

NattoPharma[®]

Interim report – 1st. quarter 2009

Highlights

- **EU approval:** Approval from EU's Standing Committee on the Food Chain and Animal Health received on the 20. February 2009. Unanimous approval of vitamin K2 as Novel Food, major importance for NattoPharma and for future business.
- **Sales development:** Strong increase in sales in the first quarter, MNOK 8 compared to MNOK 5 in same period in 2008. The significant increased market interest based on the regulatory approval in EU, solid R&D and large market activity has led to the company now being in the initial phase of negotiations with several major regional and global companies, and further sales growth is expected.
- **Signing with Danisco:** NattoPharma signed in February a strategic cooperation agreement with Danisco for exclusive global sales rights within the food market. The cooperation has so far lived up to its expectations, and NattoPharma expect that 2010 will be the great breakthrough year for the company in this segment.
- **The company is fully capitalised:** The Company has negotiated a refinancing of the bond loan of MNOK 18.5, for a further 2 years. Moreover, it has completed a placement of 2 million shares at a price of NOK 3.50 per share. In total, the refinancing has given the company approx. gross MNOK10 in new capital.
- **Appointment of strategic adviser:** NattoPharma informed May 4th that the company lately has been in contact with several industrial companies who wish to enter into dialogue about a possible acquisition or merger. In order to ensure shareholder value in the best possible way, the company will prioritize the work to find the most optimal solution, both with regards to the value and the type of transaction for the company and its shareholders, and will therefore soon appoint a strategic advisor for this process.

Approval from EU

The company reached an important milestone in November 2008 with a positive statement from the EU Food Safety Authority. On February 20th this year the EU Commission's "Standing Committee for the Food Chain and Animal Health" recommended MenaQ7 as so-called new food (Novel Food). This authorization is required for MenaQ7 to be incorporated in the so-called positive lists for enhanced or functional food, and other particularly enriching nutritional products. Changes in such positive lists occur in the form of the issuance of a new edition of the laws that govern the food industry. The actual wording of the law text is to be translated into the EU languages and published later in 2009. The next step in the EU system is similar recommendation for incorporating MenaQ7 on the positive list of health food products. This process is expected to take place before the summer.

The process of getting over EFSA's hurdle has taken more than three years. It is the first time the EU gives an approval of a vitamin under the new legislation for enrichment of food, and it is the first time that an ingredient is approved at the same time as a "novel food" as an additive to dietetic food or traditional dietary supplements. With the approval from the EU Commission, NattoPharma will have the necessary permissions for adding MenaQ7 to health food, enriched food and the special category nutritional products.

Research and development

The subsidiary MGP Diagnostics AS has been sold, but NattoPharma has retained rights to the technology part of the business that fit into NattoPharma's strategy through a license agreement. The result of this is that NattoPharma has reduced its commitments to investment in R & D, with approx. MNOK 20 over the next 5 years. At the same time, NattoPharma negotiated a new R & D agreement with VitaK (Maastricht University), for the development of a rapid test for the measurement of matrix gla protein (MGP) in the body.

MGP is a vitamin K2 dependent protein which can be connected to calcification of arteries in the cardio vascular system. If the body experiences too low level of MK7 or MenaQ7, then MGP will not be optimally activated and calcium can be deposited in the vascular walls. Too much calcium in the heart and arteries represents a major risk factor in the development of cardio vascular diseases. Today's method for measuring level of calcium in the heart and vascular system is very cost demanding and very little adequate as a method of diagnosis by for instance the general practitioner. A rapid test for measuring the activation level of MGP in the blood vessel could serve as a first indicator of the level of calcium in the vascular system. This is crucial because early as well as relatively advanced stages of calcification not necessarily give symptoms of arterial calcification. NattoPharma intends to start this exciting development in the course of 2009. If we succeed, it could open up significant new market for NattoPharma. Research and clinical-based knowledge of MGP suggests that such a MGP test could be as common as measuring the level of

cholesterol. For the company it is a great synergy between this test and vitamin K2.

Market and business development

The sales development in both Europe and USA has been positive.

Sales distribution is 2 / 3 in the U.S. and 1 / 3 in Europe. The positive regulatory situation that the company has worked many years to achieve in Europe means that more companies of significant size are now in negotiations for delivery. It is known that it takes a minimum of one year from the big companies start to develop a new product until it is on the market. However NattoPharma expects that it will see significant revenue increase based on negotiated contracts completed and ongoing in the second half of 2009.

Danisco, which in the first quarter, signed an exclusive license with NattoPharma for the segment "fortified food", launched in May MenaQ7 at Europe's largest relevant exhibition, Vitafoods. Danisco's commitment to MenaQ7 is significant, and recently the company restructured its organization to customize it further with regard to business development within the "health ingredients" sector where MenaQ7 is one of the key products. Significant revenue from Danisco is expected in the years to come.

There are many publications that support the positive effects of vitamin K2, and thereby also support the sales efforts. In the first quarter, there were two publications which concluded with a significant positive effect of vitamin K2 on calcification of blood vessels.

NattoPharma launched an upgraded product website in the first quarter; www.menaQ7.com. NattoPharma continues to focus on informing doctors and consumers about the benefits of vitamin K2.

The company experiences an increased competition, and works actively to maintain the position as the superior market leader.

Financial information

The share capital equals NOK 2 044 522 as of March 31st 2009. After a private placement approved in an Extraordinary General Meeting May 20th 2009 it will increase to NOK 2,244,526.80 by issuance of 2,000,044 new shares at a subscription price of NOK 3.5 per share. The capital increase will equal NOK 7,000,154 gross before deduction of share issue costs and warranty costs in connection with the share issue being guaranteed fully subscribed.

As per 1st quarter of 2009 the company can show a turnover of MNOK 8. Operating costs comprise a total of MNOK 13.3 of which the cooperating costs amount to MNOK 5.2, MNOK 2.1 in labor costs, MNOK 3.8 in R & D, MNOK 0.3 in marketing, MNOK 0.2 in depreciation and MNOK 1.7 in other operating expenses, which gives a negative operating profit of MNOK 5.3. Provisions and

periodic expenses in the 1st quarter constitute approx. MNOK. 2. Finance costs comprise MNOK 0.7. Profit before tax is negative with MNOK 6. Cost savings are implemented where the goal is to reach a break even by a turnover equal to MNOK 10/quarter. These savings are expected to have effect from 2nd quarter of 2009.

Gross margin for the period was 35.8%, which is an unusual low. This is due to costs associated with the own stock building and that in the period there has been implemented various marketing campaigns. The company envisions that a normal gross margin will be in the order of 45% until the large volume contracts will emerge, where it expected a slightly lower margin.

Similar, the 1st quarter 2008 figures show a turnover of MNOK 5.2. After operating expenses of MNOK 9.1 and finance costs of MNOK 0.8 a negative pre-tax profit of MNOK 4.7 emerged. Profit after tax was negative with MNOK 3.4. Gross margin for the period was 55.1%.

The company's cash flow from operations was negative with MNOK 8.8 for 1st quarter of 2009 against MNOK 3.4 negative for 1st quarter 2008.

Purchase of technology and patent rights from external suppliers is the foundation for capitalization of intangible assets in accordance with IFRS. A patent purchased in December 2006, approved by the EU in spring 2007, technology and IPR finally delivered by 3rd quarter and report completed in December 2007 is the basis for capitalization. All other studies are to be regarded as research or search for new applications for the product, and will be expensed. Based on this intangible value being a significant part of the continued economic development for the company, it is depreciated over a period of 5 years starting January 1st 2008.

The company's balance sheet shows a negative equity of MNOK 11.6. The company took out a large bond loan of MNOK 18.5 in July 2007 through Norsk Tillitsmann ASA with duration of 2 years, free of installments, and with an annual nominal interest rate of 10.4% due half yearly. The loan is classified as current liabilities. As part of the bond loan, the bond owners were awarded with free warrants for the issuance of 1 233 210 shares with a nominal value per share equal to NOK 0.10 and a subscription price of NOK 15 per share. The deadline to claim the shares issued is 2 years from the time of the issuance of the bond loan. The bond loan, which amounts to net MNOK 15.5 after buying back of bonds equivalent to MNOK 3 in January 2008, is refinanced for a period of 2 years, on the same terms and conditions. The Board is authorized by an Extraordinary General Meeting May 20th 2009 to renew the loan for up to MNOK 18, and to issue new warrants, which give rights to subscribe up to 3,999,996 shares each with a nominal value of NOK 0.10 at a subscription price equal to NOK 4.50 per share. The new loan will be taken out at the same time as the old bond is repaid.

Cash and cash equivalents as per March 31st 2009 is MNOK 1.5 of which MNOK 0.9 are restricted funds. As per March 31st 2009 the company had approx. 290 shareholders. Total liabilities and shareholders' equity amounts to MNOK 10.6.

The greatest uncertainty in 2009 has so far been linked to the refinancing of the bond loan and at what pace Danisco will execute orders for vitamin K2. The bond loan is refinanced, and a share issue of MNOK 7 has been carried out. This gives the company a gross MNOK10 in new liquidity. The company is therefore now fully capitalized with regards to future plans and expectations.

The company is involved in strategic discussions with several interested parties about a potential acquisition, which will hopefully be clarified in the course of 2009.

Outlook

The company's management is focused on business development parallel to cutting costs in order to achieve a cost-effective operation as soon as possible.

NattoPharma informed May 4th that it recently has been in contact with several industrial companies who wish to enter into dialogue about the possible acquisition or merger with the company. In order to ensure shareholder value in the best possible way, the company will prioritize the work to find the most optimal solution, both with regards to the value and type of transaction for the company and its shareholders, and therefore will soon appoint a strategic advisor to assist the company in this process.

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Income statement by nature of expense as per March 31st 2009

NattoPharma Group				
	Notes	1.1-3.31.09	1.1-3.31.08	1.1-12.31.08
Revenue				
Revenue	4	7 961	5 165	18 935
Other income		61	-	51
Total revenue		8 022	5 165	18 986
Operating expenses				
Raw material and consumables used		(5 151)	(2 321)	(8 302)
Employee benefits expense		(2 067)	(2 463)	(11 263)
Depreciation and amortisation expense		(239)	(442)	(1 130)
Other operating expense		(5 844)	(3 869)	(20 898)
Total operating expense		(13 301)	(9 095)	(41 593)
Operating profit/loss		(5 279)	(3 930)	(22 607)
Financial income and expense				
Finance income		36	252	860
Other finance income		253	87	755
Interest expense		(732)	(706)	(2 804)
Other interest expense		(293)	(407)	(836)
Net finance		(736)	(774)	(2 025)
Loss before income tax		(6 015)	(4 704)	(24 632)
Income tax expense	2		1 317	(3 905)
Net profit/(loss)		(6 015)	(3 387)	(28 537)
Result and diluted result per share assigned to the company's shareholders:				
Result and diluted result per share		(0,29)	(0,17)	(1,40)

Balance sheet

Assets

NattoPharma Group			
	Notes	3.31.2009	12.31.2008
Non current assets			
Intangible assets			
Other intangible assets		3 720	3 920
Patents			
Deferred tax asset		-	-
Total intangible assets		3 720	3 920
Tangible assets			
Equipment		264	286
Total tangible assets		264	286
Total non current assets		3 984	4 206
Current assets			
Warehouse	5	334	86
Accounts receivables		3 283	899
Prepaid costs		1 074	28
Other receivables		402	286
Cash and cash equivalents		1 489	10 272
Total current assets		6 582	11 571
Total assets		10 566	15 777

Balance sheet

Equity and liabilities

NattoPharma Group			
	Notes	3.31.2009	12.31.2008
Equity			
Owners equity			
Share Capital		2 045	2 045
Resolved, not registered share increase		-	
Share premium reserve		30 932	30 932
Other paid in equity		1 503	1 496
Total owners equity		34 480	34 473
Earned equity			
Accumulated loss		(46 101)	(40 086)
Total Equity		(11 621)	(5 613)
Liabilities			
Bond loan		15 131	14 802
Accounts payable		2 376	1 032
Public duties payable		461	1 278
Other current liabilities		4 219	4 278
Total liabilities		22 187	21 390
Total debt		22 187	21 390
Total equity and liabilities		10 566	15 777

TOTAL RESULT		
	NattoPharma Group	
<i>(Numbers in NOK 1 000)</i>	1.1-3.31.09	1.1-3.31.08
Result for the period	-16	0
Other income and expenses recorded against equity	-	-
Total result for the period	-16	0
Result and diluted result assigned to the company's shareholders:	-16	0

Cash Flow Statement

	1.1-3.31.09	1.1-3.31.08	1.1-12.31.08
Cash flow from operating activities			
Loss before income tax	(6 015)	(4 704)	(24 632)
Depreciation	239	442	1 130
Amortisation of interest	329	288	1 177
Loss on repurchase of bonds	-	328	328
Share compensation expense	7	16	65
<i>Changes in assets and liabilities:</i>	-		
Trade receivables	(2 385)	(775)	1 100
Prepaid expenses	(1 046)	1 803	2 815
Trade payables	1 344	(375)	(2 648)
Other receivables and payables	(1 239)	(403)	3 651
Net cash flow from operating activities	(8 766)	(3 380)	(17 014)
Cash flow from investment activities			
Purchases of Intangible assets	(16)	-	(56)
Net cash flow from investment activities	(16)	-	(56)
Cash flow from financial activities			
Issuance of share capital	-	13 262	13 262
Repurchase of obligations	-	(3 006)	(3 106)
Net cash flow from financial activities	-	10 256	10 156
Net change in cash and cash equivalents	(8 782)	6 876	(6 914)
Cash and cash equivalents 1.1.09	10 272	17 186	17 186
Cash and cash equivalents 3.31.09	1 489	24 063	10 272
Paid interest	806	962	1 775

Changes in Equity

(Numbers in NOK 1 000)	Share capital	Share premium	Paid in - not registered equity		Accumulated deficit	Total equity
			Other equity			
Equity 1.1.2008	1 878	16 661	1 175	1 430	(11 548)	9 596
Result for the period					(3 387)	(3 387)
Registry of paid in equity	30	1 145	(1 175)	-	-	-
Share issue	137	16 278	-	-	-	16 415
Transaction cost	-	(2 269)	-	-	-	(2 269)
Share based remuneration	-	-	-	17	-	17
Equity 3.31.08	2 045	31 815	-	1 447	(14 935)	20 372
Equity 1.1.09	2 045	30 932	-	1 496	(40 086)	(5 613)
Result for the period					(6 015)	
Share based remuneration				7		7
Equity 3.31.09	2 045	30 932	-	1 503	(46 101)	(11 621)

Notes to consolidated accounts as per March 31st 2009

1. ACCOUNTING PRINCIPALS

Interim reports are prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". The report does not contain all information necessary to a full annual report, and must be read in conjunction with the consolidated financial statements for the Group NattoPharma ASA for the fiscal year up to and including 31. December 2008.

The interim report was approved by the company's board on May 27th 2009.

2. DEFERRED TAX

A deferred tax asset accumulated throughout the year 2008 equaled MNOK 9 as per September 30th 2008. The amount was finally written down in the 4th quarter 2009. The company has continued to employ in 2009 the same principle which was followed by 4th quarter 2008 accounts.

3. SHAREHOLDER INFORMATION

Overview of the 20 major shareholders as per March 31st 2009

Shareholder list 20 major NattoPharma ASA	March 31. 2009	
	No. Of shares	Owner- ship
Shareholder		
1 Svenska Handelsbanken Stockholm	2 485 500	12,16 %
2 B Mcallen SL	2 287 268	11,19 %
3 Anacott Steel AS	2 264 700	11,08 %
4 Sellæg, Bjørn Arne Fr.	1 986 700	9,72 %
5 Bohan & Co AS	1 612 700	7,89 %
6 Eng AS	814 000	3,98 %
7 Gjersvik, Karsten	780 000	3,82 %
8 Macama Invest AS	775 533	3,79 %
9 Nordea Bank Denmark	642 666	3,14 %
10 Haadem Invest AS	566 800	2,77 %
11 Universal Exports AS	514 000	2,51 %
12 LKG Holding AS	420 000	2,05 %
13 Sellæg Aase	416 600	2,04 %
14 Pictet & Cie Banquiers, Sveits	400 000	1,96 %
15 Mascot Holding AS v/ Alex Munch Thore	400 000	1,96 %
16 Easy2Connect AS	340 000	1,66 %
17 MP Pensjon	280 000	1,37 %
18 Jakobsen, Amt	195 000	0,95 %
19 Natland Invest AS	190 000	0,93 %
20 Arctic Securities AS	150 000	0,73 %
21 Herax Holding AS	150 000	0,73 %
Øvrige aksjonærer	2 773 757	
Sum 20 major shareholders	20 445 224	86,43 %

4. SEGMENT REPORTING

<i>Geographic distribution of sales figures</i>	<i>NattoPharma Group</i>	
	1.1-3.31.2009	1.1-3.31.2008
(Numbers in NOK 1 000)		
USA	4915	3257
Europe	2252	1474
Other areas	855	434
Total	8022	5165

5. PURCHASE OBLIGATION 2009 SUMITOMO CORPORATION.

According to the agreement with Sumitomo Corp. NattoPharma was committed to the purchase of a minimum volume for 2008. This was not achieved, and as compensation for this, the parties have entered into an agreement for the additional purchase of vitamin K2 for delivery in 2009. Commitment aggregates to NOK 2,743,524.38 based on an exchange rate YEN / NOK 7.7589 per. December 31st 2008. The goods will be delivered to a warehouse in Sweden, for resale.

6. CLOSELY RELATED PARTIES

<u>Company</u>	<u>Closely related party</u>	<u>Transaction amount</u>
1. Anacott Steel ASA	Morten Sundstø	NOK 540 000
1. Consultant Agreement between NattoPharma ASA and Anacott Steel AS (shareholder in the company) dated 1.5.2007 regarding the hire of Morten Sundstø as IR manager and advisor in connection with strategic company and funding issues, is renewed with effect per March 1 st 2009 for an initial period of three months, after that 1 month mutual termination applies .		

7. EVENTS AFTER THE BALANCE SHEET DATE

In May 2009 it is carried out a share capital increase of NOK 200,004.40 by the issuance of 2 000 044 shares each with a share par value of NOK 0.10. After the share issue the company has a share capital of NOK 2 244 526.80. At the same time, it signed an agreement for the refinancing of the bond loan of NOK 18.5 million. The Board has been authorized to take up new loans of up to MNOK 18 and to issue new warrants for a total of 3 999 996 shares with a nominal value of NOK 0.10 at a subscription price of NOK 4.50 per share. The new loan will be issued simultaneously as the old loan is repaid, approx. July 10th 2009. The new loans duration is 2 years, with an interest rate of 10.4% pa.