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Interim Report Q2 2019

21 August 2019

Kjetil Ramsøy
Chief Executive Officer

Martin Lycke
VP Finance

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Vitamin K2 as MK-7

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Agenda

- Operational highlights
- Financial highlights
- Q&A

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Highlights

- Continued growth and profitability
- Expect stronger H2 compared to H1 as more raw material will come available
- US continue to lead growth, followed by compelling development in other select markets
- Continue to lead the market awareness by publishing articles and press releases in industry magazines and other media channels
- Continuing our work to establish an RDI (Recommended Daily Intake) for vitamin K2 MK-7 in collaboration with our partners in the University of Maastricht and the Horizon 2020 program

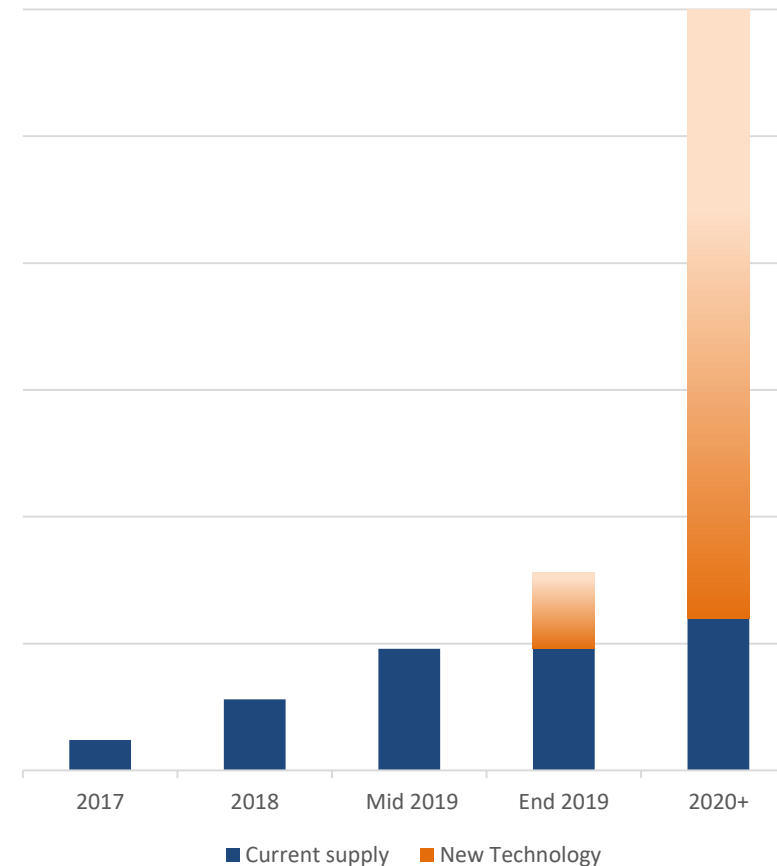
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Synthetic Production Capacity

- **Synthetic capacity build up process:**
 - During 2018 the production capacity more than doubled compared to previous year.
 - This has further increased in 2019 to a total volume capacity of ~4x the capacity in the beginning of 2018.
 - The New Technology is our new and enhanced version of our own patented synthesis process and allows us to deploy the technology at any CMO of choice in the future.
 - This increases flexibility and scalability – hence the faded bar on the future capacity as this is truly limited only by the demand curve.

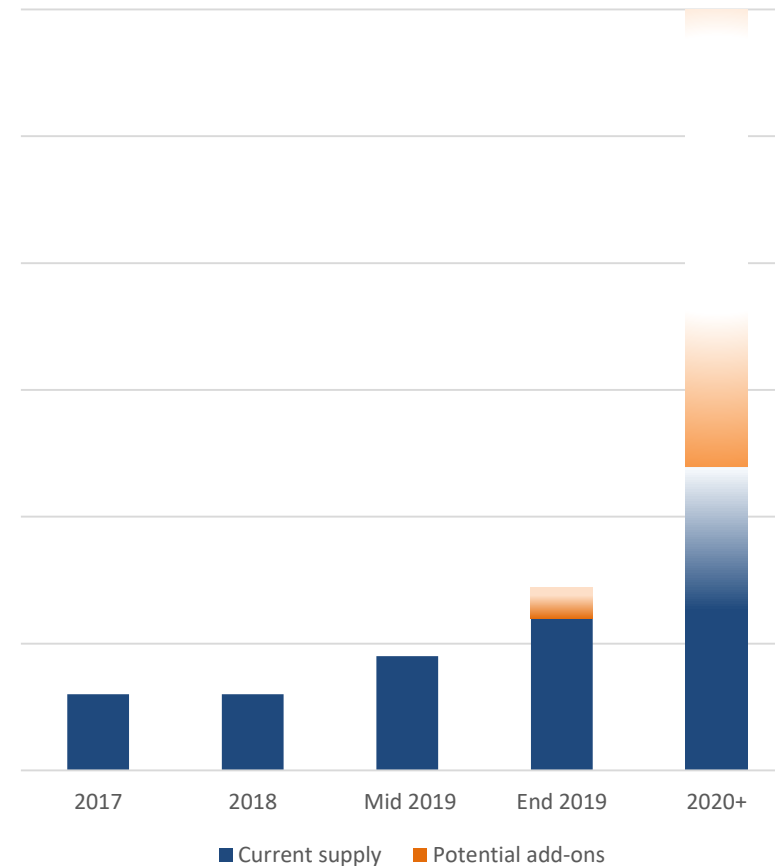
Annual Production capacity in KG's



Natural Production capacity

- **Natural capacity is also being built up:**
 - Our partners investment in the current plant has doubled capacity compared to 2018. This ramp up is now completed and production has started on the newly installed equipment.
 - During Q1 2020 there will be another plant finalized with redundant capacity to either increase production, or step in if the current plant run into any unforeseen problems.
 - New sources are being qualified and can be commissioned if NattoPharma see the need based on future demand.

Annual Production capacity in KG's



New ingredient

- Initial in-vivo studies completed with very compelling results suggesting greater bioactivity compared to existing products in the market today.
- Two new human studies are initiated – first results expected towards end of 2019.
- Pending positive results from these studies – pre-sale to select customers will commence and commercial revenue is expected to start towards end of first half 2020.

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Financial highlights

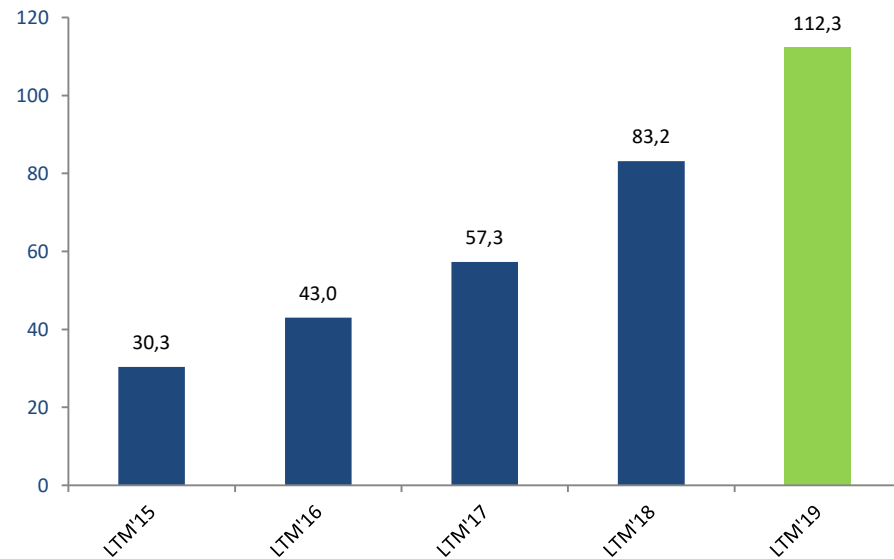
Martin Lycke
VP Finance

Highlights

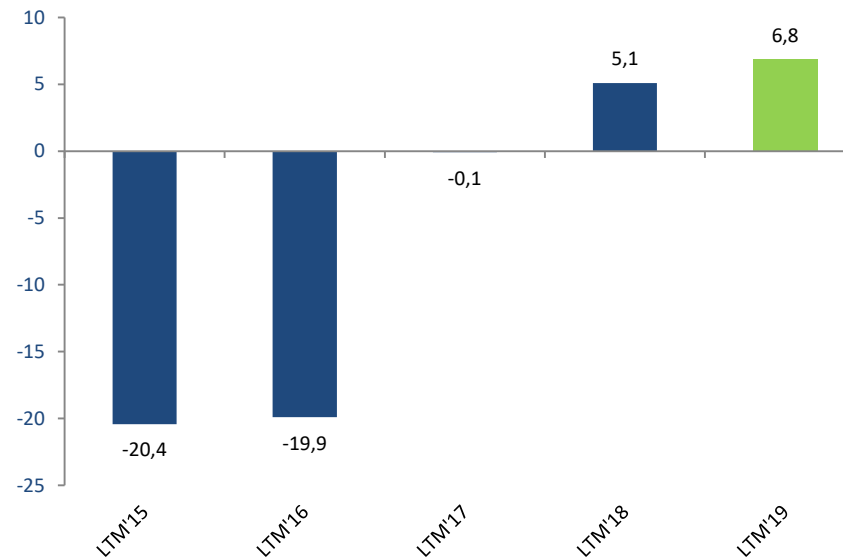
Profitable growth

- Revenues: NOK 30,0 mill. (27,4) in Q2 – up 10 %, rolling 12-months (LTM) NOK 112,3 mill. (83,2) - up 35%
- EBITDA (adj.): NOK 0,9 million (2,1) in Q2, LTM NOK 6,8 mill (5,1)
- Solid financial position with equity ratio of 70 %

Operating Revenue (LTM)



EBITDA (adj.) (LTM)



Profitability

Gross margins

- 39.2% (41.9%) in Q2.
- Customer and product mix in the period under expectations, caused by the delay of sales to two key customers and sales mix of other customers and products. Supply chain situation is more stable but as expected tight on some products as we continue to see increased demand.

OPEX (adj.)

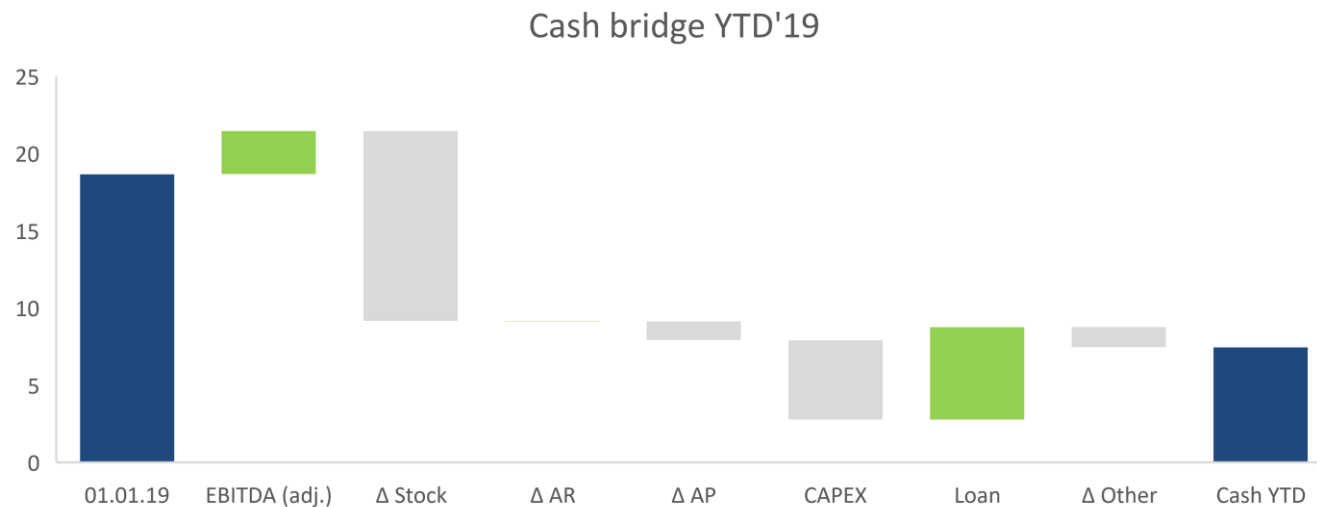
- NOK 10.8 million (9.4) in Q2.
- On par with development H2'18 and Q1'19. Q2 impacted by attendance at trade shows (VitaFoods). We continue to “spend where it matters”, finding the balance between investing for the future and keeping the cost base slim to ensure profitable growth.

EBITDA (adj.)

- NOK 0.9 million (2.1 million) in Q2.
- Top line and mix impacting EBITDA this quarter.

Cash

- Cash situation is tight, but in accordance with the 2019 plan
- Operational cash flow year to date of -12,5 mNOK impacted mainly by building of stock – we aim to build down inventory slightly going forward.
- We are still considering securing additional financing
- CAPEX largely related to phase 2 of the synthetic K2 development project, which is progressing well. Full scale production being evaluated based on demand.



Outlook

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- The delay of deliveries to two customers meant the second quarter came in slightly weaker than anticipated. Although we expect demand from these customer to pick up again towards the end of the year and in early 2020, we are now scheduling a growth for the full year of 20-30%.
- We maintain guiding on gross margin of 40-45%.
- Supply situation is comfortable going into the second half of the year
- Careful tracking of OpEx. We have flexibility to adjust and monitor this closely to ensure we grow profitably.
- Next planned update to guiding in conjunction with the Q3 report in November, 2019.

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Q & A Session

Kjetil Ramsøy
Chief Executive Officer