



NattoPharma[®]

Interim report – 2nd quarter 2009

Highlights

- **Appointment of new CEO:** Mr. Morten Sundstø is constituted as new CEO with effect from August 18th 2009.
- **EU approval:** Approval from EU's" Standing Committee on the Food Chain and Animal Health" for health supplements and enriched food in July 2009. The law text is expected to give the company protection against competition since the approval is related to the production technology.
- **Sales development:** Increase in revenue with NOK 11.9 million in first half of 2009 compared to NOK 9.4 million in first half of 2008. The significant increased market interest based on regulatory approvals in Europe, positive research results and high market activity provides the company with a solid basis for the ongoing negotiations with several major regional and global companies. These agreements will create a strong basis for significant sales growth ahead. The order reserve as per June 30th totals NOK 1.6 million, goods that have been invoiced but not delivered. As per today, the 3rd Quarter show a revenue of NOK 5.5 million.
- **Development of the food market:** NattoPharma signed in February a strategic co-operation agreement with med Danisco regarding exclusive global sales rights for the food market. Danisco will launch MenaQ7 in September. The co-operation between the companies is very good and there are reasons for having great expectations with respect to MenaQ7 as an ingredient in several types of food in the years ahead.
- **Refinancing:** The Company has refinanced the bond loan for an additional 2 year period. Furthermore, a capital increase has been carried out through an issue of 2 million new shares at a subscription price of NOK 3.5 per share. In total, this refinancing has contributed with approximately NOK 10 million in new capital.
- **Appointment of strategic advisor:** NattoPharma has appointed HDR Partners in Stockholm as strategic advisor in the process of finding an industrial actor who wishes to enter into a dialog with the aim to purchase the company or to merge with the company, in order to secure the shareholder's value in a best possible way, both with respect to value and choice of transaction for the company and its shareholders.

Vitamin K2 from NattoPharma on vitamin lists in EU

During this quarter the final law text of the so-called "Novel Food Decision" of 22 April for NattoPharma's MenaQ7 product was published. This is a decision that is specific to NattoPharma's product, giving permission to sell MenaQ7 in the EU. It is also an authorization that is required to get permission to enrich traditional foods and foods for specific nutritional purposes.

In the July meeting of the EU's "Standing Committee for the Food Chain and Animal Health" menaquinone-7/K2 was finally added to the vitamin lists in the laws for enriched food and food supplements. The draft of the vitamin lists is already publicly available, while the official publications are expected in the near future.

From a competitive view, the "Novel Food Decision" means a lot to NattoPharma. In the EU, the process is so that when vitamin K2 is added to the list of approved vitamins in food and food supplements, this authorization is linked to NattoPharma's "new food" product, and not generally to vitamin K2 products. This means that all manufacturers, suppliers and marketers must comply with this. Either they must use MenaQ7 in their products, or they must refrain from using vitamin K2 products before potential competitors themselves have achieved approvals (EU Regulation 258/97). According to EU regulations, all market participants are committed to follow these regulations. If violations of these competitive conditions occur, they will be reported to the respective countries' food safety authority. National Food safety authorities are then able to instruct the operators to immediately withdraw the product from the market.

If national laws dictate other actions towards the operator, they may also be implemented to prevent this type of illegal competition. National food safety authority may also through the so-called "Rapid Alert System for Food and Feed" warn the EU Commission, which in turn informs other member countries of the illegal competition. Given this situation, NattoPharma has a strong competitive position. At the same time, we see that it is absolutely necessary to monitor the market and take action against operators of illegal products.

Working with approvals in other non-EU countries like Switzerland, Russia and Australia is progressing as planned. Switzerland will be the first country to get approval, based on approvals in the EU.

In the United States, an FDA GRAS (no comment letter) is to a large extent agreed with FDA, but not yet settled. In a meeting with representatives of the FDA in May, it became clear that the FDA imposes very stringent and specific requirements for toxicological data, despite the fact that Menaquinone-7/K2 appears in very high concentrations in NATTO food that has for a long time been sold in USA. In collaboration with Danisco, NattoPharma continues to work with this process.

Health claims in EU for NattoPharma's vitamin K2

The new regulations from July 2007 have this summer been under an intense debate in the EU. Producers and consumers, small and big companies and consultants have been discussing and criticising the requirements for documentation and the criteria for EFSA's approval of suggested health claims. EFSA has had two main tasks within this field this year. Firstly, to evaluate more than 40 000 submitted proposals for generic (Article 13.1) health claims in order to present a final approved list of claims to the EU Commission by the end of 2009. Secondly, they provide scientific evaluations of more specific health claims (Article 13.5) for children and approaching medical claims (Article 14).

NattoPharma submitted their proposals for health claims for MenaQ7 for bone and cardiovascular health (Article 13.1) in 2007. These claims are now in a final phase of EFSA's evaluation, but the publishing dates are not yet known. On the basis of the regulatory work that has already been carried out and included the application of 2007, we have good hope that our health claims will be approved.

NattoPharma also has ambitions to achieve approved specific health claims in accordance with article 13.5. However, EFSA's increased documentation requirements show that we now face a regulatory situation closer to pharmaceutical requirements. Even large companies now withdraw their applications, revise them or go in hard discussions with EFSA. NattoPharma is therefore also in a process that involves all the R & D activities to meet the increased demand for documentation requirements.

R&D

The 3 year clinical study including approximately 240 post menopausal women in the Netherlands is progressing according to plans. During second and third quarter a one year interim analyses is conducted due to increased demand from EFSA (see above). Furthermore, we are in the final phase of writing the report for a major human study where we have compared intake and effect of three different product types of MenaQ7. The results of this study are expected to be ready in the 3rd quarter. In addition, an animal study where we look at MenaQ7's ability to modular arterial calcification will be finalised during 3rd quarter 2009.

Marketing and Business development

Sales development in both Europe and the United States were somewhat weaker than expected, at a level equivalent to 2nd quarter 2008. However, overall sales in 3rd quarter are promising so far with a turnover of MNOK 5.5. The sale in 2nd quarter comprised of approx. 40% in the U.S. and around 60% in Europe.

MenaQ7 is still considered a "new" vitamin and it requires patience before we see a stable high sales. However, the positive regulatory situation in Europe and an aggressive marketing and sales strategy has created considerable interest also from major players. The

company, also through its distributors, has negotiated and is in negotiations regarding supply agreements with several large companies who are committed to MenaQ7 as one of their flagships in the coming years. It is known that it takes a minimum of one year from the bigger players start to develop a new product until it is on the market. However, NattoPharma expect that we will see a significant increase in revenues in the third and fourth quarter of 2009, based on signed contracts and ongoing negotiations.

Danisco, who in the first quarter signed an exclusive supply -and license agreement with NattoPharma for the segment "fortified food", pre-launched MenaQ7 at Europe's largest trade show, VitaFoods, in May. The official launch will take place in late September, and Danisco, in close cooperation with NattoPharma, is on track to get everything ready with respect to technical documentation, training tools and marketing material. Danisco is very excited to have such a solid and well documented product becoming part of their portfolio. Significant revenue is expected from Danisco in the coming years.

With the recent regulatory approval in the EU we have a competitive advantage which NattoPharma will exploit to the maximum. In the U.S. there are no regulatory obstacles to any company within the segment dietary supplement and competition is therefore increasing. Although the company is still by far the market leader we are working with adjustments to the marketing and sales strategy for the U.S. in order to meet the increasing competition.

Financial information

As per June 30th 2009, the share capital, following a share issue of 2 000 044 new shares with a subscription price per share of NOK 3.50, totals NOK 2 244 526.80. The share issue was approved by an extraordinary general meeting May 20th 2009. The capital increase totals NOK 7 000 154 gross before deduction of share issue costs. Net capital increase is NOK 6 289 990.18 including share premium.

As per 2nd quarter 2009 the company shows revenue of NOK 11.9 million. Operating costs totals NOK 22.8 million of which cost of goods equals NOK 7.1 million, salary costs equals NOK 3.4 million, NOK 6.8 million in R&D, NOK 0.3 million in marketing, depreciation equals NOK 0.5 million and NOK 4.7 million in other operating costs. This results in a negative operating profit equal to NOK 10.9 million. A significant amount of resources and costs with respect to the regulatory issues relating to the EU approval has accrued. Financial costs total NOK 1.6 million. Profit before tax is negative with NOK 12.5 million. Cost savings have been implemented where the aim is to reach a breakeven by a turnover equal to NOK 10 million/quarter. The company had an order reserve equal to NOK 1.6 million as per June 30th, goods that have been invoiced but not delivered. Due to abnormal delivery time from the Japanese supplier, this revenue was registered in the 2nd quarter. In the table below, the

revenue is shown as if the order reserve was accounted for in the 2nd quarter, including adjustment for one-time costs in the operating expenses.

Income statement corrected		
<i>(Numbers in NOK 1 000)</i>		
	4.1-6.30.09	1.1-6.30.08
Total revenue	5 428	13 450
EBITDA	kr (3 474)	kr (7 264)

Gross margin for the period was 40.5 %, which is an improvement compared to the first quarter. The company envisions that a normal gross margin will be in the range of 40 -45 % until the large volume contracts emerge, where it is expected a slightly lower margin.

Similar, the 2nd quarter 2008 figures show a turnover equal to NOK 9.4 million. After operating expenses of NOK 20.6 million and finance costs of NOK 1.3 million a negative pre-tax profit of NOK 12.6 million. Gross margin for the period equalled 57.7 %.

The company's cash flow from operations was negative with NOK 11.9 million as per the 2nd quarter 2009 against NOK 17 million negative as per 2nd 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.

As per June 30th 2009, the company's balance sheet shows a negative equity of NOK 11.8 million. The company's board of directors is looking for an industrial partner to either purchase the company or to merge with the company. In that respect, the company has appointed HDR Partners in Stockholm as its strategic advisor. This process is progressing as expected, and the company will keep the market informed as to the development.

In an ordinary general meeting June 29th this year, It was resolved to authorize the board of directors to carry out a share capital increase with up to NOK 500 000 by issuing up to 5 000 000 shares each with a face value of NOK 0.10 and with a minimum subscription price of NOK 4.50 per share. This will allow the company to increase the capital with up to NOK 22.5 million. The board of directors are comfortable with the company's financial position.

The company issued 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,

Oslo August 25th 2009

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 as per July 9th 2009 with a new bond loan of NOK 17 million for a period of 2 years, on the same terms and conditions. It is issued new warrants, which give the bondholders right 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.

Ola Røthe
Chairman of the board

Christian Stang Våland
Board member

Lisa Ann Cooper
Board member

Morten Sundstø
CEO

Cash and cash equivalents as per June 30th 2009 is NOK 4.7 million of which NOK 0.9 million are restricted funds. As per June 30th 2009 the company had approx. 350 shareholders. Total liabilities and shareholders' equity amounts to NOK 9.6 million.

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.

For further information, please contact:
Mr. Morten Sundstø,
CEO
Phone no. +47 950 61 860

MGP Diagnostics AS

As per May 15th 2009 an agreement with Tibesi AS regarding sale of the shares in MGP Diagnostics AS was signed. At the same time, a "License and Supply Agreement" between NattoPharma ASA and MGP Diagnostics AS was signed, which gives NattoPharma the rights to develop a rapid assay test for use to measure vitamin K2 status in individuals. Simultaneously, a three year "R&D Agreement" was signed with VitaK BV, the Netherlands, who will conduct the development of the rapid assay tester. Tibesi AS is owned by one of the company's shareholders, Mr. Stein Vidar Westbye. The Public Limited Liability Act § 3-8 do not apply.

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Outlook

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

Declaration by the board of directors and general manager

We declare that to the best of our knowledge the half yearly report for the period January 1st to June 30th 2009 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.

Income statement by nature of expense as per June 30th 2009

NattoPharma Group						
<i>(Numbers in NOK 1 000)</i>	Notes	04.01- 06.30.09	01.01- 06.30.09	04.01- 06.30.08	01.01- 06.30.08	01.01- 12.31.08
Revenue						
Revenue	4	3 878	11 839	4 269	9 435	18 935
Other income			61	-	-	51
Total revenue		3 878	11 900	4 269	9 435	18 986
Operating expenses						
Raw material and consumables used		(1 927)	(7 078)	(1 669)	(3 990)	(8 302)
Employee benefits expense		(1 361)	(3 428)	(3 205)	(5 669)	(11 263)
Depreciation and amortisation expense		(238)	(477)	(271)	(713)	(1 130)
Other operating expense		(5 934)	(11 778)	(6 412)	(10 281)	(20 898)
Total operating expense		(9 460)	(22 761)	(11 557)	(20 653)	(41 593)
Operating profit/loss		(5 582)	(10 861)	(7 288)	(11 218)	(22 607)
Financial income and expense						
Finance income		8	44	239	491	860
Other finance income		40	294	37	124	755
Interest expense		(735)	(1 468)	(684)	(1 390)	(2 804)
Other interest expense		(183)	(476)	(162)	(569)	(836)
Net finance		(870)	(1 606)	(570)	(1 344)	(2 025)
Loss before income tax		(6 452)	(12 467)	(7 858)	(12 562)	(24 632)
Income tax expense	2			2 200	3 517	(3 906)
Net profit/(loss)		(6 452)	(12 467)	(5 658)	(9 045)	(28 538)
Result and diluted result per share assigned to the company's shareholders:						
Result and diluted result per share		(0,30)	(0,59)	(0,28)	(0,45)	(1,41)

TOTAL RESULT					
<i>(Numbers in NOK 1 000)</i>	NattoPharma Group				
	01.04- 30.06.09	01.01- 30.06.09	01.04- 30.06.08	01.01- 30.06.08	01.01- 31.12.08
Result for the period	(6 452)	(12 467)	(5 658)	(9 045)	(28 537)
Other income and expenses recorded against equity	-	-	-	-	-
Total result for the period	(6 452)	(12 467)	(5 658)	(9 045)	(28 537)
Result and diluted result assigned to the company's shareholders:					
	(6 452)	(12 467)	(5 658)	(9 045)	(28 537)

Balance sheet

Assets

NattoPharma Group			
<i>(Numbers in NOK 1 000)</i>	Notes	6.30.2009	12.31.2008
Non current assets			
Intangible assets			
Other intangible assets		3 520	3 920
Deferred tax asset		-	-
Total intangible assets		3 520	3 920
Tangible assets			
Equipment		226	286
Total tangible assets		226	286
Total non current assets		3 746	4 206
Current assets			
Warehouse	5	118	86
Accounts receivables		-	899
Prepaid costs		804	28
Other receivables		411	286
Cash and cash equivalents		4 661	10 272
Total current assets		5 994	11 571
Total assets		9 740	15 777

Equity and liabilities

NattoPharma Group			
<i>(Numbers in NOK 1 000)</i>	Notes	6.30.2009	12.31.2008
Equity			
Owners equity			
Share Capital		2 245	2 045
Share premium reserve		37 022	30 932
Other paid in equity		1 510	1 496
Total owners equity		40 777	34 473
Earned equity			
Accumulated loss		(52 553)	(40 086)
Total Equity		(11 776)	(5 613)
Liabilities			
Bond loan		15 463	14 802
Accounts payable		1 094	1 032
Public duties payable		427	1 278
Other current liabilities		4 532	4 278
Total liabilities		21 516	21 390
Total debt		21 516	21 390
Total equity and liabilities		9 740	15 777

Cash Flow Statement

<i>(Numbers in NOK 1 000)</i>	1.1-6.30.09	1.1-6.30.08	1.1-12.31.08
Cash flow from operating activities			
Loss before income tax	(12 467)	(12 562)	(24 632)
Depreciation	477	713	1 130
Amortisation of interest	661	1 177	1 177
Loss on repurchase of bonds	-	328	328
Share compensation expense	14	32	66
<i>Changes in assets and liabilities:</i>			
Trade receivables	899	(311)	1 100
Prepaid expenses	(777)	2 296	2 814
Trade payables	62	(2 659)	(2 648)
Other receivables and payables	(807)	1 589	3 651
Net cash flow from operating activities	(11 938)	(9 397)	(17 014)
Cash flow from investment activities			
Payment from sale of subsidiary	55	-	-
Purchase inventory and equipment	(16)	(32)	(56)
Net cash flow from investment activities	39	(32)	(56)
Cash flow from financial activities			
Issuance of share capital	6 290	13 262	13 262
Repurchase of obligations	-	(3 106)	(3 106)
Net cash flow from financial activities	6 290	10 156	10 156
Net change in cash and cash equivalents	(5 609)	727	(6 914)
Cash and cash equivalents 1.1.09	10 272	17 186	17 186
Cash and cash equivalents 3.31.09	4 663	17 913	10 272
Paid interest	806	962	1 775

Changes in Equity

<i>(Numbers in NOK 1 000)</i>	Share capital	Share premium	Paid in - not registered equity	Other paid in equity	Accumulated deficit	Total equity
Equity 1.1.2008	1 878	16 661	1 175	1 430	(11 548)	9 596
Result for the period					(9 045)	(9 045)
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	-	-	-	34	-	34
Equity 6.30.08	2 045	31 815	-	1 464	(20 593)	14 731
Equity 1.1.09	2 045	30 932	-	1 496	(40 086)	(5 613)
Result for the period					(12 467)	(12 467)
Share issue	200	6 800				7 000
Transaction costs		(710)				(710)
Share based remuneration				14		14
Equity 6.30.09	2 245	37 022	-	1 510	(52 553)	(11 776)

Notes to consolidated accounts as per June 30th 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 August 25th 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 June 30th 2009

Shareholder list 20 major NattoPharma ASA	June 30. 2009	
	No. Of shares	Owner- ship
Shareholder		
1 Svenska Handelsbanken Stockholm	2 485 500	11,07 %
2 B Mcallen SL	2 287 268	10,19 %
3 Anacott Steel AS	2 264 700	10,09 %
4 Sellæg, Bjørn Arne Fr.	1 986 700	8,85 %
5 Bohan & Co AS	1 612 700	7,19 %
6 Eng AS	1 014 000	4,52 %
7 Macama Invest AS	875 533	3,90 %
8 Gjersvik, Karsten	762 000	3,39 %
9 Nordea Bank Denmark	642 666	2,85 %
10 Universal Exports AS	480 000	2,14 %
11 Sellæg Aase	416 600	1,86 %
12 Pictet & Cie Banquiers, Sveits	400 000	1,78 %
13 MP Pensjon	380 000	1,69 %
14 Haadem Invest AS	366 800	1,63 %
15 Mascot Holding AS v/ Alex Munch Thore	364 000	1,62 %
16 Easy2Connect AS	340 000	1,51 %
17 Sobona AS	250 000	1,11 %
18 Orion Securities ASA meglerkto	214 286	0,95 %
19 LKG Holding AS	200 000	0,89 %
20 Jakobsen, Arnt	195 000	0,87 %
Other shareholders	4 920 515	21,90 %
Sum 20 major shareholders	22 458 268	100,00 %

4. Segment Reporting

Geographic distribution of sales figures

	NattoPharma Group	
	1.1- 6.30.2009	1.1- 6.30.2008
(Numbers in NOK 1 000)		
USA	6 313	4 664
Europe	4 513	4 172
Other areas	1 074	1 323
Total	11 900	10 159

5. Purchase obligations 2009 Sumitomo Corporation.

In accordance with agreement with Sumitomo Corp. NattoPharma is obligated to purchase a minimum volume for 2008. This was not achieved, and as a compensation for this, the parties have entered into an agreement for the additional purchase of vitamin K2 for delivery in 2009. The commitment aggregates to NOK 2 743 524.38 based on an exchange rate YEN/NOK 7.7589 as 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>
Anacott Steel ASA	Mr. Morten Sundstø	NOK 424 239

Consultant agreement between NattoPharma ASA and Anacott Steel AS (shareholder in the company) dated March 1st 2009 regarding the hiring of Mr. Morten Sundstø as IR manager and advisor in connection with strategic company and funding issues, is renewed with effect as per June 1st 2009, with a 3 months mutual termination clause.

7. Events after the balance sheet date

An agreement for the refinancing of the bond loan of NOK 18.5 million is signed were the board of directors has been authorized to take up new loan 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 9th 2009. The new loans duration is 2 years, with an interest rate of 10.4% pa. The new loan totals NOK 17 million.

As per August 18th 2009, Mr. Morten Sundstø was constituted as new CEO in the company, following Mr. Thomas Christensen who resigned from the position in consultation with the board of directors same day. Mr. Thomas Christensen is granted a two month severance pay period. During the severance pay period, he will be available for the company if needed.