

NattoPharma®

INTERIM REPORT 2nd Quarter 2008

Highlights:

- **RESULTS:** Sales in the 2nd quarter were similar to first quarter and the company is disappointed with the weak sales development.
- **CONTINUED STRONG FOCUS ON R&D:** A number of studies are being carried out to test the absorption and effect of MenaQ7. A clinical study into the use of MenaQ7 combined with either omega-3 or krill will be concluded during the 3rd quarter. A long term study has been commenced involving 240 post menopausal women, to see how long term use of MenaQ7 affects bone tissue, while at the same time recording the potential depositing or inhibiting of calcium in arterial walls.
- **REGULATORY AFFAIRS:** Work has been going on to provide further documentation to the FDA (US Food & Drug Administration) for assessments for the GRAS 'No Comment Letter', a level of registration higher than the "Self Affirmed" GRAS approval. This work continues into the third quarter. The company's EU application is with the EFSA and was evaluated in July. The NDA panel wished to have a higher intake level than the working group had prepared for, which means that a new 'Opinion' must be prepared. This is positive for NattoPharma. The case is expected to come up at the next meeting at the end of September.
- **MARKET:** MenaQ7 was introduced and launched to the food industry as an ingredient at the big IFT fair in New Orleans in July. The product has initially been very well received in the market. The product was also named "Most innovative product of the year 2008" by Frost&Sullivan. A letter of intent was signed with Bayer Consumer Care in May for developing a partnership in the dietary supplements market. A similar letter of intent was signed with Danisco for the food industry in June. The company is negotiating with both parties.
- **PROSPECTS:** A delay in sales development is anticipated, which is due to the regulatory conditions not being clarified and because making introductory sales to the big companies are much more time consuming than expected. The company has chosen not to give any new guidelines due to the uncertainty over when the sales breakthrough will occur.

R&D & REGULATORY AFFAIRS

All ongoing studies have continued as planned during 2nd quarter 2008, including the so called krill/omega-3 study which is expected to be concluded during the 3rd quarter. The inclusion of persons into the 3 year MenaQ7 double blind, placebo controlled study has also continued. The aim is to include a total of 240 persons during the course of 2008. The aim of the study is to document the effects of MenaQ7 on both osteoporosis and calcification of the aorta after a total of 3 years use of a high dose of MenaQ7.

NattoPharma has focused particularly on the safety aspects of using MenaQ7 products. Vitamin K has traditionally been associated with the coagulation system – the blood's ability to clot. We know from

many years of research that several factors which are necessary for normal coagulation activity are dependent on Vitamin K – principally the so called vitamin K1. The vitamin must be present in order for important proteins in the liver to be activated and take part in the coagulation processes, for example when you cut yourself and bleeding starts. In order to document that MenaQ7 products do not disturb such normal processes, NattoPharma has carried out two types of studies. It has already been documented that MenaQ7 neither promotes nor hinders coagulation processes in healthy adults. In this quarter, a systematic review has been made of the aforementioned children's study, where no effects on the coagulation system were shown in these children. VitaK in the Netherlands reported in May that MenaQ7 also has no influence on the

desired effects of anti-coagulation treatment (using Warfarin as the active ingredient) when such treatment is instituted in healthy individuals. Anti-coagulation treatment is given prophylactically to patients where the doctor fears unwanted blood clots. Our study covered 20 persons who were on anti-coagulation treatment 4 weeks before they additionally started receiving increasing doses of MenaQ7 for 6 weeks. No clinical effects of MenaQ7 on the coagulation system were shown for the recommended doses up to 45 ug MenaQ7 per day.

Three external clinical centres continue their work in this area, with two centres at Rikshospitalet University Hospital in Oslo working on results evaluation and data collection, whilst a centre in Germany continues the patient work. All three are expected to conclude their studies within the current year.

EFSA's evaluation of MenaQ7 (as MK-7 from Natto food) as a permitted vitamin additive to health foods and food was expected to be concluded in July this year. As a result of a request from the EFSA, further documentation has been submitted to show that MenaQ7 is safe – as an ingredient in both health food products and foods generally. Signals from the EFSA now indicate that they can accept a higher safety margin than previously believed, which is very positive for NattoPharma. The scientific description of MenaQ7 as MK-7 from Natto is therefore being re-edited at the time of writing, so as to come onto the agenda of the first panel meeting after the summer holidays. Feedback from the EFSA is expected in September.

Work on the GRAS (Generally Recognized as Safe) documentation for MenaQ7 used in food in the USA continued during the 2nd quarter. Following feedback from the FDA (Federal Drug Administration), NattoPharma has decided to include more safety documentation. Work on this commenced in the 2nd quarter. The aim is to arrange a meeting with the FDA, so that all aspects of NattoPharma's documentation can be put forward as a basis for a "No Comment Letter".

THE MARKET

NattoPharma has continued to work on its strategy of developing in the areas of Dietary Supplements and Food especially. The company's ambition has been to enter into agreements with leading international players in the various market sectors, in order to ensure a widespread distribution and a high degree of recognition among other users. Progress has been made during the 2nd quarter, with the signing of letters of intent with the leading international companies Bayer ConsumerCare AG and DANISCO France SAS.

However, it takes time to secure agreements with large companies which can handle high volume. This is because the requirements of customers with the potential for high volumes are more demanding when it comes to documentation, product adaptation and negotiation. It is a big breakthrough for NattoPharma that NBTY, the biggest player in the dietetics industry in the USA, is carrying out a trial launch in August of its new Osteo-Bi-Flex product for women, with MenaQ7, after more than one year of development.

MenaQ7 for food enrichment was launched in the USA at IFT 2008 at the end of June. Dr. Leon Schurgers of the University of Maastricht made a presentation both at the press conference and in a separate lecture. The launch was well covered in the relevant media. MenaQ7 "appetisers" were served at the exhibition, as an ingredient in cheesecake, and new interest in MenaQ7 was registered from many sides. In recognition of the company's unique ability to develop natural vitamin K2, with its established and documented beneficial properties for skeletal and heart health, the company received the "2008 most innovating product of the year in the North American Vitamin Market" award from the respected analysis company Frost&Sullivan.

In Europe, we see positive developments in those countries where we have been working the longest. In the Benelux countries, good sales trends are being recorded through our distributor Frutarom. Both Cederroth (Norway and Sweden) and Pharmanutra (Italy) are following the development plan and will launch new products in September. In Germany, Spain, Switzerland and the UK, potential sales campaigns are still being somewhat hampered while we await EU approval. NattoPharma exhibited at Europe's biggest nutraceuticals fair, Vitafood 2008, in May. There was a high level of activity and continual meetings with existing and new customers. We recorded interest from almost 200 companies, many of them new contacts. Both NattoPharma and our distributors have initiated further discussions with them.

In order to aggressively meet the need in the market for products tailored to customers, we will launch a new concentrated powder product in September this year. According to plans, a corresponding oil-based product will be launched during 4th quarter 2008.

Together with its distributors and other partners, the company is investing substantial resources in marketing, brand building and training for MenaQ7 and vitamin K2. This work is vital in generating awareness of and demand for a new and relatively unknown ingredient.

NattoPharma has a constant focus on evaluating existing and new competitors. The company is still in a unique position, with serious, research-based documentation, a product of high quality and scalable production.

The company receives a great deal of attention in a market where new, well documented ingredients are few and far between. The recent innovation award from Frost&Sullivan is an example of this.

FINANCIALS

Amount in NOK 1 000	NattoPharma ASA				
	4.1-6.30.08	4.1-6.30.07	1.1-6.30.08	1.1-6.30.07	1.1-12.31.07
Revenue	4 270	4 976	9 435	12 376	22 127
Cost of goods	1 669	2 367	3 990	5 597	9 311
EBIT	-8 164	-1 656	-13 958	-2 426	-6 174
Net Finance	-626	24	-943	-309	-1 854
Result before tax	-8 789	-1 632	-14 900	-2 735	-8 028
Gross margin	60,9 %	52,4 %	57,7 %	54,8 %	57,9 %
Periodic Result	-6 328	-1 175	-10 728	-1 969	-5 856

The company, which was listed on Oslo Axess on January 30th 2008, has a share capital of NOK 2,044,522.40 following a share capital increase of NOK 136,792.40 with the issue of 1,367,924 shares with a face value of NOK 0.10 on 4 January 2008. The total new capital was divided into NOK 136,792.40 in new share capital and NOK 16,278,295.60 in share premium reserve.

The company is a group with a subsidiary, NattoPharma Limited UK, which had no activities or assets in 2007. The board has decided to wind up this company. This is expected to be finalised by the end of 3rd quarter 2008.

As per 2nd quarter 2008 the company had a turnover of NOK 9.4 million. Operating costs were NOK 23.4 million and financial costs NOK 0.9 million, giving a negative result before tax of NOK 14.9 million and a negative result for the period of NOK 10.7 million. Costs include non-recurring costs of NOK 2.2 million net in connection with the market listing. Costs relating to payment of salary of NOK 2.4 million after termination to Stein Westbye, who left the position of CEO effective 31.05.08, have also been fully entered as costs. The gross margin of 57.7% per 2nd quarter was satisfactory.

The corresponding figures as per 2nd quarter 2007 show a turnover of NOK 12.4 million, which, after operating costs of NOK 14.8 million and financial costs of NOK 0.4 million, gave a negative result before tax of NOK 2.7 million. Gross margin for the period was 54.8%.

Viewed in isolation, the 2nd quarter shows a turnover of NOK 4.3 million, which, after operating costs of NOK 12.4, gave a negative operating result of NOK 8.2 million. Results for the period after financial costs and before tax were minus NOK 8.8 million and the results after tax minus NOK 6.3 million. The corresponding figures for the 2nd

quarter 2007 show a turnover of NOK 5 million, a negative operating profit of NOK 1.7 million and a negative result before tax of NOK 1.6 million. The results after tax were minus NOK 1.2 million. Gross margin was 60.9 % for 2nd quarter 2008 and 52.4 % for 2nd quarter 2007, respectively.

The company's cash flow from operations was minus NOK 6.6 million in 2nd quarter 2008 and minus NOK 11.8 million in the first half 2008, which is weaker than anticipated.

The purchase of technology and patent rights from external suppliers, accounts for the intangible assets entered on the balance sheet in accordance with IFRS. This refers to the patent acquired in December 2006, approved by the EU in spring 2007, and the technology and IPR finally supplied per 3rd quarter and report prepared in December 2007. All other studies are considered as research or a search for further areas of application for the product and will be entered as costs as they arise. Since this intangible asset will represent a considerable part of the company's further financial development, it will be depreciated over a period of 5 years from 01.01.2008.

The company's balance sheet shows total equity of NOK 14.1 million, compared with NOK 11.4 million per 2nd quarter 2007. Equity ratio was 42.2 %, against 90 % per 2nd quarter 2007. The company took up a bond loan of NOK 18.5 million in July 2007 through Norsk Tillitsmann ASA, with a maturity term of 2 years with no instalments, and with a nominal annual interest of 10.4%, payable every six months. As part of the loan arrangement, the bond holders were offered warrants free of charge for the issuance of 1,233,210 shares each with a par value of NOK 0.10 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 30.06.08, the company's cash balance was NOK 17.4 million and the registered number of shareholders was approximately 325. With effect from 18 January 2008, the company decided to buy back bonds to the value of NOK 3 million. Equity and liabilities totalled NOK 33.4 million.

The greatest area of uncertainty and risk in the period up to year end concerns the signing of agreements with Bayer ConsumerCare AG and Danisco AS. The positive response from the EFSA which the company had expected to have in place during the first half, is now expected in September, but with a higher dosage limit than first anticipated. Such a decision would be a welcome one for the company, since it could help to extend the area of application.

Previously described outstanding claims against customers have now been resolved and a claim from a producer has been brought to a solution that is acceptable to the company.

Oslo 21 August 2008

Morten Sundstø Line Ravlo-Losvik
Chairman of the Board Deputy Chairman

Stein Vidar Westbye Theresa Comiskey Olsen
Director Director

Christian B. Teig Egil Greve
Director CEO/President

PROSPECTS

In the 1st quarter the company gave a guideline prediction of turnover of 80 to 90 million kroner for 2008. This was based on the premise of our entering into large international agreements, major individual product launches and a positive EU response from the EFSA. The company recognises that customers with large product series need somewhat more time than NattoPharma had allowed for trials, test production and test sales before launching. The postponement of the EFSA's evaluation will delay the launch in a number of European countries. In these circumstances, the rapid sales development that was expected towards 4th quarter 2008 will now also be postponed. The company has now decided not to issue any predictions for 2008, since we cannot at present determine when initial sales to the major customers will occur.

The company has signed letters of intent with Bayer ConsumerCare and Danisco. Eventual agreements with one or both of these would be positive for the company's sales development in these sectors.

NattoPharma is continuing to work towards increasing the number of studies, both on our own account and in close collaboration with potential customers and other research institutions.

With the new product launches happening during the 3rd quarter and the new agreements being negotiated in many areas, the company is comfortable with its financial position.

DECLARATION BY THE BOARD AND GENERAL MANAGER

We declare that to the best of our knowledge the half yearly report for the period 1 January to 30 June 2008 has been prepared in accordance with IAS 34 – Interim Financial Reporting and that the information given in the accounts represents a true picture of the company's assets, liabilities, financial position and results. We also declare that to the best of our knowledge the half yearly report gives a true summary of important events during the accounting period and their influence on half yearly results, the most important risk and uncertainty factors facing the company during the next accounting period and material transactions with closely related parties.

For further information, please contact:

Egil Greve, Phone +47 951 09 565
CEO and President

NattoPharma ASA
Lysaker Torg 5
P.O Box 397
N-1326 Lysaker

Phone: +47 2255 3630

Fax: +47 2255 3631

www.nattopharma.com

Shareholder information as per 30.06.2008

Shareholder list 20 major NattoPharma ASA	30.06.2008	
	No. Of shares	Owner- ship
1 Anacott Steel AS	2 966 700	14,51 %
2 Bohan & Co AS	2 362 700	11,56 %
3 Argentarii AS	2 304 700	11,27 %
4 B Mcallen SL	2 287 268	11,19 %
5 Eng AS	814 000	3,98 %
6 Macama Invest AS	775 533	3,79 %
7 Terra Norden VPF	697 000	3,41 %
8 Universal Exports AS	656 000	3,21 %
9 Haadem Invest AS	566 800	2,77 %
10 Terra Vekst VPF	521 500	2,55 %
11 Sellæg Aase	516 600	2,53 %
12 Solon AS	450 000	2,20 %
13 Pictet & Cie Banquie	400 000	1,96 %
14 Terra Alpha VPF	351 000	1,72 %
15 Thore Alexander Munch	300 500	1,47 %
16 Predator Capital Managment,	290 500	1,42 %
17 MP Pensjon	280 000	1,37 %
18 Aker Capital AS	250 000	1,22 %
19 Dastra AS	210 000	1,03 %
20 LKG Holding AS	200 000	0,98 %
Sum 20 major sharholders	17 200 801	84,13 %

INCOME STATEMENT BY NATURE OF EXPENSES

NattoPharma ASA and consolidated

	Notes	04.01- 06.30.08	01.01- 06.30.08	04.01- 06.30.07	01.01- 06.30.07	01.01- 12.31.07
REVENUE						
Revenue	2	4 270	9 435	4 976	12 278	22 127
Other income		0	0	0	98	258
TOTAL REVENUE		4 270	9 435	4 976	12 376	22 385
OPERATING EXPENSES						
Raw material and consumable goods		1 669	3 990	2 367	5 597	9 311
Employee benefit expenses	3	4 338	6 785	1 057	2 378	5 677
Depreciation and amortisation expenses	4	115	713	37	75	481
Other operating expenses		6 312	11 905	3 171	6 752	13 090
TOTAL OPERATING EXPENSES		12 434	23 393	6 632	14 802	28 559
OPERATING PROFIT/LOSS		-8 164	-13 958	-1 656	-2 426	-6 174
FINANCIAL INCOME AND EXPENSES						
Finance income		83	335	20	27	423
Other finance income		37	124	28	28	0
Finance costs		584	1 161	0	1	1 437
Other finance costs		161	240	24	363	840
NET FINANCE		-625	-942	24	-309	-1 854
LOSS BEFORE INCOME TAX		-8 789	-14 900	-1 632	-2 735	-8 028
Income tax expense		-2 461	-4 172	-457	-766	-2 172
NET PROFIT/LOSS		-6 328	-10 728	-1 175	-1 969	-5 856
Result and diluted result per share assigned to the company's shareholders:						
Result and diluted result per share	7	-0,31	-0,52	-0,06	-0,10	-0,31

Consolidated Balance sheet

NattoPharma ASA og konsern

	Noter	06.30.2008	06.30.2007	12.31.2007
ASSETS				
NON CURRENT ASSETS				
INTANGIBLE ASSETS				
Deferred tax		8 078	2 839	3 906
Other intangible assets	4	4 253	2 106	4 720
Total intangible assets		12 331	4 945	8 626
TANGIBLE ASSETS				
Equipment		346	523	560
Total tangible assets		346	523	560
FINANCIAL ASSETS				
Investment in subsidiaries		0	156	0
Total financial assets		0	156	0
TOTAL NON CURRENT ASSETS		12 677	5 624	9 186
CURRENT ASSETS				
Warehouse		0	19	0
Accounts receivables		2 310	4 552	1 999
Prepaid costs		545	230	2 841
Other short term receivables		511	0	776
Cash and cash equivalents		17 384	2 209	17 186
TOTAL CURRENT ASSETS		20 750	7 010	22 802
TOTAL ASSETS		33 427	12 634	31 988

Consolidated Balance sheet

NattoPharma ASA og konsern

	Noter	06.30.2008	06.30.2007	12.31.2007
EQUITY AND LIABILITIES				
EQUITY				
OWNERS EQUITY				
Share capital		2 045	1 878	1 878
Resolved, ot registered share increase		0	0	1 175
Share premium reserve		32 680	17 500	16 661
Other paid in equity		1 826	155	1 431
Total owners equity		36 551	19 533	21 145
EARNED EQUITY				
Accumulated loss		-22 501	-8 162	-11 548
TOTAL EQUITY		14 050	11 371	9 597
LIABILITIES				
Long term debt	5	13 397	0	16 403
Total long term debt		13 397	0	16 403
CURRENT LIABILITIES				
Accounts payable		1 021	1 100	3 681
Public duties payable		993	163	1 237
Other short term debt		3 966	0	1 070
Total current liabilities		5 980	1 263	5 988
TOTAL DEBT		19 377	1 263	22 391
TOTAL EQUITY AND LIABILITIES		33 427	12 634	31 988

CONSOLIDATED CASH FLOW STATEMENT

	2008 04.01.-06.30	2008 01.01.-06.30	2007 04.01.-06.30	2007 01.01.-06.30
Net Cash flow from Operations	(6 647)	(11 768)	(4 121)	(5 244)
Purchase of tangibles	(32)	(32)	-	(156)
Purchase of intangibles	-	-	(559)	(1 131)
Purchase of company	-	-	-	-
Net cash flow from operations	(32)	(32)	(559)	(1 287)
Payment from issue of shares		15 011	838	838
Payment from issue of bonds			-	-
Purchase of own bonds		(3 013)		
Payments from issue of warrants			-	-
Payment from exercising share options			-	-
Net cash flow from financial activities	-	11 998	838	838
Net change in cash and cash equivalents	(6 679)	198	(3 842)	(5 693)
Cash and Cash equivalents as per 1.1	24 063	17 186	6 051	7 902
Cash and Cash equivalents as per 06.30	17 384	17 384	2 209	2 209

Changes in Equity	Share capital	Share premium	Paid in non-reg. capital	Other Equity	Accumulated loss	Total Equity
Equity as per 12.31.2007	1 878	16 661	1 175	1 431	-11 548	9 597
Registration of paid-in equity	30	1 145	-1 175			0
Equity instruments						0
Proceeds from IPO	137	14 874				15 011
Periodic Result					-4 625	-4 625
Equity as per 03.31.2008	2 045	32 680	0	1 431	-16 173	19 983
Changes in other equity				395		395
Periodic Result					-6 328	-6 328
Equity as per 06.30.08	2 045	32 680	0	1 826	-22 501	14 050

NOTES TO THE CONSOLIDATED ACCOUNTS

1. ACCOUNTING POLICIES

The accounts for the 1st half 2008 are based on the International Financial Reporting Standards (“IFRS”), which were applied in the preparation of the annual accounts for 2006 and 2007.

The accounts were approved by the Board of Directors on 21 August 2008.

The accounting policies are in accordance with those that were followed for the accounts in 2007.

2. SEGMENT REPORTING

NattoPharma has only one segment based on its business and location of its assets. The company's activities are based on the purchase and sale of vitamin K2, as well as research and development in the same area as the primary segment. The geographic segment is a secondary segment. All the company's fixed assets are located in Norway and there will therefore be no segment assets or investments in other countries.

Geografic distribution of sales

Amount in NOK 1.000	NattoPharma ASA		
	01.01-06.30.08	01.01-06.30.07	01.01-12.31.07
USA	4 663	6 337	15 523
Europa	4 612	6 039	6 604
Other areas	159		
Total sales	9 435	12 376	22 127

3. PAYROLL COSTS

As part of the severance agreement at the time of the departure of the former CEO Stein Westbye on 31 May 2008, 18 months salary, equivalent to NOK 2.4 million, was awarded. In accordance with IFRS, this entire cost must be entered as an expense during the quarter in which the severance agreement came into effect, i.e. 2nd quarter 2008.

4. INTANGIBLE ASSETS

The company registered in the balance sheet for 2007 intangible assets of NOK 3.2 million. This relates to acquisitions of, among other things, patents and intellectual property rights for the company's products with respect to cardiovascular health. A lifespan equal to 5 years has been assumed and is used as the basis for linear depreciation.

5. BOND LOAN

The company took out a bond loan of NOK 18.5 million including independent warrants on 10 July 2007. The loan falls due for repayment in its entirety in July 2009. The company had transaction costs of approximately NOK 1 million relating to the issue of the bond loan. In January this year, the company repurchased NOK 3 million of its own bonds.

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

6. EVENTS AFTER THE DATE OF BALANCE

Earlier fee provisions of NOK 376,000 ex VAT, relating to market listing of the company, which had been under dispute, have been settled at NOK 325,000 ex VAT.

7. EARNINGS PER SHARE

The calculations of the result basis per share and diluted result per share are based on the following

<i>Estimation of result and diluted result per share assigned to the company's shareholders:</i>					
(Amount and number of shares in 1.000)	2008	2008	2007	2007	2007
	04.01.-30.06	01.01.-06.30	04.01.-06.30	01.01.-06.30	01.01.-12.31
Result used as basis- and diluted result per share	-6 328	-10 728	-1 175	-1 969	-5 856
Weighted average of shares outstanding during the period	20 445	20 445	18 777	18 777	18 777
Result and diluted result per share	-0,31	-0,52	-0,06	-0,10	-0,31

8. CLOSELY RELATED PARTIES

<u>Company</u>	<u>Closely related party</u>	<u>Transaction amount</u>
Anacott Steel ASA	Morten Sundstø	NOK 300,000

On 05.01.07 a consultancy agreement was entered into between NattoPharma ASA and Anacott Steel AS regarding the hire of a consultant as acting IR executive, as well as consultancy services in respect of strategic issues and financing the company. Anacott Steel AS is a shareholder in the company. This agreement may basically be regarded as an agreement between the company and a shareholder regulated by section 3-8 of the Companies Act. At the time of entering into the agreement, the company's board considered that the consultancy agreement was covered by the exemption in the Act's section § 3-8 (1) No. 4, since the consultancy agreement was entered into at arm's length as part of the company's normal activities and on terms which are normal for such agreements.

9. BOARD AND GENERAL MANAGER

At the company's annual general meeting, held on 9 May 2008, Morten Sundstø Hogne Vik succeeded as chairman of the board. Stein Vidar Westbye and Christian B. Teig were elected as new members of the board, after Bjørn Pedersen had requested to be relieved of his duties. On 1 June 2008 Egil Greve took over as new general manager after Stein Vidar Westbye, who wished to be relieved of his duties. Stein Vidar Westbye has a severance agreement amounting to 18 months salary; see note 3.