NattoPharma ASA

First Half 2018

OSLO AXESS TICKER: NATTO

Contents

About NattoPharma

The Mission of NattoPharma is to advance global health by creating and introducing to the market scientifically validated products and technologies that will deliver measurable health benefits.

Our Vision is to be recognized as a leader in the creation and introduction of novel health ingredients and technologies that provide optimal health outcomes. We make our Vision a reality by:

- Addressing significant health concerns with branded, scientifically validated, proprietary products and technologies, leading with our flagship brand MenaQ7®;
- Leveraging all manner of technology to more effectively and efficiently deliver these products to our target markets;
- Establishing ourselves as the experts in the science underlying our products and associated enabling technologies that allow us to effectively deliver them to the marketplace; and
- Developing and maintaining a deep customer and segment understanding of the benefits we deliver.

NattoPharma is committed to delivering clinically validated products that will positively impact global human health.

Our strategy is to strengthen market access with our current technologies, while simultaneously working to expand our product offering to meet ever-changing market demand.

NattoPharma is an undisputed leader in clinical understanding and science. Our long-term history of investing in ground-breaking research has allowed us to identify novel health benefits and open new market opportunities for our partners.

In addition to creating products and technologies grounded in science, NattoPharma offers unparalleled support to its partners, ensuring their success creating unique products and communicating their value to the marketplace.

Key Highlights H1'2018

Product revenue up by NOK 16,6m to **NOK 47,2m** – a 54% increase

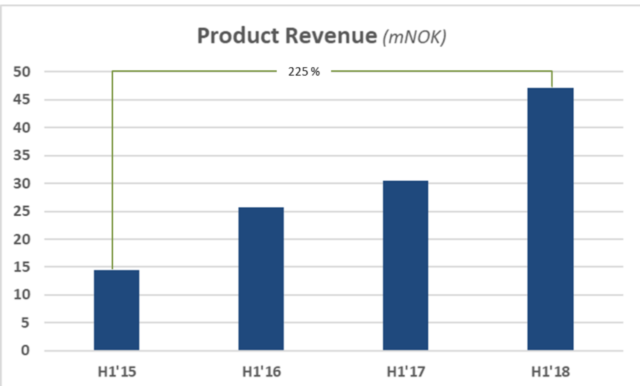
Q2 revenue of **NOK 27,4m** – a new record quarter

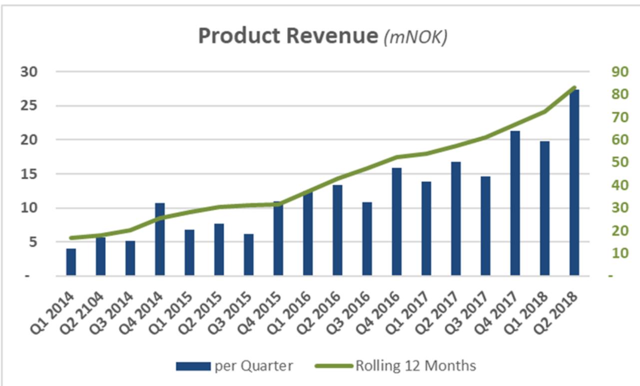
Adjusted EBITDA of **NOK 2,5** million

Kjetil Ramsøy, CEO and CFO of NattoPharma said:

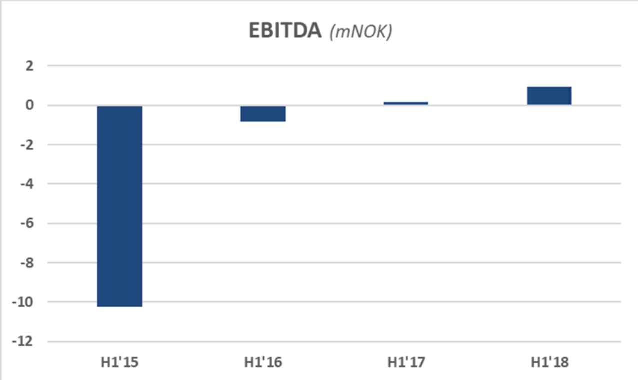
Our strong momentum has continued in the first half of 2018 due to the hard work and commitment of our team and a K2 market that is proving to be increasingly exuberant. The decision to spin off the pharma segment of the business at the end of 2017 continues to be ratified by our results as the group set new records not only in terms of revenue growth, but also profitability.

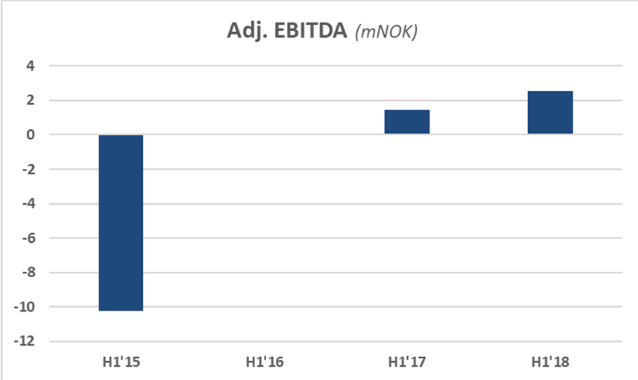
We see that the activity with our current and new customers is growing ahead of our previous guiding. In the first half of 2018 we have a growth of 54% - outperforming our current guiding of an annual growth between 40% and 50% for the full year. Comparing revenue during the first half of the year to the same period in the years from 2015 and forward, we have realized growth of more than 225%. On a rolling 12 months basis we now have revenue of more than NOK 80 million.





We are proud to provide a positive EBITDA and Adj. EBITDA for the period, which shows that our transformation over the period from 2016 is delivering. The graph below clearly illustrates the dramatic change that has taken place, change that has allowed us to invest in the future of our business and which provides a solid foundation for continued future growth.





The investments that we have made in the first 6 months of the year have been predominantly focused on additional personnel as we work to build an organization that can continue to outperform the market growth and increase our market share going forward. We still have several positions that we hope to fill during the second half of this year after which we believe that we will have the organizational structure in place to effectively execute on our strategy and meet our financial targets for the next 18 to 24 months.

Alongside our continued focus on the vitamin K2 market we are constantly assessing new ingredients to complement our product offering, and further contribute to the growth of the company. This is a time-consuming effort, as we are maintaining our standards with regards to quality and clinical validation for any new product we want to add to our offering. We remain optimistic that we will be able to share more on this topic soon, however as this is partly contingent on factors outside our direct control, it is always difficult to give promises of a certain timeline.

As previously mentioned we spun-out the pharma division to Kaydence Pharma in December 2017. Although NattoPharma has no operational involvement in the Kaydence project, it is a venture we follow with great interest based on our expectation that, if successful, it has potential to become an enormously beneficial and effective treatment for conditions related to arterial stiffness and soft tissue calcification. A successful drug development for Kaydence Pharma would likely contribute significant value to NattoPharma; financially, as a significant shareholder in Kaydence, NattoPharma would benefit from the increased pharma company valuation; and commercially, NattoPharma will have licensing rights to Kaydence Pharma's new patents, technology and intellectual property for its exclusive use in the supplement market.

Business Update

During the first six months of 2018 we have experienced significant demand and achieved new record sales levels which has reinforced the excitement felt at the outset of the year regarding the growth potential and market opportunities available. Compared to the same period in 2017 product sales have grown by 54% to NOK 47,2 million. This growth is ahead of our previous guiding and demonstrates the positive momentum of the K2 market and the importance of an organization focused primarily on the supplement business.

Awareness of K2 is being driven by the practitioner market where K2 has been positioned as one of the top 4 nutrition trends for 2018. Industry publications are highlighting the importance of K2, the health benefits and the global deficiency, and more importantly these publications talk specifically about NattoPharma MenaQ7® K2 being the only researched and clinically validated vitamin K2 ingredient.

With numerous published clinical trials confirming the efficacy and safety of K2 on bone and heart health NattoPharma has been able to drive sales based on scientific evidence which in turn has led to category altering brands wanting to be aligned with our product, MenaQ7® K2. As these companies have started to promote MenaQ7® K2, momentum has started to build, and this together with continued efforts to support market education has led to the revenue development seen in the first half.

We believe that our research, combined with our science and innovation-based marketing has underpinned the importance of K2 in both bone health and improved cardiovascular outcomes and have been key to the growth of the K2 market to date. Moving forward we will continue these efforts to ensure not only category growth, but that NattoPharma remains positioned as the market leader.

NattoPharma is working tirelessly to bring Vitamin K2 benefits to the forefront, to increase awareness, with both consumers and industry, of this important nutrient, which in turn increases demand for our partners' quality products.

During the first half of 2018 we have participated in several key industry events, supporting our customers while promoting the MenaQ7 brand.

In the US we attended Natural Products Expo West in support of Carlson, and Supply Side East, whilst also presenting for a full sales training at the OrthoMolecular Sales Conference. In Australia we presented to over 600 practitioners at the Bioceuticals Practitioner Symposia and Naturally Good Practitioner Show in cooperation with Complementary Medicines Group. In May we exhibited at Vitafoods Europe in Geneva and in June at CPhI China in collaboration with our partner Prochin.

CPhI is the leading pharmaceuticals ingredients show in China and the wider Asian – Pacific region and this event was a key part of our strategy to support this market through increased education and awareness. At the same time our partnership with FishBurg, who selected MenaQ7 for the launch of a new Blue Hat Ca/D3/K2 supplement on the Chinese market continues to develop. The product launch has been well received by the market and later this year Fishburg will visit NattoPharma in Norway, together with their top 15 distributors, to learn more about MenaQ7 and look at ways to expand the cooperation.

In terms of advertising campaigns NattoPharma have maintained a strong B2B focus supporting publications that cover our press releases and include NattoPharma heavily in editorial. These include Nutraceuticals World, Nutritional Outlook and Whole Foods Magazine (USA), Nutraceutical Business Review (EU), Nutrition Insights / World of Food Ingredients (EU), Nutraingredients.com (EU) Nutraingredients- Asia (Asia) Nutraingredients-USA (US). This has been a combination of banner adverts, ingredient- based advertising, featured news stories, weekly news reviews and sponsored K2 Forum webinars, providing an opportunity to promote NattoPharma as the global K2 leader.

NattoPharma is also active in engaging with press releases, resulting in high level media hits and coverage across the globe. Our unwavering commitment in this respect has yielded impressive results, making NattoPharma and Vitamin K2 part of the media vernacular.

In terms of new business development, we are pursuing a strategy of leveraging our existing MenaQ7® Technology Franchise while working on developing new projects. For our MenaQ7®Franchise, we are developing the following opportunities, including a strong emphasis on omega-3s:

- Commencing a human PK / Bioavailability trial with a Canadian company to demonstrate that their proprietary delivery technology may improve absorption into serum.
- Preliminary discussions with a multi-national omega-3 supplier for collaborative offerings, as well as potential synergistic offerings.
- Pursuing DHA / K2 offering for North America and EU markets.
- Ongoing project with global leaders of phospholipid-based omega-3s.
- Preliminary discussions with a global leader of choline, chelates, and enrichment in foods.

At the same time NattoPharma continues to work towards its objective of product portfolio expansion by nurturing an incubator of developing technologies. One of the products that is nearing a commercialization stage has indications for energy, wellbeing, stress, and performance indices and we work towards being able to make an announcement in this regard as soon as possible.

Profit margin at 41,7% falls within the 40%-45% range communicated in the market update in May, but down from 45,8% for H1 2017 as we continue to experience supply chain constraints resulting from the expedited revenue growth. Because of this our current guiding for revenue growth for the 2018 year remains at an annual growth rate of 40%-50%.

Production delays at one of our recently added PharmaPURE facilities has required us to temporarily substitute material with a more expensive natural alternative to satisfy customer demand and maintain the positive momentum. We have made significant investment in a strategy to alleviate the current supply challenges within a compressed timeframe, and this has also indirectly caused an increase in the cost of sales. Progress has been made in activating multiple alternative production lines and these are expected to be operational late Q4 of this year. These initiatives will contribute to bringing us back to higher margin levels.

Operating costs have increased driven mainly by personnel expenses as we continue to make investments for the long term, strengthening and moving the business forward within the supplement sector.

In February 2018 Kjetil Ramsøy was appointed the Interim CEO, a position that was made permanent in early June. In February Peter Stahl joined as Interim Chief Operating Officer. In June Christopher Speed joined NattoPharma in the new position as Senior Vice President of Global Sales & Marketing, a position created in line with the company's ambition to increase its global commercial activities. In addition, a new Sales & Business Development Manager joined late Q1 with responsibility for the Chinese Market and in early July a US based Customer Care Specialist joined the team. This investment has been necessary not only to manage the growth we have seen year to date, but also to enable us to meet the expected level of growth for the next 18-24 months.

Despite the increases in both personnel and operating expenses as required by the business to support growth, we have delivered Adjusted Earnings Before Interest, Tax and Depreciation (Adj. EBITDA) of positive NOK 2,5 million, an increase of NOK 1 million versus half 1 2017. We feel that we are now well positioned to drive solid sales growth in the future and with a disciplined focus on operational excellence and relentless execution to deliver increased profitability.

Disclaimer

This report includes forward-looking statements regarding NattoPharma ASA, including projections and expectations, which involve risk and uncertainty. Such statements are included without any guarantees to their future realization. Although NattoPharma ASA believes that the expectations regarding the Company reflected in such forward-looking statements are based on reasonable assumptions, no assurance can be given that such projections will be fulfilled. Any such forward-looking statement must be considered along with knowledge that actual events or results may vary materially from such predictions due to, among other things, political, economic, financial or legal changes in the markets in which NattoPharma ASA does business, and competitive developments or risks inherent to the Company's business plans. Many of these factors are beyond NattoPharma ASA's ability to control or predict. Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements. The Company does not intend, and does not assume any obligation, to update the forward-looking statements included in this report as of any date after the date hereof.

Financial Review

This interim report relates to NattoPharma's performance in the first half of 2018 relative to the first half of 2017. All figures are in NOK million unless otherwise stated.

In December 2017 the group spun-out the pharma related business to a new entity, PharmaCo AS which has since changed name to Kaydence Pharma AS. The data provided in this first half report is therefore purely for the NattoPharma ASA group of entities, and all prior year comparatives are adjusted to represent only the supplement business. In the 2017 first half report the numbers included both the supplement and pharma segments, however operating expenses were broken down to provide a segment level analysis which is in line with the prior year operating expense data provided in this report. Prior year data related to the pharma segment is presented in this report under result from discontinued operations.

Revenues

NattoPharma reported product revenue for the first half of 2018 of NOK 47,2 million, an increase of 54% on the same period last year and trending ahead of the previously guided growth rate of 40%-50%. The second quarter of the year yet again set a new highest revenue record at NOK 27,4 million. Other revenue of NOK 2,3 million represents services rendered to Kaydence Pharma AS.

Numbers in NOK million	H1'18	H1'17	Change
Revenue	49,5	30,6	18,9

Numbers in NOK million	H1'18	H1'17	Change
Product Revenue	47,2	30,6	16,6
Other Revenue	2,3		2,3
Total Revenue	**49,5**	**30,6**	**18,9**

Gross Margin

The Gross Margin came in at 41,7 % in the period. This is down on the same period last year and reflects the supply and production challenges that the business has faced, and which have been exacerbated by the accelerated revenue growth.

The margin is expected to end in the previously guided range of 40%-45% for 2018 as additional production lines are activated.

Numbers in NOK million	H1'18	H1'17	Change
Gross Profit	19,7	14,0	5,7
Gross Margin	41,7%	45,8%	-4,1%

Operating Expenses

Operating expenses totaled NOK 21,1 million for the 6 months period ending 30th June 2018, compared to NOK 13,8 million for the same period in 2017. When adjusted for other revenue related to services rendered to Kaydence Pharma AS operating expenses are NOK 18,8 million, an increase of NOK 5 million, which is largely driven by increased personnel costs which have grown in line with the investment in resources that are necessary to support the accelerated revenue growth.

Numbers in NOK million	H1'18	H1'17	Change
Personnel Cost	-14,2	-8,3	-5,9
Other OpEx	-6,8	-5,5	-1,3
Total OpEx	**-21,1**	**-13,8**	**-7,2**

Non-cash cost related to options to management and the board of directors expensed in the first 6 months of the year represent NOK 1,56 million. Corrected for this non-cash cost the adjusted Operating Expenses in the period is NOK 19,4 million, compared to adjusted Operating Expenses of NOK 12,5 million during the first half of 2017.

Profitability

Adjusted Earnings Before Interest, Tax & Depreciation (Adj. EBITDA) was positive with NOK 2,5 million for the first half of the year. This compares to NOK 1,5 million for the same period in the prior year.

Numbers in NOK million	H1'18	H1'17
Adj. EBITDA	2,5	1,5
Adj. EBITDA Margin	5,1%	4,8%
EBITDA	0,9	0,2
EBITDA Margin	0,2%	0,5%

Depreciation and Net Financial Expenses

Depreciation for the period was NOK 3,7 million. This mainly applies to depreciation of intangible assets related to the acquisition of NattoPharma R&D Ltd.

Net financial items in the period was positive NOK 0,85 million, an increase of NOK 0,92 million. This results from NOK 1,4 million in interest income from the loan to Kaydence Pharma AS which is offset by finance costs which are mainly related to realized and un-realized FX gains and losses.

Balance Sheet

Total assets at the end of H1'18 were as follows,

Numbers in NOK million	H1'18	FY'17	Change
Non-Current Assets	93,2	103,6	-10,4
Current Assets	52,3	53,6	-1,4
Total Assets	**145,4**	**157,2**	**-11,8**

Cash and cash equivalents remained stable totaling NOK 13,9 million of current assets, compared to NOK 13,6 million at the end of 2017.

NOK 5,75 million of the reduction in non-current assets is a result of the adoption of IFRS 9 Financial Instruments. This represents impairment losses on financial assets, being the vendor loan of NOK 57,5 million to Kaydence Pharma AS on the sale of the pharma business, which was adjusted in the group's equity as at 1 January 2018.

Since the close of the 2017 fiscal year there have been no indications that have caused the group to believe that there is not a continued high likelihood of success for Kaydence Pharma AS. Accordingly, as at 30th June 2018 the group has not made any amendments to the loss allowance already booked on this transaction.

Trade and other receivables of NOK 28,8 million can be broken down to NOK 21,2 million in trade receivables and NOK 7,6 million in other receivables, this includes approx. NOK 4.3 million related to the ongoing SkatteFunn programs, NOK 1,6 million in prepayments and accrued income, a further NOK 1.4 million in accrued interest income from Kaydence Pharma AS and NOK 0,4 million in VAT assets. Management believes there is no risk related to recoverability of trade receivables of NOK 21,2 million. This is because the group has never experienced any losses due to default and the bad-debt provision taken for NOK 57.147 in 2017 has subsequently been reversed after settlement of the receivables.

Working capital management is a priority, and efforts are underway to ensure that the organization will be able to sustain the growing investment required in working capital as the business continues to grow.

Equity and Liabilities

Total equity and liabilities at the end the period can be broken down in the following categories:

Numbers in NOK million	H1'18	FY'17	Change
Total Equity	104,6	111,0	-6,4
Non-Current Liabilities	25,9	26,4	-0,5
Current Liabilities	15,0	19,8	-4,8
Total Assets	**145,4**	**157,2**	**-11,8**

NattoPharma continues to maintain a strong financial position, with an equity ratio at the end of the first half of 71,9%. Adjusting non-current liabilities for the deferred gain from the Kaydence Pharma AS transaction, the comparable equity ratio is 84,7%. Equity ratio as per December 31st, 2017 was 70,6%.

The reduction in total equity is mainly a result of the adoption of IFRS 9 Financial Instruments which as previously mentioned has led to an adjustment of NOK 5,75 million to opening equity.

The decrease in non-current liabilities relates to deferred tax which as at 30th June was NOK 3.8 million. The balance of the non-current liabilities is the deferred gain on the sale of the pharma business to Kaydence Pharma AS.

Cash Flow

Despite the growth and required investment in working capital the cash situation is unchanged in the first 6 months.

High attention to cash management and an improved profitability has both contributed to the positive development.

Due to the ongoing ramp-up of supply the parent company entered into a short-term loan agreement in July to manage a commitment for delivery of additional raw material. See note 6 to the Financial Statements for further information about this loan.

Other Issues

For transactions between related parties, see note 5.

In board proceedings on 7th February the Board of Directors of NattoPharma granted a total of 560,350 options to executive management, other employees and strategic partners in line with the option program related to defined operational objectives which was approved by the Board of Directors in 2017. Please refer to note 5 on related parties for details of the options granted to the executive management team. The remaining 305,800 options were granted to other employees and partners. The options have an exercise price equal to the closing price on Oslo Axess on February 7th, 2018, which is equal to NOK 9,05. The options granted are vested immediately and may be exercised up to and including March 31st, 2023.

Furthermore, in board proceedings on 19th June the Board of Directors resolved to grant a total of 30,000 options to Christopher Speed who joined the company on June 18th in the position of Senior Vice President of Global Sales and Marketing. Mr. Speed held no shares or options in NattoPharma ASA prior to this grant. His total holding of shares and options following this grant is 30,000 options. The options have an exercise price equal the closing price on Oslo Axess on June 19th, 2018, which is equal to NOK 8,80. The options granted are fully vested on December 16th, 2018 and may be exercised up to and including March 31st, 2023.

None of the options detailed above are exercised at the time of this report.

Statement from The Board of Directors and CEO

We confirm that, to the best of our knowledge, the consolidated financial statements as at 30 June 2018, and for the period 01 January to 30 June 2018, have been prepared in accordance with IAS 34 Interim Financial Reporting, and that the Interim Management Report for 2018 are presented in accordance with Accounting and Generally Accepted Accounting principles in Norway, and that the accounts give a true and fair view of the company's assets, liabilities, financial position and results as a whole. We also declare that the interim report gives a fair review of the development, performance and position of the company and the group at the time of this interim financial report.

Oslo, August 21st, 2018

Board of Directors

Frode M. Bohan Chairman	Sjur Thorsheim Board Member	Stefan Hallden Board Member
Katarzyna Maresz Board Member	Annette Elmqvist Board Member	Kjetil Ramsøy CEO, NattoPharma Group

Consolidated Income statement for the 6 months ending 30th June 2018

				NattoPharma
(Numbers in 1 000 NOK)	Note	01.01-30.06 2018 *(unaudited)*	01.01-30.06 2017 *(unaudited)*	01.01-31.12 2017
REVENUE				
Revenue	2	47 193	30 452	66 418
Other revenue		2 337	159	188
TOTAL REVENUE AND OTHER INCOME		**49 530**	**30 611**	**66 606**
OPERATING EXPENSES				
Cost of goods sold		-27 529	-16 601	-35 013
Salaries and benefits		-14 244	-8 331	-18 534
Depreciation and amortization		-3 694	-3 644	-7 364
Other operating expenses [1)]		-6 819	-5 517	-10 301
TOTAL OPERATING EXPENSES		**-52 287**	**-34 093**	**-71 212**
OPERATING PROFIT/-LOSS		**-2 757**	**-3 482**	**-4 606**
FINANCE INCOME AND EXPENSES				
Interest income		1 389	16	100
Interest expense		-1	-16	-22
Other finance income/-expense		-63	-52	-95
Revaluation Adjustment		-379	-15	-135
NET FINANCE		**945**	**-66**	**-152**
PROFIT/-LOSS BEFORE INCOME TAX		**-1 812**	**-3 548**	**-4 759**
Income tax		345	329	678
NET PROFIT/-LOSS FROM CONTINUED OPERATIONS		**-1 467**	**-3 219**	**-4 080**
Result from Discontinued Operations	3	-	-3,864	27 071
NET PROFIT/-LOSS		**-1 467**	**-7 083**	**22 991**
Basic earnings per share from continued operations		-0,08	-0,18	-0,23
Diluted earnings per share from continued operations		-0,08	-0,18	-0,23
Basic earnings per share including discontinued operations		-0,08	-0,40	1,31
Diluted earnings per share including discontinued operations		-0,08	-0,40	1,24

COMPREHENSIVE INCOME	01.01-30.06 2018 *(unaudited)*	01.01-30.06 2017 *(unaudited)*	01.01-31.12 2017
Gain/-Loss for the period	**-1 467**	**-7 083**	**22 991**
Other comprehensive income to be reclassified to profit or loss in subsequent period			
Translation difference	-1 191	2 277	3 574
Total other comprehensive income	**-2 657**	**-4 086**	**26 565**
Total comprehensive income for the period	**-2 657**	**-4 086**	**26 565**

Balance sheet – Assets

(Numbers in 1 000 NOK)	Note	30.06.2018 *(unaudited)*	30.06.2017 *(unaudited)*	NattoPharma 31.12.2017
NON-CURRENT ASSETS				
INTANGIBLE ASSETS				
Goodwill		7 178	7 223	7 426
Intangible Assets		33 121	38 958	36 759
TOTAL INTANGIBLE ASSETS		**40 299**	**46 181**	**44 185**
TANGIBLE ASSETS				
Operating equipment, fixtures and other equipment		1 133	2 066	1 715
TOTAL TANGIBLE ASSETS		**1 133**	**2 066**	**1 715**
FINANCIAL ASSETS				
Long Term Loan to Associated Company	3	51 750	-	57 500
Other Financial Assets		-	1 137	168
TOTAL OTHER NON-CURRENT ASSETS		**51 750**	**1 137**	**57 668**
TOTAL NON-CURRENT ASSETS		**93 182**	**49 383**	**103 569**
CURRENT ASSETS				
Inventory		9 443	4 513	12 953
Trade and Other Receivables [1)]		28 821	25 192	27 113
Cash & Cash Equivalents		13 992	11 236	13 558
TOTAL CURRENT ASSETS		**52 256**	**40 940**	**53 624**
TOTAL ASSETS		**145 438**	**90 324**	**157 193**

1) *See comments in Financial Review above, page 10*

Balance sheet – Equity and liabilities

(Numbers in 1 000 NOK)	Note	30.06.2018 *(unaudited)*	30.06.2017 *(unaudited)*	NattoPharma 31.12.2017
EQUITY				
PAID IN EQUITY				
Share Capital	4	54 773	52 688	54 368
Share Premium Reserve		118 346	113 087	118 346
TOTAL PAID IN EQUITY		**173 119**	**165 776**	**172 715**
OTHER EQUITY				
Accumulated Loss		-73 656	-98 076	-68 002
Translation Adjustment		5 101	4 994	6 291
TOTAL EQUITY		**104 564**	**72 694**	**111 004**
NON-CURRENT LIABILITIES				
Deferred Tax Liability		3 888	4 679	4 393
Deferred revenue from sale of business	3	22 002	-	22 002
TOTAL NON-CURRENT LIABILITIES		**25 890**	**4 679**	**26 395**
CURRENT LIABILITIES				
Trade Payables		12 902	9 511	14 526
Other Current Liabilities		2 082	3 440	5 268
TOTAL CURRENT LIABILITIES		**14 983**	**12 951**	**19 793**
TOTAL EQUITY AND LIABILITIES		**145 438**	**90 324**	**157 193**

Cash Flow Statement

(Numbers in 1 000 NOK)	01.01-30.06 2018 (unaudited)	01.01-30.06 2017 (unaudited)	01.01-31.12 2017
OPERATING ACTIVITIES			
Profit / -Loss before tax	-1 800	-7 412	22 312
Depreciation and amortization	3 694	3 644	7 364
Non-Cash items from sale of Pharma Business			-35 498
Changes in working capital items:			
Inventory	3 510	-746	-9 186
Trade and other receivables	-3 076	-1 948	-2 311
Trade payables	-1 624	-630	4 348
Other short-term items	-1 647	-2 045	-768
NET CASH FLOW FROM OPERATION ACTIVITIES	**-943**	**-9 136**	**-13 740**
INVESTMENT ACTIVITIES			
Investments in property, plant & equipment	-	-864	-864
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	**-**	**-864**	**-864**
FINANCING ACTIVITIES			
Proceeds from share issue / -Transactions Cost	405	-	6 939
NET CASH FLOW FROM FINANCIAL ACTIVITIES	**405**	**-**	**6 939**
Net change in cash and cash equivalents	-538	-9 999	-7 665
Effect of currency	972	1 417	1 405
Cash and cash equivalents 1.1	13 558	19 818	19 818
CASH AND CASH EQUIVALENTS PERIOD END	**13 992**	**11 236**	**13 558**

Changes in Equity

(Numbers in 1 000 NOK)	Share capital	Share premium	Other paid in equity	Accumulated loss	Translation Adjustment	Total Equity
Equity as per 01.01.2017	52 688	113 087	-	-92 286	2 717	76 207
Total comprehensive income for the period				22 991	3 574	26 565
Equity based remuneration				1 293		1 293
Share issue	1 680	5 320				7 000
Transaction costs		-61				-61
EQUITY AS PER 31.12.2017	**54 368**	**118 346**	**-**	**-68 002**	**6 292**	**111 004**
Equity as per 01.01.2018	54 368	118 346	-	-68 002	6 292	111 004
Total comprehensive income for the period				-1 467	-1 191	-2 658
Equity based remuneration				1 563		1 563
Effect from implementation of IFRS 9				-5 750		-5 750
Paid in, not registered share capital			405			405
EQUITY AS PER 30.06.2018	**54 368**	**118 346**	**405**	**-73 656**	**5 100**	**104 564**

Notes to consolidated accounts as per 30thJune 2018

1. ACCOUNTING PRINCIPLES

General

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 31. December 2017. From Q3 2013, the company is a group with subsidiaries in the USA and Cyprus, respectively NattoPharma USA, Inc. and NattoPharma R&D Ltd.

Except for the implementation of the new standards IFRS 9 and IFRS 15 the interim consolidated accounts for the six months ending 30 June 2018 have been prepared in accordance with accounting principles used in the annual financial statements for 2017.

Under IFRS 9 Financial Instruments, NattoPharma made an adjustment to the opening balance of the group's equity at 1 January 2018 of NOK 5,75 million. We refer to the 2017 annual report (page 19) for further details of the opening adjustment and the implementation effects on the financial statements.

IFRS 15 Revenue from Contracts with Customers is a based on a five-step model to determine the timing of revenue recognition from contracts with customers. The core principle is that revenue is recognised when control of a good or service transfers to a customer. As stated in the 2017 annual report the financial statements will not be significantly impacted by implementing IFRS 15, and there was no adjustment to the opening retained earnings as at 1 January 2018. For the sales of all goods in the 6 months period ended 30 June 2018, control of the assets was transferred to the customer within the same period and hence the corresponding revenue recognised.

Investments in associated companies

An associated company is an entity over which the Group has significant influence and that is not a subsidiary or a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without the ability to have control over those policies. Significant influence normally exists when the Group has 20% to 50% voting power through ownership or agreements. Investments in associated companies are accounted for using the equity method.

The interim report, which is not audited, was approved by the company's board of directors on 21st August 2018.

2. SEGMENT AND REVENUE REPORTING

Effective 1st January 2017 the company established two segments, supplement and pharma, where the management made separate decisions with regards to allocation of resources and investments. Since the sale of the pharma business in December 2017 to PharmaCo AS the company operates only one segment for reporting purposes. The company offers vitamin k2, in natural and synthetic form, in several different geographic markets. Management considers risk profile and profitability to be approximately equal in all these geographic markets. Management and Board therefore consider the company's operations as a unit in assessments and decisions regarding allocation of resources and investments.

3. ASSOCIATED COMPANIES

NattoPharma sold the pharma business to PharmaCo AS in a transaction that was signed on December 15th, 2017 and was effective from December 27th, 2017 after completion of several closing conditions related to the transaction. PharmaCo AS has later changed name to Kaydence Pharma AS.

NattoPharma owns 45,85% of Kaydence Pharma AS and has through this ownership significant influence in the company but are not in control. The investment in Kaydence Pharma AS is recognized using the equity method, and due to a deferred gain on the initial transaction, the investment currently holds a zero book-value in the consolidated accounts. The deferred gain is booked net of the initial investment and is recognized in the balance sheet as a liability of NOK 22m.

Kaydence Pharma AS has a long-term liability to NattoPharma ASA per 30.06.2018 of NOK 57,5 million, which is representing a seller's credit for the acquisition of the pharma business in December 2017. According to the Loan Agreement between NattoPharma ASA and Kaydence Pharma AS, the credit expires within 7 years from date of payment and the liability should be repaid over 6 yearly instalments starting at the second anniversary date for the loan agreement. Kaydence Pharma AS will have the obligation to perform early repayments in the event of capital injections to the company where NattoPharma will be entitled to 20% of the proceeds, limited to NOK 10 million per event until the whole loan balance is repaid.

In conjunction with the implementation of the new accounting standard, IFRS 9, this loan receivable has been tested for potential impairment, and management has assessed the risk to be limited. Based on this a general 10% impairment has been recognized in the opening balance of 2018, and hence, the carrying value of the loan at 30.06.2018 is NOK 51,75m.

The result from the previous pharma activity was in the 2017 accounts presented as discontinued business. The following table summarizes the impact in the first half of 2018 versus 2017.

(Numbers in 1 000 NOK)	**01.01-30.06 2018**	**01.01-30.06 2017**
Gain on sale of pharma business	-	-
Personnel Cost	-	-1 435
Other Operating Expenses	-	-2 429
RESULT FROM DISCONTINUED OPERATIONS	**-**	**-3 864**

4. SHARE CAPITAL

As outlined in the 2017 Annual Report the share issue to Synergia Life Sciences Pvt Ltd via a private placement was registered for trade in VPS on 2nd February 2018 once Synergia were successful in acquiring a Norwegian securities account (VPS account).

In May of this year it was announced that Christopher von Schirach-Szmigiel, at the time a board member of NattoPharma ASA, exercised options granted to him in the Annual General Meeting in 2016. In board proceedings on May 8th the Board of Directors approved the issue of 50 000 new shares, each with a face value of NOK 3 per share. The price to be paid for each share is NOK 8.78 per share. As at 30th June 2018 due to unexpected factors outside the control of NattoPharma ASA this share issue has not yet been completed. Once the share issue is completed the share capital will be increased by NOK 150,000 and the new share capital for the company will be NOK 54,539,799 divided into 18,179,933 shares, each with a face value of NOK 3.

As per June 30th, 2018, the share capital is NOK 54,389,799 based on a total number of shares issued equal to 18 129 933 each with a face value of NOK 3.

An updated list of the largest shareholders is available on the corporate website – www.nattopharma.com

5. RELATED PARTIES

The table below details the options granted to the executive management team in board proceedings on 7th February in line with the option program related to defined operational objectives which was approved by the Board of Directors in 2017. The options have an exercise price equal to the closing price on Oslo Axess on February 7th, 2018, which is equal to NOK 9,05. The options granted are vested immediately and may be exercised up to and including March 31st, 2023. Please note that effective 5th June 2018 Daniel Rosenbaum was appointed as the permanent CEO of Kaydence Pharma AS and as of this date no longer forms part of the NattoPharma executive management team.

	Options	2018			Options
Name	1.1.18	Granted options	Exercised options	Expired Options	30.06.18
Daniel H Rosenbaum	163 000	165 950	-	75 000	253 950
Kjetil Ramsøy	74 000	88 600	-	37 500	125 100

The following tables provide the total amount of transactions with related parties for the first 6 months of 2018.

		Balance	Transactions			
Entity	Related Party	30.06.2018	Sales	Purchases	Loans	Interest
Bohan & Co AS	F. Bohan		242			
TG Montgomery AS	F. Bohan	739	743			
Kaydence AS	Associated entity	59 677	2 514		57 500	1 426

All numbers in NOK 1,000

Description:
1. Bohan & Co AS. Frode Bohan owns 100% of Bohan & Co AS.
2. TG Montgomery AS purchases K2 and some consultancy services from NattoPharma. Frode is a major shareholder of TG Montgomery AS.
3. Kaydence Pharma AS is an associated entity created through a spin-off of the pharmaceutical business from NattoPharma in December 2017. NattoPharma ASA controls 45,85% of the shares in Kaydence Pharma AS at 30th June 2018.

6. EVENTS AFTER BALANCE DATE

On 2nd July 2018 NattoPharma received a short-term loan of NOK 6,5 million from Pro AS at an interest rate of 5% and which is due for repayment on 1st November 2018. This was done to cover a short term working capital need in conjunction with securing more product. Pro AS is 100% owned by board member Sjur Thorsheim.

NattoPharma has on August 22nd applied to Nasdaq First North for a delisting of the company's shares on the stock exchange. The reasoning behind this decision is that the company is primarily listed on the Oslo Axess, and due to the low trading volume of shares on both Oslo Axess and Nasdaq First North, the Board wishes to consolidate all trading into one marketplace, with the aim of increasing the trading activity and thus providing shareholders a better opportunity to buy and sell shares in the company.

There are no other material events that have taken place after the balance date which is not accounted for above.

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Alternative Performance Measures

The financial information for the NattoPharma group is prepared in accordance with International Financial Reporting Standards (IFRS). In addition to the ordinary financial performance measures prepared in accordance with IFRS, management believes that alternative performance measures (APM) which are not defined in any IFRS standard provide additional information which is useful to both management and shareholders in enhancing the understanding the group's performance. NattoPharma uses the following APMs:

Gross Profit (Margin)

The gross profit margin is the product sales revenue less the cost of goods sold, so the residual profit after selling a product and subtracting the costs associated with its production and sale.

	NattoPharma	
(Numbers in 1 000 NOK)	**01.01-30.06 2018** *(unaudited)*	**01.01-30.06 2017** *(unaudited)*
REVENUE		
Revenue	47 193	30 611
Other revenue		
TOTAL OPERATIONAL REVENUE	**47 193**	**30 611**
OPERATING EXPENSES		
Cost of goods sold	-27 529	-16 601
TOTAL COST OF GOODS SOLD	**-27 529**	**-16 601**
GROSS PROFIT	**22 001**	**14 010**
GROSS MARGIN	41,7%	45,8%

EBITDA and EBITDA (adjusted)

EBITDA is defined as earnings before interest, tax, depreciation and amortization and measures profitability before the impact of financing methods, income taxes, depreciation of capital assets and amortization of intangible assets. Adjusted EBITDA is used to evaluate profitability from operating business activities and so excludes the non-cash cost related to the options program.

	NattoPharma	
(Numbers in 1 000 NOK)	**01.01-30.06 2018** *(unaudited)*	**01.01-30.06 2017** *(unaudited)*
REVENUE		
Revenue	47 193	30 452
Other revenue	2 337	159
TOTAL REVENUE AND OTHER INCOME	**49 530**	**30 611**
OPERATING EXPENSES		
Cost of goods sold	-27 529	-16 601
Salaries and benefits	-14 244	-8 331
Other operating expenses	-6 819	-5 517
TOTAL OPERATING EXPENSES, excl. Depreciation & Amortization	**-48 593**	**-30 448**
EBITDA	**937**	**163**
EBITDA Margin	1,89%	0,53%
Non-Cash Cost for Options program	1 563	1 293
Adj. EBITDA	**2 500**	**1 456**
Adj. EBITDA Margin	5,05%	4,8%