



NattoPharma[®]



Interim report – 1st Quarter 2011

Highlights

➤ **Turnover**

Total sales in the 1st quarter of 2011 were 2.5 MNOK.

➤ **Outlook**

During the 1st quarter of 2011, existing strategies were revised and new strategies were laid out by the Board of Directors and company management. Through a resource-demanding recapitalization of the company and increased proactive commercializing of the MenaQ7 brand, the company further strengthened its position in the market for natural vitamin K2.

➤ **Strengthening the organization**

After the first of the year, NattoPharma strengthened its sales staffing and R&D. Dan Edwall was named Vice President of R&D, Bertil Andersson was appointed Vice President of Sales, and Jonas Hahn Vice President of Functional Food. These appointments are expected to help achieve a greater global impact and better communicate the benefits of vitamin K2 worldwide.

➤ **Further patent development**

The European Patent Office (EPO) formally approved and registered NattoPharma's patents in March of this year, as previously noted in the 4th quarter report from 2010.

➤ **New clinical studies begun**

Two new studies began during the 1st quarter of 2011, the VitaK-CAC study on arterial calcification as well as another study which will analyze biochemical markers to evaluate the effects of vitamin K2/MenaQ7® in patients with severe renal insufficiency.

➤ **Rights issue and conversion of bonds over to equity**

In an Extraordinary General Meeting on January 20, 2011, a resolution was made to carry out a rights issue of 20.5 MNOK, which were registered in March of 2011. The Board was also authorized to issue up to 2 million new shares, in order to convert 8.5 MNOK of the bond loan into equity, as per an agreement with the bondholders. The conversion took place on April 14, 2011.

Market and business development

Sales in the 1st quarter of 2011 equaled 2.5 MNOK. It is, to date, too early to see the effect of changes made to the company's market strategy, which include strengthening of the staff base.

Based on our strong position in IPR (patent rights), the company intensified communications efforts about MenaQ7® in connection with cardiovascular health toward existing clients and potential prospects in Europe and the U.S.

Competition in the European market seems to be becoming somewhat more acute. In Europe, revisions to our sales strategy are beginning to show positive results. One such change has been a more aggressive commercialization of MenaQ7® in the Nordic countries and a strategic partner to create better conditions for increased sales in the region.

Jonas Hahn has been appointed VP of Functional Food and will work strategically toward introducing MenaQ7® to the food industry. Efforts toward the functional food market were intensified as planned during the 1st quarter. Preliminary discussions and processes have been put in place in the Nordic countries and in Europe, the primary markets targeted by the market strategy for functional food.

Our partner company Gnosis opened a warehouse and distribution center in Doylestown, Pennsylvania during the 1st quarter of 2011, which further strengthens our ability to provide good customer service in the U.S. market.

NattoPharma participated in the Vitafoods fair in Geneva in May 2011 to market MenaQ7® to the dietary supplement and food industries. Many new and promising connections were made.

Patents

The European Patent Office (EPO) formally approved and registered NattoPharma's patents in March of this year, as previously noted in the 4th quarter report from 2010.

Research and Development

On February 1, 2011, Dr. Dan Edwall was appointed as Vice President for R&D as part of the company's efforts to build a new and strengthened leadership base.

Two new clinical trials with MenaQ7® have also been initiated. Both focus on cardiovascular health and will be performed in European countries. The "Dutch Heart Foundation" is sponsoring the VitaK-CAC study. Arterial calcification (CAC) occurs in coronary atherosclerosis, and is a strong independent cardiovascular risk factor and a strong predictor of cardiovascular events. The VitaK-CAC study will address the important issue of slowing CAC progression by the use of vitamin K2 supplementation in a double-blind, placebo-controlled, randomized trial with one treatment group receiving MenaQ7 and one group receiving placebo. The study

population will consist of 180 patients and the objective is to test the hypothesis that Vitamin K2 supplementation, in comparison to placebo, will slow down CAC-progression after 12 and 24 months in patients with existing CAC. (i.e. will Vitamin K2 supplementation prevent further, rapid progression of CAC).

Another smaller clinical study agreement was recently signed by researchers at OLV Hospital in Aalst, and at St Jan Hospital in Brugge, Belgium. The study will analyze biochemical markers and examine the effects of vitamin K2/ MenaQ7® on patients with severe renal insufficiency.

Regulatory Affairs

During the 1st quarter, NattoPharma renewed its saGRAS (Self Affirmed Generally Regarded as Safe) status for MenaQ7® in the U.S. With its certified BMP production (Good Manufacturing Practice), the company is able to supply MenaQ7® to the American food market in compliance with FDA regulations.

Financial information

Total share capital as of March 31, 2011 amounted to 10 954 096 NOK divided into 109 540 960 shares, nominally 0.10 NOK. First-quarter turnover in 2011 was 2.5 MNOK. Operating costs totaled 6.4 MNOK, of which 1.2 MNOK represents the cost of goods. Operating results before tax were negative by 3.8 MNOK. Net financial items are negative by 1.6 MNOK, which resulted in a negative result before tax equal to 5.5 MNOK. The gross margin for the period was 51.97 %, compared to 47.9% for the previous quarter and 43.22 % in the 1st quarter 2010.

Operational cash flow was negative with 6.7 MNOK during the 1st quarter of 2011 versus 3 MNOK negative in the 1st quarter of 2010.

Investments in technology and patent rights from external suppliers form the basis for capitalization of intangible assets in accordance with IFRS. A patent purchased in December 2006 and approved by the EU in spring 2007, technology and IPR delivered in the 3rd quarter, and reported complete in December 2007 formed the basis for capitalization. Additional studies are considered research or to seek new applications for the product, and will be continuously expensed. The intangible value is a significant part of the further economical development for the company and will be written off over a five-year period from January 1, 2008.

Cash holdings as of March 31, 2011 were 10.5 MNOK, whereof 0.7 MNOK are restricted funds. Per March 31, 2011, there were approximately 577 shareholders. Total liabilities and equity amounted to 17.7 MNOK as of March 31, 2011 compared to 5.5 MNOK as of per December 31, 2010.

The company's balance sheet shows a negative capital result of 4.7 MNOK. The bond loan of 17 MNOK, which expires July 10, 2011, is classified as short-term debt due to the company reporting negative equity, and is thereby in breach with a clause in the loan agreement requiring a

positive equity. In addition, the remaining loan period is fewer than 12 months. As of April 14, 2011, 8.5 MNOK of the bond loan was converted into equity through a private placement towards the bondholders based on a subscription price of 0.435 NOK per share. After this conversion, NattoPharma's share capital increased by 1,954,023 NOK, from 10,954,096 NOK to 12,908,119 NOK, split into 129,081,190 shares with an individual share value of 0.10 NOK. As per the original bond loan, warrants were issued which gave the bondholders the right to subscribe up to 3 777 778 shares each with a nominal value of NOK 0.10 at a subscription price equal to NOK 4.50 per share. The call for subscribing shares must be made within 2 years from issuance of the bond loan. The remainder of the bond, MNOK 8.5 is extended for a new term of 2 years, free of installments and with an interest rate of 10.4% in arrears. There is no agreement to issue new warrants.

In accordance with Norwegian Public Limited Liability Companies Act, Section 3-4 and Section 3-5, the Board of Directors called an Extraordinary General Meeting where it was proposed to carry out a rights issue for 20.5 MNOK. Authorization was also granted to issue up to 2 million shares in order to convert 8.5 MNOK of the bond loan into equity, and to appoint a new auditor. The meeting took place on January 20, 2011. Each of the motions was unanimously approved, including the appointing of Certified Public Accountant Erik Olsen of Wiggen & Kjelstrup as the company's new auditor. The company also engaged Fondsfians ASA as consultants and facilitators of the capital increase.

Between December 2010 and March 2011, the company was granted a loan for 3.025 MNOK from the closely related party Anders Uddén and 1 MSEK from Scandinavian Clinical Nutrition AB in Sweden, where Anders Uddén is a shareholder and member of the Board of Directors. Uddén is also a member of NattoPharma's Board of Directors and a shareholder. As the forthcoming rights issue of 20.5 MNOK is fully underwritten, the company received approval for a short-term financing loan of 4 million NOK from DnBNOR Bank ASA. This provided sufficient working capital until the capital increase was officially registered on March 24, 2011. Loans with accrued interest are repaid.

Outlook

During the 1st quarter of 2011, new strategies were put in place by the Board and management of NattoPharma, including a resource-demanding recapitalization and a more proactive commercialization of the MenaQ7® brand, both of which will further strengthen the company's position in the market for natural vitamin K2.

Oslo, May 18, 2011

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Income statement by nature of expense as of March 31, 2011

NattoPharma ASA			
<i>(Numbers in NOK 1 000)</i>	Note	01.01-03.31 2010	01.01-03.31 2009
Revenue			
Revenue	4	2 538	7 117
Other income		7	6
Total revenue		2 545	7 123
Operating expenses			
Raw material and consumables goods		(1 219)	(4 041)
Employee benefit expense		(1 507)	(840)
Depreciation and amortisation expense		(214)	(235)
Other operating expenses		(3 423)	(4 035)
Total operating expenses		(6 363)	(9 151)
Operating profit/loss		(3 818)	(2 028)
Financial income and expense			
Finance income		10	22
Other finance income		26	98
Interest expense	5	(1 577)	(1 160)
Other interest expense		(98)	(72)
Net finance		(1 639)	(1 112)
Loss before income tax		(5 457)	(3 140)
Income tax expense		-	-
Net profit/loss		(5 457)	(3 140)
<i>Result and diluted result per share assigned to the company's shareholders</i>			
		-5 457	-3 140
Result and diluted result per share		(0,16)	(0,12)

TOTAL RESULT		
<i>(Numbers in NOK 1 000)</i>	01.01-03.31 2011	01.01-03.31 2010
Result for the period	(5 457)	(3 140)
Other income and expenses recorded against the equity	-	-
Total result for the period	(5 457)	(3 140)
<i>Result and diluted result per share assigned to the company's shareholders</i>	(5 457)	(3 140)

Balance Sheet

Assets

NattoPharma ASA			
(Numbers in NOK 1 000)	Notes	03.31.2011	12.31.20010
Non current assets			
Intangible assets			
Other intangible assets		2 119	2 319
Total intangible assets		2 119	2 319
Tangible assets			
Equipment		36	49
Total tangible assets		36	49
Total non current assets		2 155	2 368
Current assets			
Warehouse			
		-	-
Accounts receivables and other receivables		2 995	1 909
Cash and cash equivalents		10 509	1 185
Total current assets		13 504	3 094
Total assets		15 659	5 462

Equity and liabilities

NattoPharma ASA			
(Numbers in NOK 1 000)	Notes	03.31.2011	12.31.20010
Equity			
Owners equity			
Share capital		10 954	2 739
Share premium reserve		56 247	48 403
Other paid in equity		5 747	5 747
Total owners equity		72 948	56 889
Earned equity			
Accumulated loss		(77 626)	(72 169)
Total equity		(4 678)	(15 280)
Liabilities			
Bond loan	2	15 862	14 885
Accounts payable		1 238	1 902
Public duties payable		416	298
Other current liabilities	5	2 821	3 687
Total liabilities		20 337	20 772
Total debt		20 337	20 772
Total equity and liabilities		15 659	5 492

Cash Flow Statement

NattoPharma ASA

(Numbers in NOK 1 000)

03.31.2011 03.31.2010

Cash flow from operating activities

Loss before income tax	(5 457)	(3 140)
Depreciation	214	235
Amortisation of interest	1 007	718
Share compensation expense	-	-
<i>Changes in assets and liabilities:</i>	-	-
Trade receivables and other receivables	(1 086)	(1 144)
Trade payables	(664)	(649)
Other receivables and payables	(749)	950

Net cash flow from operating activities	(6 735)	(3 030)
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Cash flow from investment activities

Payment from sale of subsidiary	-	-
Purchase of inventory	-	-

Net cash flow from investment activities	-	-
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Cash flow from financial activities

Issuance of share capital	16 059	-
Payment from issuance of bonds	-	-
Repurchase of obligations	-	-

Net cash flow from financial activities	16 059	-
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Net change in cash and cash equivalents	9 324	(3 030)
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Cash and cash equivalents 1.1.	1 185	8 314
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Cash and cash equivalents 3.31.	10 509	5 284
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Paid interest	128	884
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Changes in Equity

(Numbers in NOK 1 000)	Share capital	Share premium	Other paid in equity	Accumulated deficit	Total equity
Equity 01.01.2010	2 563	45 561	5 747	(56 961)	(3 090)
Total result for the period	-	-	-	(3 140)	(3 140)
Equity 03.31.2010	2 563	45 561	5 747	-60 101	-6 230
Equity 01.01.2011	2 739	48 403	5 747	(72 169)	(15 280)
Result for the periode	-	-	-	(5 457)	(5 457)
Share issuance	8 215	12 323	-	-	20 538
Transaction costs	-	(4 479)	-	-	(4 479)
Equity 03.31.2010	10 954	56 247	5 747	(77 626)	(4 678)

Notes to the accounts as of March 31, 2011

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 in a full annual report, and must be read in conjunction with the consolidated financial statements for NattoPharma ASA for the fiscal year leading up to and including December 31, 2010.

The company's board of directors approved this interim report on May 18, 2011.

2. BOND LOAN

In accordance with the loan agreement, in case of negative equity, the bond issuer can request immediate repayment of the bond loan. As of March 31, 2011, the company's equity was negative by 4.7 MNOK. Due to this fact and that the remaining period is less than 12 months, the bond loan has been classified as short-term debt.

As per the date of the approval of the accounts, the bond issuer has renounced from calling the loan repaid. The Company has been in negotiations with the bond holders regarding a conversion of half of the bond loan of 17 MNOK equal to 8.5 MNOK by the issuance of up to 2 million new shares based on a proxy to the board of directors adopted by the extraordinary general meeting January 20, 2011. An agreement with bondholders was reached and the conversion took place April 14, 2011. In addition, the parties have reached an agreement prolonging the remaining part of the loan equal to 8.5 MNOK for two additional years. The share issue and conversion of 8.5 MNOK from debt to equity is expected to provide the company with a positive equity.

3. SHAREHOLDER INFORMATION

List of the 20 major shareholders as of March 31, 2011

Shareholder list 20 major NattoPharma ASA	March 31. 2011	
	No. Of shares	Owner- ship
1 Handinter Kappa AG	9 369 798	8,55 %
2 Banque Invik SA Luxembourg	8 678 000	7,92 %
3 Fondsffinans AS, egenhandelskonto	6 931 414	6,33 %
4 MP Pensjon	4 834 273	4,41 %
5 Pro AS	4 612 753	4,21 %
6 Bergen Kommunale Pensjonskasse	3 337 091	3,05 %
7 Anfar Invest AS	2 600 000	2,37 %
8 Bohan & Co AS	2 402 700	2,19 %
9 Haadem Invest AS	2 227 800	2,03 %
10 Nielsen, Trygve	2 000 000	1,83 %
11 Sellæg, Bjørn Arne Fr.	1 986 700	1,81 %
12 Solberg, Kristian	1 946 000	1,78 %
13 Institusjonen Fritt Ord	1 668 546	1,52 %
14 Verdiutvikling Sør AS	1 668 546	1,52 %
15 Tibesi AS	1 609 216	1,47 %
16 Fondsffinans ASA Egenhandel	1 484 839	1,36 %
17 Nordnet Pensjonsforsikring	1 464 000	1,34 %
18 Macama Invest AS	1 459 977	1,33 %
19 Bjørn Norlie AS	1 327 398	1,21 %
20 Svenska Handelsbanken Stockholm	1 216 000	1,10 %
Other shareholders	46 715 909	42,65 %
Sum total shares	109 540 960	100,00 %

4. SEGMENT REPORTING

Geographic distribution of sales figures	NattoPharma ASA	
	01.01- 03.31.2011	01.01- 03.31.2010
(Numbers in NOK 1 000)		
USA	190	3 947
Europe	2 207	3 044
Other areas	147	132
Total	2 544	7 123

5. CLOSELY RELATED PARTIES

<u>Company</u>	<u>Closely related party</u>	<u>Transaction amount</u>
1. Anders Uddén		NOK (3 024 918)
2. Scandinavian Clinical Nutrition AB	Anders Uddén	NOK (878 303)

1. Anders Uddén is a shareholder in NattoPharma and has granted the company a loan which as per March 24, 2011 is equal to 3 024 918 NOK. The loan was partly repaid March 24 and the remaining balance + interest were repaid April 1, 2011.

2. Scandinavian Clinical Nutrition AB has granted the company a loan equal to 878 303 NOK which was repaid with interest March 28, 2011. Anders Uddén is a shareholder and a board member in both Scandinavian Clinical Nutrition AB and NattoPharma ASA.