Q3 and finalization of report by December 2007 by Vitak BV is the basis for the entering of intangible assets in the balance sheet. All other studies are considered as research or exploration towards new application areas for our product, hence all costs not related to the above studies in 2007 will subsequently be charged as an expense in the profit and loss accounts. As this intangible value will form a large part of the future economic development of the company, this will be subject to depreciation.

In Q1/2008, the company will file a claim for compensation against the secondary manufacturer (capsulating of product) with respect to a 2007 credit note issued to our customers in Norway in connection with a quality issue. Consequently, gross margins are lower than expected. For Q4/2007 operating costs were NOK 8.5m, which results in a negative EBIT of NOK 6.4m and a negative EBT of NOK 7.0m after NOK 0.6m in financing costs. Corresponding numbers for the same period in 2006 were operating costs of NOK 5.0m, negative EBIT of NOK 2.0m and a negative EBT of NOK 2.0m.

The company's balance sheet shows total equity of NOK 9.6m compared to NOK 13.0m at end Q4/2006. The company's equity ratio is 30% compared to 92.9% at the end of Q4/2006. This change results from a bond loan of NOK 18.5m, established through Norsk Tillitsmann ASA in order to secure financing of future operations of the company, and a combined loss of NOK 11.5m. The loan, which has a duration period of 2 years with no installments, has a nominal annual interest of 10.4% payable semi-annually in arrears. As part of the loan, the bond holders were offered warrants free of any charge for the issuance of 1,233,210 shares each with a par value of NOK0.10 and with a subscription price equal to NOK 15 per share. The exercise period is two years from the date of the issuance of the bond. As per December 31st 2007, the company's cash balance was NOK 17.2m., and the registered number of shareholders was 108. On 18th January 2008 the company resolved to repurchase bonds equal to NOK 3.0m, which will be recorded as itself owning the bonds until final repayment of the loan as per July 10. 2009.

Based on a share option agreement signed in 2006, Eng AS resolved December 17th 2007 to exercise its right to purchase 300,000 shares, each with a par value of NOK 0.10 and with an agreed subscription price equal to NOK 3.916 per share. The share option agreement was based on a resolution made by the general meeting held April 18th 2006, which was renewed in the general meeting held 22nd June 2007. The exercise of the option contributed NOK 1,174,800 in new equity capital of which NOK 30,000 is recorded as new share capital and NOK 1,144,800 is added to the share premium reserve. The share issue is recorded in the balance sheet as "Resolved, and paid in, not registered share issue/capital" as per December 31st 2007.

OUTLOOK

NattoPharma is experiencing a very high interest level in its products on the global market, both from the food and supplement markets. Furthermore, there is an increased interest from the international research community towards the work being carried out as part of the R&D program of NattoPharma. In 2008 it will be a key element for the company to further expand its distribution network, both in Europe as well as the additional markets in which NattoPharma has exclusivity.

Assuming that EFSA approval is granted as planned at the end of Q1/2008, the company still predicts a 2008 turnover of between NOK 80-90m.

NattoPharma will continue to increase the number of studies, both independently and in close cooperation with potential customers and other research organizations.

The company is satisfied with its current financial situation and predicts a positive operating result in 2008.

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Shareholder information as per 31.12.2007

Shareholder list 20 major NattoPharma ASA	December 31. 2007	
	No. Of shares	Ownership
1 Anacott Steel AS	3 386 700	18,04 %
2 Bohan & Co AS	2 882 700	15,35 %
3 Kaupthing ASA, Market Making Innland	2 304 700	12,27 %
4 B Mcallen SL	2 287 268	12,18 %
5 Terra Norden VPF	770 000	4,10 %
6 Macama Invest AS	567 200	3,02 %
7 Sellæg Aase	536 600	2,86 %
8 Terra Vekst VPF	521 500	2,78 %
9 Universal Exports AS	520 000	2,77 %
10 Eng AS	500 000	2,66 %
11 Pictet & Cie Banque	400 000	2,13 %
12 ABG Sundal Collier N. meglerkonto	400 000	2,13 %
13 Mascot Holding AS v/ Alex Munch Thore	370 000	1,97 %
14 Terra Alpha VPF	351 000	1,87 %
15 Haadem Invest AS	316 800	1,69 %
16 Predator Capital Management,	290 500	1,55 %
17 Kristianro AS v/Eigil Spetalen	250 000	1,33 %
18 LKG Holding AS	200 000	1,07 %
19 Dag Strand AS	200 000	1,07 %
20 Jakobsen, Arnt	195 000	1,04 %
Sum 20 major shareholders	17 249 968	91,87 %

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

(in NOK 1.000)	01.10- 31.12.07	01.10- 31.12.06 Revised	01.01- 31.12.07	01.01- 31.12.06 Revised
REVENUE AND OPERATING COSTS				
REVENUE				
Sales/income	2 117	3 446	22 127	7 209
Other revenue	1	(355)	258	310
TOTAL REVENUE	2 118	3 091	22 385	7 519
OPERATING COSTS				
Cost of goods	1 363	2 096	9 311	3 768
Employee benefit expenses	1 552	834	5 677	2 695
Depreciation on assets and intangible assets	190	8	481	154
Other operating costs	5 406	2 346	13 090	5 818
TOTAL OPERATING COSTS	8 511	5 284	28 559	12 435
OPERATING RESULT/EBIT	(6 393)	(2 193)	(6 174)	(4 916)
FINANCIAL INCOME AND EXPENSES				
Financial income	208	37	423	37
Other financial income	(29)	84	108	90
Financial expenses	882	1	1 485	1
Other Financial expenses	(110)	105	900	117
NET FINANCIAL INCOME AND EXPENSES	(593)	15	(1 854)	9
RESULT BEFORE INCOME TAX	(6 986)	(2 178)	(8 028)	(4 907)
Income tax	1 880	603	2 172	1 367
PERIODIC RESULT	(5 106)	(1 575)	(5 856)	(3 540)
<i>Result per share:</i>				
Basis and diluted result per share	(0,27)	(0,09)	(0,31)	(0,21)

CONSOLIDATED BALANCE SHEET

Per 31. December

	2007	2006
	31.12.07	31.12.06
(in NOK 1.000)		Revised
ASSETS		
Deferred tax advantage	3 906	2 204
Othe intangible assets	4 720	1 793
Equipment and other tangible assets	560	434
TOTAL NON CURRENT ASSETS	9 186	4 431
CURRENT ASSETS		
Stock and other reserves	-	-
Accounts receivables	1 999	627
prepaid costs	2 841	-
Other receivables	776	996
Cash and cash equivalents	17 186	7 902
TOTAL CURRENT ASSETS	22 802	9 525
TOTAL ASSETS	31 988	13 956
EQUITY AND LIABILITIES		
EQUITY		
PAID IN EQUITY		
Share capital	1 878	1 699
Resolved, and paid in, not registered share issue/capital	1 175	8 929
Share premium reserve	16 661	7 911
Other paid in equity	1 431	155
Accumulated loss	(11 548)	(5 692)
TOTAL EQUITY	9 597	13 002
LONG TERM DEBT		
Long term debt	16 403	-
Total long term debt	16 403	-
CURRENT LIABILITIES		
Accounts payable	3 681	336
Public duties payable	1 237	225
Other current liabilities	1 070	393
Total short term liabilities	5 988	954
TOTAL LIABILITIES	22 391	954
TOTAL EQUITY AND LIABILITIES	31 988	13 956

CONSOLIDATED CASH FLOW STATEMENT

31. December 2007

	2007 <i>01.01-31.12</i>	2006 <i>01.01-31.12</i>
<i>(in NOK 1.000)</i>		
Net cash flow from operations	(5 867)	(4 815)
<i>Investments activities:</i>		
Purchase of tangible noncurrent assets	(299)	(663)
Purchase of intangible assets	(3 235)	(1 650)
Purchase of company	-	(156)
Net cash flow from investment activities	(3 534)	(2 469)
<i>Finance activities:</i>		
Payments from issue of shares	-	14 585
Payments from issue of bonds	15 829	-
Payment from issue of warrants	1 681	-
Payment from exercising share options	1 175	-
Net cash flow from financial activities	18 685	14 585
Net change in cash and cash equivalents	9 284	7 301
Cash and cash equivalents as per 1.1.07	7 902	601
Cash and cash equivalents as per 31.12.07	17 186	7 902

CHANGES IN EQUITY

<i>(in NOK 1.000)</i>	Share capital	Share Premium fund	Paid in – non registered equity	Other equity	Accumulated loss	Total equity
Equity 1.1.2006	154	3 955	-	-	2 152	1 958
Fund emission/issue	1 390	(1 390)	-	-	-	-
Issue	155	5 346	-	-	-	5 500
Paid in – non registered equity	-	-	8 929	-	-	8 929
Share Option premium	-	-	-	155	-	155
Periodic result	-	-	-	-	(3 203)	(3 203)
Equity 31.12.2006 as previously stated	1 699	7 911	8 929	155	(5 355)	13 340
Change in year end result in 2006 (note 2)	-	-	-	-	(337)	-
Revised equity 31.12.2006	1 699	7 911	8 929	155	(5 692)	13 002
Registration of paid in equity	179	8 750	(8 929)	-	-	-
Equity instruments issued as part of bond loan (after tax)	-	-	-	1 296	-	1 296
Transaction costs	-	-	-	(85)	-	(85)
Share based remuneration	-	-	-	65	-	65
Paid in equity as part of exercising share options	-	-	1 175	-	-	1 175
Periodic Result	-	-	-	-	(5 856)	(5 856)
Equity as per 31.12.2007	1 878	16 661	1 175	1 431	(11 548)	9 597

NOTES TO THE CONSOLIDATED ACCOUNTS

1. ACCOUNTING PRINCIPALS

The periodic accounts for the year and 4th quarter 2007 is based on International Financial Reporting Standards ("IFRS") which is used in the preparation for the annual accounts for 2006.

The accounts were resolved by the Board of Directors on the 28th. February 2008.

The accounting principles is in accordance with the preparation of the annual report and accounts as per December 31st. 2006 with exception of the revision as described in note 2.

2. REVISION OF 2006 ACCOUNTS

NattoPharma registered in the balance sheet costs related to the development of web sites in 2006. These web sites are primarily used in marketing of the company's products and to provide general information about the company. These development costs do not meet the criteria for balance registration in accordance with SIC-32 "Intangible Assets – Web Site Costs." The accounts for 2006 have been amended in order to reclassify these as an expense in the Profit and Loss accounts as development costs in 2006. The following accounts in the balance sheet have been revised:

(in NOK 1.000)	2006 before revision	Amendment	Revised 2006
Balance sheet:			
Equipment and other tangible assets	902	(468)	434
Deferred tax	2 073	130	2 204
Equity	13 340	(338)	13 302
Result:			
Depreciations	(271)	117	(154)
Other operating expenses	(5 233)	(585)	(5 818)
Tax income	1 236	130	1 366
Periodic result	(3 203)	(337)	3 540

3. SHARE BASED REMUNERATION

	2007	
	Number of options	Average exercise price
Outstanding January 1.	-	-
Assigned	200 000	5.00
Exercised during the year	-	-
Expired	(100 000)	5.00
	-	-
Outstanding at 31 December	100 000	5.00
Exercisable at 31 December	-	-

The company has assigned share options for one of the company's senior executives, which is to be acquired over a period of 30 months. In addition to a requirement of being an employee in the company during the acquiring period, there was an additional requirement related to a share issue and public listing of the company's shares within fixed dates.

4. INTANGIBLE ASSETS

The company has registered in the balance sheet intangible assets equal to NOK 3.2 millions in 2007, which is related to acquiring amongst others patents and intellectual property rights with respect to cardio vascular health in relation to the company's products.

5. BOND LOAN

A bond loan of NOK 18.5 millions including independent warrants were issued July 10. 2007, with maturity date 10. July 2009. Transaction costs of approximately NOK 1 million were paid to the agent in relation to the bond issue.

1 233 210 warrants were issued in relation with the bond issue.

6. TRANSACTIONS BETWEEN CLOSE RELATED PARTIES

Amount in NOK 1000

Company	Closely related	Transaction amount
Anacott Steel AS	Morten Sundstø	800

On January 5th 2007, a consultancy agreement was signed between NattoPharma ASA and Anacott Steel AS relating to the hiring of an IR responsible officer, Mr. Morten Sundstø. This agreement also includes advisory

services with respect to strategic questions and the financing of the company. Anacott Steel AS is shareholder in the company and a type of shareholder, which is regulated by the "asal. § 3-8". At the time of signing of the agreement, the company's board of directors however considered the agreement to be covered by the exception of the "asal. § 3-8 (1) no. 4", since the consultancy agreement is entered into on an arm's length distance as part of the company's normal activity and on standard terms equal to corresponding agreements

7. EVENTS AFTER THE BALANCE DATE

The company's shares were listed on Oslo Axess on January 30. 2008.

The company carried out a share issue on January 4 2008. The particulars of the share issue is as follows;

- New share capital subscribed by issuing 1,367,924 shares each with a face value of NOK 0.10.
- Subscription price per share was NOK 12.
- Total paid in new equity equal to NOK 16,415,088 before deduction of share emission costs.
- The total share payment was distributed by NOK 136,792.40 in new share capital and NOK 16,278,295.60 as share premium fund.
- The new share capital of the company is equal to NOK 2,044,522.40.

8. RESULT PER SHARE

Calculation of basis result per share and diluted result per share is based on the following:

(Amount and number of Shares in 1.000)	1.10-31.12 2007	1.1-31.12 2007	2006
Result used for basis- and diluted result per share	(5 106)	(5 856)	(3 540)
Weighted average of outstanding shares in the period	18 816	18 787	17 114