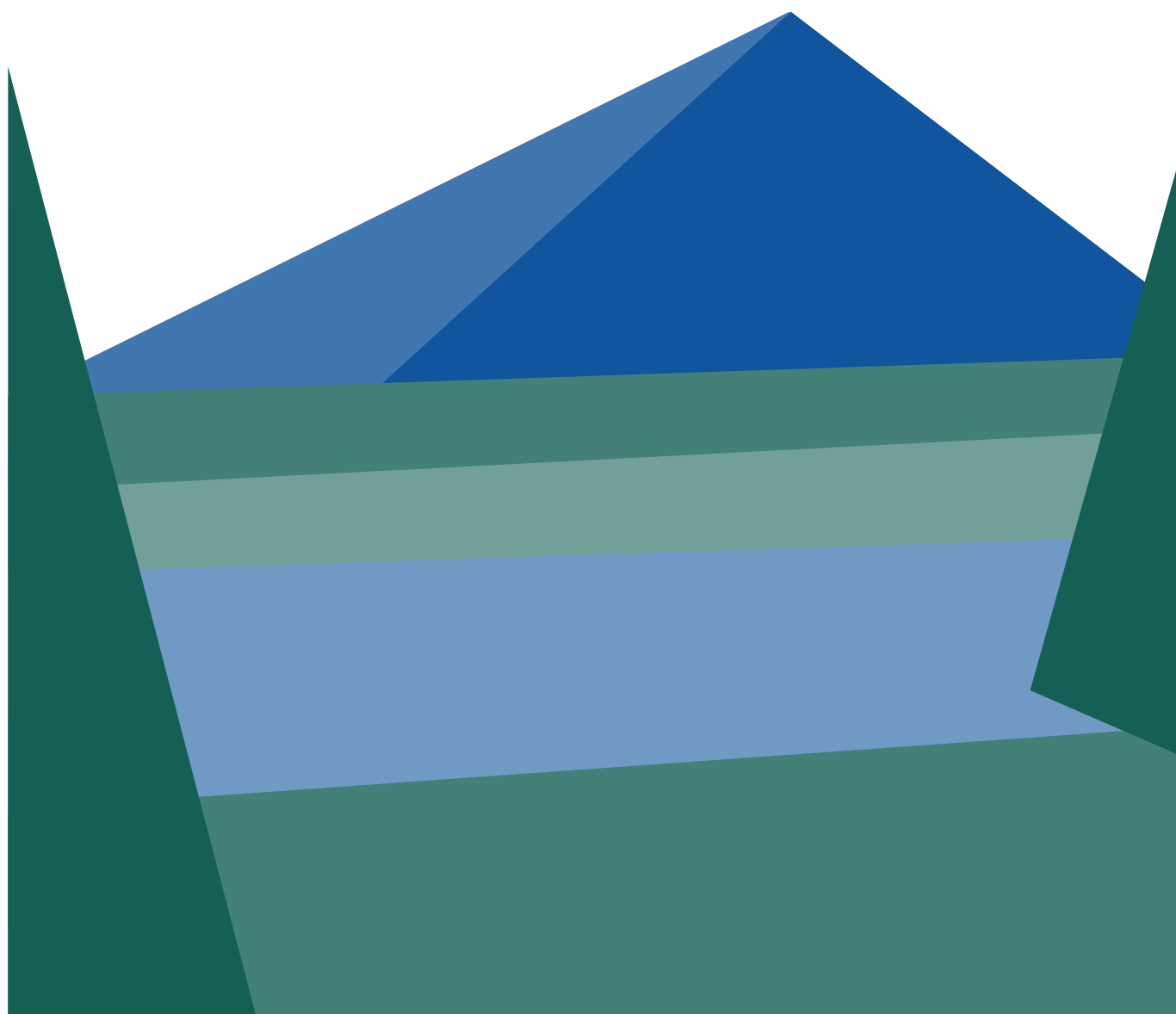


NattoPharma

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**2020**

Half Year Interim Report



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# KEY FIGURES

All amounts in NOK mill.

Amounts in NOK mill.	Q2'20	Q2'19	YTD'20	YTD'19	2019	2018
Operating Revenue	48.4	30.0	104.6	57.8	127.1	101.7
EBITDA	4.0	0.5	14.1	2.1	7.5	5.1
Adj. EBITDA	6.2	0.9	16.7	2.8	8.2	6.7
Earnings Before Interest and Tax (EBIT)	1.9	-1.5	10.0	-2.0	-0.5	-2.2
Earnings Before Tax (EBT)	23.1	-1.4	33.6	-1.8	-14.1	1.0
Net Profit/(Loss)	23.2	-1.3	33.1	-1.4	-13.7	1.7
Adj. EBITDA Margin	12.9%	3.0%	16.0%	4.8%	6.5%	6.5%
Gross Margin Operating Revenue	40.2%	39.2%	41.3%	41.5%	40.0%	43.1%
Equity Ratio	74.7%	70.5%	74.7%	70.5%	63.2%	74.5%
Interest-Bearing Debt	8.0	6.2	8.0	6.2	6.0	0.0
Cash Flow from Operating Activities	14.1	-7.2	-0.2	-12.5	6.4	6.5
Net Cash Flow	11.2	-8.4	8.5	-12.5	-4.0	5.1
Share Price	16.00	10.10	16.00	10.10	7.50	8.10
Shares Issued (1000)	19 540	18 180	19 540	18 180	18 180	18 180
Market Value (NOK 1000)	312 639	183 617	312 639	183 617	136 349	147 257
Earnings per Share	1.19	-0.07	1.69	-0.08	-0.75	0.09

\*) Pro-forma after spin-off of pharma business into Kaydence Pharma AS in 2017



Q2 Operating Revenue up 61% to **NOK 48.4 mill**  
YTD Operating Revenue up 81% to **NOK 104.6 mill**



YTD Adj. EBITDA of 16.0% at **NOK 16.7 mill**, up from **NOK 2.8 mill**



Q2 Net Profit of **NOK 23.2 mill**, up from **NOK -1.3 mill**

# 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.

- 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.



# BUSINESS UPDATE

“We continue to deliver strong growth and profitability during these unprecedented times. A first six months revenue of almost NOK 105 million with an adjusted EBITDA of close to NOK 17 million is further evidence of the hard work put in by the NattoPharma team over the last few years.”

While we are still seeing the global impact of the COVID-19 crisis all over the world we continue to see strong performance in our business. Our revenue for the first six months closed at NOK 104.6 million which is a growth of more than 80% compared to the same period last year. Revenue in the second quarter ended at NOK 48.4 million, compared to NOK 30.0 million in the same period last year. Adj. EBITDA for the first six months came in at NOK 16.7 million which is up from NOK 2.8 million in the first half of 2019. Second quarter Adj. EBITDA is NOK 6.3 million, up from NOK 0.9 million in the second quarter last year. Our Adj. EBITDA as a percentage of Revenue is 16% for the first six months, which is slightly higher than our previous guiding. Our operating cost is under control and adjusted for special items, our OpEx/Revenue ratio is well below 30%.

The volume in H1'2020 is 65% higher than the same period last year and the mix between Natural and Synthetic has shifted to being more Natural than Synthetic. This has also positively impacted the average unit price as the Natural products are higher priced than the Synthetic products. When measured in USD, looking at the average price per unit, we see that the overall unit price is roughly at the same level as in H1'2019. As volumes keep going up there is a risk that market price will be under pressure, and the average unit cost in USD will decline compared to current levels. This price erosion is expected to be rectified through increased volumes with less or no increase in Operating Expenses, enabling us to maintain or improve our Adjusted EBITDA levels. This is made possible by focused growth and good cost control.

The COVID-19 situation has not significantly impacted the operations in the period, and we have, with a few exceptions, been able to deliver on all open orders since the global lockdown started early March without any significant delay. The continued lockdown in certain areas, such as India, is slowing down the supply chain to some extent, but goods keeps flowing and we do not expect any significant impact to the business in the next period, this is barring any unforeseen escalation of the global lockdown hitting the world due to a potential second wave of the virus.

On July 1<sup>st</sup> we announced the grant of research funding estimated to be NOK 15 million from the Norwegian Research Council, enabling us to start a multi-year R&D project to further strengthen our leading position in the global K2 industry. We cannot share too many details about the project at this stage due to trade secrets, but we are extremely excited about the opportunity this provides us with, as the expected results from this project will be of high value to the company in the years to come. With the support provided from the Research Council we will recover most of the external cost in the project, and hence the impact to our cash flow will be limited in the period compared to our normal operations. On June 24<sup>th</sup> we announced an exclusive partnership with KD Nutra, a KD Pharma Group company, to develop the market for KD Nutra's KD-PÜR® high concentrate omega-3s with NattoPharma's category leading nature-identical vitamin K2, MenaQ7® PharmaPure MK-7. Although it is early in the process, and the market is developing, the expectation is that this novel combination will provide an example for formulators to replicate incorporating vitamin K2 and omega-3s in general in multiple different applications.





### **The Kappa Bioscience announcement**

On May 28<sup>th</sup> Kappa Bioscience AS announced an unconditional offer to acquire up to approx. 2.15 million shares in NattoPharma at a price of NOK 12.75 per share. In addition they announced the intent to extend a voluntary offer to acquire all shares in the company for the same price, provided that certain conditions were met. One of these conditions was related to the Board of Directors of NattoPharma granting Kappa Bioscience access to perform a due diligence of NattoPharma with a satisfactory outcome. The Board of Directors of NattoPharma assessed the offer to be significantly lower than what the underlying values of NattoPharma represent, and did not consider it attractive for the shareholders. It was neither considered prudent to let Kappa Bioscience, as one of the main competitors to NattoPharma's business, get access to perform such a due diligence, in relation to an offer that was considered unattractive, as this would potentially provide access to business critical information which should not be shared with such a competitor.

Based on this the Board of Directors announced on May 29<sup>th</sup> that it rejected the request for a due diligence and also advised all shareholders not to sell their shares to Kappa Bioscience at the price offered as this is not considered to represent the correct value on the company.

On June 11<sup>th</sup>, the day before the initial expiry date of the unconditional offer, the NattoPharma Board of Directors received a letter from Kappa Bioscience where Kappa alleges that NattoPharma appears to be in infringement with Kappa's not granted European patent application no. 15193746.3 (EP3018116) and potentially also their granted European patent no. EP-B-2346806, and Kappa requires that NattoPharma shall cease and desist from any infringing activity, and if not legal action will be initiated if the patent application is granted. The patent application and the granted patent relates to processes for the preparation of synthetic vitamin K2.

The NattoPharma Board of Directors carefully assessed the letter from Kappa, and the Board is comfortable with the position of NattoPharma and that the content of Kappa's letter will not have a material negative effect on NattoPharma's operations. The Board therefore, in a press release on June 11th, announced that it unanimously maintain its recommendation to the shareholders to not accept the offer as it in the opinion of the Board is significantly below the underlying values of NattoPharma.

After extending the offer period for the unconditional offer on June 12<sup>th</sup> till June 26<sup>th</sup>, Kappa Bioscience announced on June 26<sup>th</sup> that they withdrew their offer based on the limited accept they have received. This after first flagging an ownership of 5.05% earlier in the day. Kappa Bioscience maintain in the press release their view on NattoPharma being a good strategic fit to their business. No action has to our knowledge been taken post this announcement.

As a reaction to the announcement from Kappa Bioscience on May 28<sup>th</sup> the Board of Directors in NattoPharma subsequently announced the appointment of ABG Sundal Collier to provide support in a strategic review of the company and its opportunities to better reflect the underlying values of NattoPharma. A full strategic review is in its nature time consuming and it is still ongoing when the first half year report is being published and no guidance can be provided at the current time for when the strategic review will be completed and the outcome of the process. The Board is, together with ABG Sundal Collier, looking at all alternatives for how to position the company going forward. This includes the alternatives of continuing the organic growth as is or, to the other extreme, recommend a sale to a potential buyer, provided that the price is considered to be attractive to the shareholders compared to the available options.

Following the announcement from Kappa Bioscience the trading in the NattoPharma share has increased significantly, and the share price has increased to levels well above the price offered by Kappa Bioscience. This underscores the Board of Directors assessment when the recommendation to reject the offer from Kappa Bioscience was announced on May 29<sup>th</sup>, and again on June 11<sup>th</sup>, and supports the assessment of NOK 12.75 per share being far below the expected value of the company.

### **Kaydence Pharma**

On June 30<sup>th</sup> we announced that we have converted a NOK 4 million receivable in Kaydence Pharma to new equity at a conversion rate of NOK 5 per share, issuing 800 000 new shares in Kaydence Pharma at a nominal value of NOK 1 per share. With this increased shareholding, NattoPharma now holds more than 54% of the company, and has in addition taken control in the Board of Directors in Kaydence Pharma by appointing a new board. This is done for two reasons; one is the general strengthening of the Kaydence Pharma financial position and the second is to assume control so that NattoPharma protect the rights and ownership to the patent portfolio in Kaydence Pharma going forward. As Kaydence Pharma has suspended all activities, it is of highest interest for NattoPharma to ensure these patents do not end up in the hands of a competitor through a bankruptcy or other transfers of assets from Kaydence Pharma to a third party.

### **Market Update**

While COVID-19 has led to the cancellation of all in-person industry events, NattoPharma has been executing its marketing initiatives to remain at the forefront for the industry, which resulted in excellent coverage to support our sales efforts.

We obtained a unique opportunity for the Vitafoods issue of Ingredients Insights. This package included a 600-word “thought leadership” article and full-page ad that lead into an independent World Health Organization (WHO) article on Vitamin K, as well as a banner ad on the home page of Ingredients Insight website for 6 months (June - December).

We also participated in a retailer-facing online opportunity called “The Nourish Mint” with the Organic and Natural Health Association in the United States. This was a webinar series of 10 3-minute pitches to an audience of natural products retailers (60%), natural product manufacturers (25%), and ingredient suppliers (15%). Ours was the only Vitamin K2 presentation and was well received by the organizers and attendees.

NattoPharma is also introducing selective new marketing strategies to support our sales team and create new opportunities that would allow us to push our education message while also connecting with buyers in a new way:

- NattoPharma is organizing the first of 2 webinars on the Xtalks platform, which will go live in September 2020, and have until May 2021 to launch our second. These tailored webinar campaigns will generate quality leads allowing us to increase global reach. With a guaranteed audience of 50 key decision makers (potentially 150 attendees), NattoPharma will receive a full report of attendee contact details and questions asked.
- NattoPharma made the decision to sell select MenaQ7 varieties on Alibaba.com, which was named “Best B2B Website in the World” by Forbes 8x in a row. Alibaba.com provides a network of 10M+ active buyers in 190+ countries, the group invests >\$100M in driving new buyer traffic each year, and buyers are Geotargeted based on URLs.

## New Ingredient

In the previous update we announced that due to COVID-19 we are delayed on completing the clinical studies ongoing for the new ingredient. During the period since we have been able to complete one of the three studies, providing preliminary results in the pharmacokinetic human study, and some indicative information in the one human clinical trial. These data, while impacted by the COVID crises, show good results compared to already established reference products in the market. We will continue to work with our partners to validate the compelling background to the strength of our product, supported by our long reputation of promoting only clinically validated products with proven results.

The intention to launch this ingredient in the D2C segment is still being considered, and will be decided upon once the ingredient has been successfully launched in the B2B industry. As previously communicated the launch in the D2C segment will likely be limited to a specific region in the beginning to be able to adopt to the mode of operations compared to the B2B business.

## Outlook

The outlook for the remainder of the year is good, and based on the performance in the first half year and the ongoing development in the market, we adjust our expectations on YoY growth to now be an annual growth of 50% to 60% compared to the full year 2019. We are though cautiously following the development in the market to see how it develops as the COVID-19 situation continues. There is a significant risk which we cannot control at this time related to the long-term effects to the demand, and hence also impacting the guiding for the rest of the year. We will monitor this development and will update our guiding again when we do our Q3 reporting later this year. The Adj. EBITDA is further expected to be between 13% and 18% as, up from previous guiding at the Q1'20 reporting. This guiding on revenue and margin is only related to the current K2 business, and any impact of a launch of a new ingredient is not taken into account within these numbers.



**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 UPDATE

This interim report relates to NattoPharma's performance in the second quarter and first half of 2020 relative to the second quarter and first half of 2019.

## Use of Alternative Performance Measures (APM)

NattoPharma uses APMs on certain key performance metrics. These will be noted as "Adjusted" figures in the report. Please refer to [page 24](#) in the interim report for a summary of these measures.

## INCOME STATEMENT

### Revenues

NattoPharma reported a product revenue of NOK 48.4 million in the quarter, an increase of 61% compared to the same period last year. Year to date, sales are up 81%. The growth has been across all geographical areas. For H1-2020 we see that Asia Pacific is leading the relative growth whereas the Americas are vastly contributing most in volume growth in the first six months in 2020. The growth is driven for the majority by organic growth in line with the overall demand increase we see in the K2 market. The weak position of the NOK also contributes as the sales are largely dominated in USD or EUR. Unlike Q1 2020 we have not seen any continued hoarding behaviour as result of COVID-19 and the demand has normalized during Q2 2020. Other revenue represents services and other recharges to related parties.

<i>Amounts in NOK mill.</i>	Q2'20	Q2'19	Change	YTD'20	YTD'19	Change	2019
Operating Revenue	48.4	30.0	18.4	104.6	57.8	46.9	127.1
Other Revenue	1.3	1.1	0.2	2.3	2.1	0.2	4.0
<b>Total Revenue</b>	<b>49.7</b>	<b>31.1</b>	<b>18.6</b>	<b>106.9</b>	<b>59.8</b>	<b>47.1</b>	<b>131.2</b>

### Operating Expenses

The total OpEx development is summarized below:

<i>Amounts in NOK mill.</i>	Q2'20	Q2'19	Change	YTD'20	YTD'19	Change	2019
Adj. Personnel Cost	7.9	6.0	1.9	16.6	12.9	3.7	26.3
Adj. Other OpEx	5.3	4.8	0.5	9.8	8.3	1.5	16.3
<b>Adj. Total OpEx</b>	<b>13.2</b>	<b>10.9</b>	<b>2.4</b>	<b>26.4</b>	<b>21.2</b>	<b>5.2</b>	<b>42.7</b>
As % of Operating Revenue	27.3%	36.2%	-8.9%	25.3%	36.7%	-11.4%	33.6%

Operating expenses include recharges made to related parties, non-cash cost related to share options granted to management and employees, and costs related to the strategic review of the company. Above is a summary of the OpEx development adjusted for these items.

The increase in Personnel Cost is mainly related to the impact of the weak NOK against the USD and EUR and the hiring of additional personnel to support the growth and strengthen the focus on the supplement/nutraceutical segments. Further we see an increase in our R&D related costs in the quarter partly offset with the lower marketing costs as a result of all trade shows being rescheduled and/or canceled, and very limited travel costs. Other OpEx is also impacted negatively by the change in USD and EUR exchange rate.

The improved Opex as % of Operating Revenues is in line with our expectations at the reported revenue levels. We will continue to optimize our expenditure and improve OpEx as % of operating revenue.

## Profitability

Adjusted Earnings Before Interest, Tax & Depreciation (Adj. EBITDA) was positive with NOK 6.2 million for the period. This compares to NOK 0.9 million for the same period last year. YTD Adj. EBITDA is at NOK 16.7 million representing a 16% Adj. EBITDA margin.

Earnings before Tax (EBT) was NOK 23.1 million in the period, compared to NOK -1.4 million in 2019. EBT is mainly impacted by the reversal of the impairment in Kaydence Pharma AS.

<i>Amounts in NOK mill.</i>	Q2'20	Q2'19	Change	YTD'20	YTD'19	Change	2019
Adj. EBITDA	6.2	0.9	5.3	16.7	2.8	14.0	8.2
Adj. EBITDA Margin	12.9%	3.0%	9.9%	16.0%	4.8%	11.2%	6.5%
EBITDA	4.0	0.5	3.5	14.1	2.1	12.0	7.5
EBITDA Margin	8%	2%	19%	13%	4%	26%	6%
EBT	23.1	-1.4	24.5	33.6	-1.8	35.3	-14.1
EBT Margin	46%	-4%	132%	31%	-3%	75%	-11%

## BALANCE SHEET

### Assets

Total assets at the end of the period were as follows:

<i>Amounts in NOK mill.</i>	H1'20	H1'19	Change	2019	Change
Non-Current Assets	96.8	85.9	10.9	83.9	12.9
Current Assets	103.8	67.3	36.5	76.6	27.2
<b>Total Assets</b>	<b>200.6</b>	<b>153.2</b>	<b>47.4</b>	<b>160.5</b>	<b>40.1</b>

Cash and cash equivalents increased by NOK 11.2 million in the quarter to NOK 23.7 million at June 30<sup>th</sup>, 2020. See more in the Cash flow chapter below.

Trade receivables from the sale of products are NOK 36.6 million at the end of the period and has come down with NOK 1.6 million at the end of the previous quarter. Management believes there is very low risk related to recoverability of trade receivables, with very low historical losses, and increased collection efforts in the last quarters.

Other receivables of NOK 13.2 million consist of accruals for SkatteFUNN, prepayments, VAT assets and other receivables. The prepayments mainly relate to 2020 services and events/tradeshows.

The Group has not recorded any deferred tax assets. Per December 31<sup>st</sup>, 2019, the Group had carry-forward tax losses of NOK 186.4 million, and an unrecognized deferred tax asset of NOK 41.0 million.

## Equity and Liabilities

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

<i>Amounts in NOK mill.</i>	H1'20	H1'19	Change	2019	Change
<b>Total Equity</b>	<b>149.8</b>	<b>108.0</b>	<b>41.8</b>	<b>101.3</b>	<b>48.4</b>
Non-Current Liabilities	3.0	16.5	-13.4	15.7	-12.7
Current Liabilities	47.8	28.8	19.0	43.4	4.4
<b>Total Equity and Liabilities</b>	<b>200.6</b>	<b>153.2</b>	<b>47.4</b>	<b>160.5</b>	<b>-8.3</b>

NattoPharma continues to maintain a strong financial position, with an equity ratio of 74.7 %, compared to 63.2% as per December 31<sup>st</sup>, 2019. The change is driven by the strong result in the first six months, the Kaydence Pharma AS reversal of impairment and the conclusion of the 1 360 000 new shares that have been issued during the first six months as part of a private placement on January 7<sup>th</sup>, 2020 and exercise of share options.

The increase in current liabilities is in line with the activity levels during H1 2020 and reflect the favorable payment terms that we have been able to achieve with some of our main suppliers. The amounts largely relate to trade payables and other operational accruals.

## Cash Flow

The cash flow in Q2 shows a strong development on the cash flow from operating activities at NOK 14.1 million. This is despite that we have been able to retain strong inventory levels.

During the second quarter the Group has done some capital expenditure to complete the last stages of development of the synthesis improvements.

In May the Group was granted a loan by the US government under the Payment Protection Program of approx. USD 180K. The loan is to cover payroll and certain other fixed cost for our US operations. The Company may qualify for loan forgiveness for (a portion of) the loan later in the year. The loan has an interest of 1% and a term of 2 years.

Cash will be sufficient for working capital purposes going forward.

<i>Amounts in NOK mill.</i>	Q2'20	Q2'19	Change	YTD'20	YTD'19	Change	2019
Cash Flow from Operations	14.1	-7.2	21.4	-0.2	-12.5	12.3	6.4
Net Cash Flow	11.2	-8.4	19.6	8.5	-12.5	21.0	-4.0

# CONDENSED CONSOLIDATED STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF INCOME

Amounts in NOK 1000	Note	Q2'20 (unaudited)	Q2'19 (unaudited)	YTD'20 (unaudited)	YTD'19 (unaudited)	2019 (audited)
<b>Revenue</b>						
Operating Revenue	2	48 383	29 996	104 648	57 767	127 119
Other Revenue	2	1 281	1 102	2 281	2 078	4 031
<b>Total Operating and Other Revenue</b>		<b>49 664</b>	<b>31 098</b>	<b>106 928</b>	<b>59 845</b>	<b>131 150</b>
<b>Operating Expenses</b>						
Cost of Goods Sold		-28 936	-18 233	-61 453	-33 768	-76 232
Personnel Cost		-10 092	-7 555	-20 147	-15 684	-30 942
Depreciation and Amortisation		-2 073	-1 986	-4 107	-4 090	-7 948
Other Operating Expenses		-6 685	-4 857	-11 244	-8 333	-16 507
<b>Total Operating Expenses</b>		<b>-47 785</b>	<b>-32 632</b>	<b>-96 951</b>	<b>-61 875</b>	<b>-131 629</b>
<b>Earnings Before Interest and Tax (EBIT)</b>		<b>1 878</b>	<b>-1 534</b>	<b>9 977</b>	<b>-2 031</b>	<b>-479</b>
<b>Financial Items</b>						
Interest Income		1 350	656	1 355	1 252	2 688
Interest Expense		-175	-245	-331	-385	-753
Other Financial Income/Expense		-80	-48	-151	-84	-171
Impairment/Reversal of Impairment of Investment in Associate	3	21 723	0	21 723	0	-15 973
Net Currency Gain/Loss		-1 606	-219	985	-518	557
<b>Net Financial Items</b>		<b>21 211</b>	<b>144</b>	<b>23 580</b>	<b>264</b>	<b>-13 652</b>
<b>Earnings Before Tax (EBT)</b>		<b>23 089</b>	<b>-1 390</b>	<b>33 557</b>	<b>-1 767</b>	<b>-14 131</b>
Income Tax Expense		100	138	-500	322	435
<b>Net Profit/(Loss)</b>		<b>23 189</b>	<b>-1 252</b>	<b>33 058</b>	<b>-1 445</b>	<b>-13 696</b>
<b>Net Profit/(Loss) Attributable To</b>						
<b>Shareholders of the Parent</b>		<b>23 189</b>	<b>-1 252</b>	<b>33 058</b>	<b>-1 445</b>	<b>-13 696</b>
<b>Non-controlling interests</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Profit/(Loss)</b>		<b>23 189</b>	<b>-1 252</b>	<b>33 058</b>	<b>-1 445</b>	<b>-13 696</b>
Basic Earnings per Share		1.23	-0.07	1.76	-0.08	-0.75
Diluted Earnings per Share		1.16	-0.07	1.66	-0.08	-0.75

## CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

Amounts in NOK 1000	Q2'20 (unaudited)	Q2'19 (unaudited)	YTD'20 (unaudited)	YTD'19 (unaudited)	2019 (audited)
Net Profit/(Loss)	23 189	-1 252	33 058	-1 445	-13 696
Translation Difference	-3 775	2	3 539	-1 043	-547
<b>Total Other Comprehensive Income</b>	<b>19 415</b>	<b>-1 250</b>	<b>36 597</b>	<b>-2 488</b>	<b>-14 243</b>
<b>Total Comprehensive Income for the Period</b>	<b>19 415</b>	<b>-1 250</b>	<b>36 597</b>	<b>-2 488</b>	<b>-14 243</b>
<b>Total Comprehensive Income Attributable to</b>					
Shareholders of the Parent	19 415	-1 250	36 597	-2 488	-14 243
Non-controlling Interests	0	0	0	0	0
<b>Total Comprehensive Income</b>	<b>19 415</b>	<b>-1 250</b>	<b>36 597</b>	<b>-1 445</b>	<b>-13 696</b>



## CONDENSED STATEMENT OF FINANCIAL POSITION

<i>Amounts in NOK 1000</i>	Note	31.06.2020 (unaudited)	31.06.2019 (unaudited)	31.12.2019 (audited)
<b>Assets</b>				
Non-Current Assets				
Intangible Assets				
Goodwill		8 235	7 315	7 444
Other Intangible Assets	4	86 874	35 572	42 436
<b>Total Intangible Assets</b>		<b>95 108</b>	<b>42 887</b>	<b>49 880</b>
Tangible Assets				
Property, Plant and Equipment		572	463	519
Right-of-Use Assets		1 124	2 309	1 598
<b>Total Tangible Assets</b>		<b>1 696</b>	<b>2 772</b>	<b>2 117</b>
Financial Assets				
Other Long-Term Receivables		0	40 275	31 907
<b>Total Financial Assets</b>		<b>0</b>	<b>40 275</b>	<b>31 907</b>
<b>Total Non-Current Assets</b>		<b>96 804</b>	<b>85 935</b>	<b>83 904</b>
Current Assets				
Inventory		30 892	23 853	33 667
Trade Receivables		36 581	21 961	14 370
Other Receivables		13 163	15 280	13 918
Cash and Cash Equivalents		23 148	6 185	14 619
<b>Total Current Assets</b>		<b>103 784</b>	<b>67 280</b>	<b>76 574</b>
<b>Total Assets</b>		<b>200 588</b>	<b>153 214</b>	<b>160 478</b>

## CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in NOK 1000	Note	30.06.2020 (unaudited)	30.06.2019 (unaudited)	31.12.2019 (audited)
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share Capital	5	58 223	54 518	54 518
Share Premium Reserve		129 121	118 625	118 625
<b>Total Paid-in Capital</b>				
Non-issued Equity		0	0	5 003
Accumulated Loss		-68 627	-71 205	-83 348
Translation Differences		10 083	6 048	6 544
<b>Total Equity Attributable to Shareholders of the Parent</b>				
Non-controlling Interests	3	19 830	0	0
<b>Total Equity</b>				
<b>Non-Current Liabilities</b>				
Deferred Tax Liability		2 813	3 231	2 915
Deferred Revenue from Sale of Business		0	12 027	12 027
Financial Lease Liabilities		217	1 209	800
<b>Total Non-Current Liabilities</b>				
<b>Current Liabilities</b>				
Trade Payables		28 517	17 339	29 185
Borrowings	6	7 993	6 177	6 000
Financial Lease Liabilities		967	1 176	858
Other Current Liabilities		10 324	4 071	7 352
<b>Total Current Liabilities</b>				
<b>Total Liabilities</b>				
<b>Total Equity and Liabilities</b>				

## CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK 1000	Note	Q2'20 (unaudited)	Q2'19 (unaudited)	YTD'20 (unaudited)	YTD'19 (unaudited)	2019 (audited)
<b>Cash Flow from Operating Activities</b>						
Earnings Before Tax (EBT)		23 089	-1 390	33 557	-1 767	-14 131
Depreciation and Amortization		2 073	1 986	4 107	4 090	7 948
Other Non-Cash Items		-20 598	458	-20 230	731	16 861
Changes in Working Capital Items:						
Inventory		-2 957	-8 106	2 775	-12 289	-22 102
Trade Receivables		164	-2 585	-23 723	-18	8 228
Trade Payables		11 041	3 150	204	-1 240	10 605
Other Current Items		1 321	-764	3 146	-1 986	-1 043
<b>Net Cash Flow from Operating Activities</b>		<b>14 133</b>	<b>-7 250</b>	<b>-163</b>	<b>-12 478</b>	<b>6 366</b>
<b>Cash Flow from Investment Activities</b>						
Investment in Property, Plant and Equipment		-20	-36	-77	-80	-187
Investments in Intangible Assets	4	-2 219	-662	-2 219	-5 060	-14 716
Loan to Associate		-1 634	0	-1 634	0	5 000
Net Cash Acquired	3	248	0	248		
Sale of Property, Plant and Equipment		0	0	0	0	0
<b>Net Cash Flows from Investment Activities</b>		<b>-3 624</b>	<b>-697</b>	<b>-3 681</b>	<b>-5 140</b>	<b>-19 903</b>
<b>Cash Flow from Financing Activities</b>						
Proceeds from Share Issue/Transaction Costs		1 125	0	10 325	0	5 003
Proceeds from Long-Term Loan		0	0	0	0	0
Proceeds from Short-Term Loan		1 993	0	1 993	6 000	6 000
Lease Payments		-192	-304	-463	-608	-1 150
<b>Net Cash Flow from Financial Activities</b>		<b>2 926</b>	<b>-304</b>	<b>11 855</b>	<b>5 392</b>	<b>9 853</b>
Net Change in Cash and Cash Equivalents		13 435	-8 252	8 011	-12 226	-3 685
Foreign Currency Effects		-2 200	-154	519	-243	-352
Cash and Cash Equivalents at Period Start		11 914	14 591	14 619	18 655	18 655
<b>Cash and Cash Equivalents at Period End</b>		<b>23 148</b>	<b>6 185</b>	<b>23 148</b>	<b>6 185</b>	<b>14 619</b>

## CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Own Shares	Share Premium	Non-is- sued Equity	Accum- lated Loss	Translation Adjust- ment	Non- Con- trolling Interest	Total Equity
<b>Equity as per January 1<sup>st</sup>, 2019</b>	<b>54 539</b>	<b>-21</b>	<b>118 625</b>	<b>0</b>	<b>-70 492</b>	<b>7 091</b>	<b>0</b>	<b>109 742</b>
Total Comprehensive Income for the Period					-1 445	-1 043	0	-2 488
Equity Based Remuneration					731			731
Share Issue Including Transaction Costs								0
<b>Equity as per June 30<sup>th</sup>, 2019</b>	<b>54 539</b>	<b>-21</b>	<b>118 625</b>	<b>0</b>	<b>-71 205</b>	<b>6 048</b>	<b>0</b>	<b>107 985</b>
<b>Equity as per January 1<sup>st</sup>, 2020</b>	<b>54 540</b>	<b>-21</b>	<b>118 625</b>	<b>5 003</b>	<b>-83 348</b>	<b>6 544</b>	<b>0</b>	<b>101 342</b>
Total Comprehensive Income for the Period					33 058	3 539		36 597
Transaction with Non-controlling Interests					-19 830		19 830	0
Equity Based Remuneration					1 493			1 493
Share Issue Including Transaction Costs	4 080		11 248	-5 003				10 325
<b>Equity as per June 30<sup>th</sup>, 2020</b>	<b>58 620</b>	<b>-21</b>	<b>129 872</b>	<b>0</b>	<b>-68 627</b>	<b>10 083</b>	<b>19 830</b>	<b>149 756</b>

# NOTES TO CONSOLIDATED STATEMENTS

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## NOTE 1 ACCOUNTING PRINCIPLES

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### General

NattoPharma (the Group) consists of NattoPharma ASA and its subsidiaries. NattoPharma ASA is a public limited company incorporated in Norway.

The Group includes the following subsidiaries:

- NattoPharma USA, Inc. with registered office in the United States of America;
- NattoPharma R&D Ltd. with registered office in Cyprus; and
- Kaydence Pharma AS with registered office in Norway.

These unaudited, condensed consolidated interim financial statements consist of the Group and the Group's interest in associated companies. These are prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, and should be read in conjunction with the annual consolidated financial statements in NattoPharma's Annual Report for 2019. The accounting principles applied are the same as those applied in the annual consolidated financial statements 2019. As a result of rounding differences numbers or percentages may not add up to the total.

These condensed consolidated financials statements are presented in Norwegian Kroner (NOK), which is the functional currency of the parent company.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

On consolidation, assets and liabilities of subsidiaries reported in their functional currencies are translated to NOK, the Group's presentation currency, at period-end exchange rates according to Norges Bank. Income and expense items are translated to NOKs at the average rate for the reporting periods. Differences arising from the retranslation of opening net assets of subsidiaries, together with differences arising from the translation of the net results for the year for subsidiaries, are recognised in other comprehensive income, a component of equity.

This interim report, which is not audited, was approved by the Company's Board of Directors on July 14<sup>th</sup>, 2020.

### Judgements, Estimates and Assumptions

NattoPharma is facing risks and uncertainties which requires management to make judgements, estimates and assumptions when preparing the consolidated financial statements, and which may significantly differ from the actual results and may lead to material adjustments of the carrying amounts. The significant judgements, estimates and assumptions related to Goodwill, Other Intangible Assets, Deferred Tax Assets and Receivable From Associate as communicated in the consolidated financial statements as of December 31<sup>st</sup>, 2019 also apply to these interim financial statements.

As a result of the outbreak of COVID-19 during the first quarter of 2020, all significant estimates have been reviewed in the light of this situation. So far, NattoPharma has not experienced any major disruption to its operations or experienced significant financial effects due to COVID-19.

In addition to the accounting areas listed above, NattoPharma has also focused on estimates related to the expected credit loss on trade receivables and on inventory valuation. NattoPharma has not identified significant COVID-19 impact to these condensed consolidated financial statements as of June 30<sup>th</sup>, 2020.

### Operating Revenue

The Group operates one segment for reporting of Operating Revenues. It 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 operation as a unit in assessments and decisions regarding allocation of resources and investments. The Group's operations are primarily located in Poland, Cyprus and in the USA, with headquarters in Norway.

Revenue recognition is done in accordance with the five-step model in IFRS 15, which is based on performance obligations in customer contracts and when control of a good or service transfers to a customer.

The contract with the customer begins following receipt and confirmation of the customer purchase order. The allocation of the transaction price to the performance obligation is a one to one relationship, with no bundled product offerings. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer. According to the standard Sales Terms and Conditions for the Group products are typically delivered EX WORKS at the company warehouse, and therefore the performance obligation is fulfilled when the goods are made available for collection, and this is the point at which control of the product transfers to the customer, and revenue is recognised. Under the standard Sales Terms and Conditions, the returns policy only allows for replacement of goods in the event of defects, when these are notified to the group in writing within 30 days of the transfer of control. The group can typically objectively determine that control of the goods has been transferred to the customer in accordance with the agreed-upon specifications in the contract.

The Group occasionally receives short-term advances from customers. This normally happens for new customers where prepayment is applicable until a sufficient credit check has been established, or where customers have a history of late payment. The period between the receipt of the advance and the transfer of the goods to the customer in these situations is short, and the payment terms are not designed to provide financing. Hence, there is no significant financing element to these contracts.

### Other Revenue

Activities that are not allocated to Operating Revenue are presented as Other Revenue. This primarily involves recharges to associated companies for services provided and some other shared expenses and projects. Services, mainly consisting of accounting services and other recharges of project costs, are sold separately and are not bundled with the sales of product. The services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the group, hence revenue is recognised for these service contracts over time.

### Intercompany Revenue

Transactions and balances between the companies are eliminated at a Group level. Sale of products (Operating Revenue) between companies in the Group are carried out based on a cost-plus method and in accordance with the arm's length principle. Operating Expenses are allocated between the entities in the Group based partly on External Operating Revenue in the entities and partly on a functional analysis of which entity should incur the expenses.



## NOTE 3 INVESTMENT IN KAYDENCE PHARMA AS

### Background

NattoPharma sold the pharma business to Kaydence Pharma AS in December 2017 and as at March 31<sup>st</sup>, 2020 held a 46.41% ownership in the company.

On June 30<sup>th</sup>, 2020 the Group acquired an additional 800 000 of the shares of Kaydence Pharma AS through a debt to equity conversion of NOK 4 million. Hereupon, the Group holds 54.15% of the outstanding shares of Kaydence Pharma AS and has obtained control through this transaction. Based on management judgment, the transaction does not qualify as a business combination in accordance with IFRS 3 and hence is accounted for as an asset acquisition.

In January 2020 the board of Kaydence suspended the activities and the CEO was released from his duties accordingly. In order to protect the claim patents important to the Group's activities and for Kaydence to improve its equity position it was agreed to convert some of the outstanding debt to equity as at June 30<sup>th</sup>, 2020.

At the AGM, the board of Kaydence was dismissed and has been replaced with Kjetil Ramsøy as the Chairman of the Board and Robert Schrama as Director.

The amounts recognized in respect of the asset acquisition contain the following identifiable assets and liabilities:

<i>Amounts in NOK 1000</i>	Total
Financial Assets	1 436
Identifiable Intangible Assets (Patents)	43 307
Financial Liabilities	(1 495)
<b>Total Identifiable Assets Acquired and Liabilities Assumed</b>	<b>43 249</b>
<b>Satisfied By</b>	
Cash	0
Conversion of Debt to Equity	(4 000)
<b>Total Consideration Transferred</b>	<b>(4 000)</b>
Net Cash Outflow Arising on Acquisition:	
Cash Consideration	0
Less: Cash and Cash Equivalent Balances Acquired	(248)
<b>Total Non-controlling Interest</b>	<b>(248)</b>
Non-controlling Interest	45.85%
Non-controlling Interest's Share of Identifiable Assets and Liabilities	19 830

After the debt to equity conversion the outstanding loan including accrued interest amounts to NOK 51.3 million.

## NOTE 4 INTANGIBLE ASSETS

<i>Amounts in NOK 1000</i>	Acquired Technology	Software	Acquired Rights	Patents	Assets Under Construction	Total Other Intangible Assets
<b>Aquisitions Cost January 1<sup>st</sup>, 2019</b>	<b>58 802</b>	<b>2 204</b>	<b>1 908</b>	<b>1 798</b>	<b>2 845</b>	<b>67 557</b>
Acquisitions		77		330	4 653	5 060
Disposals						0
Exchange Rate Changes	-1 710					-1 710
<b>Aquisitions Cost June 31<sup>st</sup>, 2019</b>	<b>57 298</b>	<b>2 281</b>	<b>1 908</b>	<b>2 128</b>	<b>7 498</b>	<b>71 112</b>
Acquisitions		25			9 632	9 657
Disposals						0
Exchange Rate Changes	1 005			42		1 046
<b>Aquisitions Cost December 31<sup>st</sup>, 2019</b>	<b>58 302</b>	<b>2 306</b>	<b>1 908</b>	<b>2 169</b>	<b>17 129</b>	<b>81 815</b>
Acquisitions				43 308	2 220	45 527
Disposals						0
Exchange Rate Changes	6 196			28		6 223
<b>Acquisition Cost June 31<sup>st</sup>, 2020</b>	<b>64 498</b>	<b>2 306</b>	<b>1 908</b>	<b>45 505</b>	<b>19 349</b>	<b>133 566</b>
<b>Accumulated Depreciation January 1<sup>st</sup>, 2019</b>	<b>29 272</b>	<b>724</b>	<b>1 201</b>	<b>1 798</b>	<b>0</b>	<b>32 995</b>
Amortization and Depreciation for the Period	2 937	224	61	82		3 303
Disposals						0
Exchange Rate Changes	-759					-759
<b>Accumulated Depreciation June 31<sup>st</sup>, 2019</b>	<b>31 450</b>	<b>948</b>	<b>1 262</b>	<b>1 880</b>	<b>0</b>	<b>35 540</b>
Amortization and Depreciation for the Period	3 010	228	61	22		3 321
Disposals						0
Exchange Rate Changes	519					519
<b>Accumulated Depreciation December 31<sup>st</sup>, 2019</b>	<b>34 979</b>	<b>1 176</b>	<b>1 323</b>	<b>1 902</b>	<b>0</b>	<b>39 380</b>
Amortization and Depreciation for the Period	3 241	231	61	10		3 543
Disposals						0
Exchange Rate Changes	3 770					3 770
<b>Accumulated Depreciation June 31<sup>st</sup>, 2020</b>	<b>41 990</b>	<b>1 407</b>	<b>1 384</b>	<b>1 912</b>	<b>0</b>	<b>46 693</b>
<b>Balance Sheet Value June 31<sup>st</sup>, 2019</b>	<b>25 847</b>	<b>1 333</b>	<b>646</b>	<b>248</b>	<b>7 498</b>	<b>35 572</b>
<b>Balance Sheet Value December 31<sup>st</sup>, 2019</b>	<b>23 323</b>	<b>1 130</b>	<b>585</b>	<b>268</b>	<b>17 129</b>	<b>42 436</b>
<b>Balance Sheet Value June 31<sup>st</sup>, 2020</b>	<b>22 508</b>	<b>899</b>	<b>524</b>	<b>43 493</b>	<b>19 349</b>	<b>86 874</b>

The company uses straight-line amortization for all intangible assets.

The economic life is intended for:

- Acquired synthetic K2 technology 10 years
- Software and Acquired Rights 5 – 10 years
- Patent (2019) 20 years

The Assets Under Construction relates to an on-going production development project, capitalized in accordance with the criteria for recognition, identifiability, control and measurement in IAS 38. Amortization is planned to start when the company starts receiving finished products from the production scale-up.

## NOTE 5 SHARE CAPITAL

The share capital for the company is NOK 58 619 799 divided into 19 539 933 shares, each with a face value of NOK 3. In addition, the company owns 7 143 shares at a face value of NOK 3, valued at a total of NOK 21 429.

Throughout the first half of 2019 the company has issued new shares as per below:

- On January 7<sup>th</sup> a share issue of 1 235 000 new shares at a subscription price of NOK 11.50 was completed.
- On June 5<sup>th</sup> a share issue of 100 000 new shares at a subscription price of NOK 9.00 was completed in reference to exercised options.
- On June 26<sup>th</sup> a share issue of 25 000 new shares at a subscription price of NOK 9.00 was completed in reference to exercised options.

An updated list of the largest shareholders is available on the corporate website – [www.nattopharma.com](http://www.nattopharma.com)

## NOTE 6 RELATED PARTIES

The table below details the options granted to the executive management team and the Board in the quarter and an overview of outstanding options.

Name	Role	Options December 31 <sup>st</sup> , 2019	Q2 2020			Options June 30 <sup>th</sup> , 2020
			Granted Options	Exercised Options	Expired Options	
Kjetil Ramsøy	CEO	225 100	50 000			275 100
Robert Schrama	CFO*	0	30 000			30 000
Frode Bohan	Chairman	150 000	50 000		100 000	100 000
Katarzyna Maresz	Board Member	100 000	50 000		50 000	100 000
Annette Elmqvist	Board Member	100 000	50 000	50 000		100 000
Stefan Hallden	Board Member	100 000	50 000	50 000		100 000
Sjur Thorsheim	Board Member	50 000	50 000			100 000

Description:

- Robert Schrama was appointed CFO March 9<sup>th</sup> 2020 and was granted 30 000 options. The options granted are fully vested on September 9<sup>th</sup>, 2020.

The following table provides the transactions with related parties in the quarter.

Amounts in NOK 1000			Q2 2020 Transactions (+ Revenue, - Expense)			
Entity	Related Party	Balance June 30 <sup>th</sup> , 2020 (net)	Other Revenue	Purchases	Loans	Interest
Pro AS	Sjur Thorsheim	-6 180				-91
Bohan & Co AS	Frode Bohan	179	266			

Description:

- Pro AS is 100% owned by Sjur Thorsheim, a major shareholder and board member in NattoPharma ASA. The interest is related to a short-term loan entered into in January 2020.
- Frode Bohan is the Chairman of the Board and a major investor in NattoPharma.

## NOTE 7 EVENTS AFTER THE BALANCE SHEET DATE

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There are no material events that have taken place after the balance date which is not disclosed in this report.

For further information, please contact:

Kjetil Ramsøy,  
CEO  
e-mail: [kjetil.ramsøy@nattopharma.com](mailto:kjetil.ramsøy@nattopharma.com)

## STATEMENT FROM THE BOARD OF DIRECTORS AND CEO

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We confirm that, to the best of our knowledge, that the consolidated financial statements as of June 30<sup>th</sup>, 2020, and for the six-month period January 1<sup>st</sup>, 2020 to June 30<sup>th</sup>, 2020, have been prepared in accordance with IAS 34 Interim Financial Reporting and give a true and fair view of the Group's assets, liabilities, financial position and the result for the period viewed in their entirety, and that the Interim Management Report in accordance with the Norwegian Securities Act section 5-6 fourth paragraph includes a fair review of any significant events that arose during the six-month period and their effect on the half-year financial report, any significant related parties transactions, and a description of the principal risks and uncertainties for the remaining six months this year.

Oslo, July 15<sup>th</sup>, 2020

Board of Directors, NattoPharma ASA



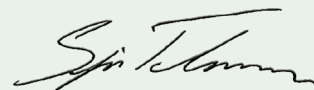
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Frode M. Bohan  
Chairman



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Stefan Halldén  
Board Member



---

Sjur Thorsheim  
Board Member



---

Annette Elmqvist  
Board Member



---

Katarzyna Maresz  
Board Member



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Kjetil Ramsøy  
NattoPharma CEO

# ALTERNATIVE PERFORMANCE MEASURES

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In addition to the ordinary financial performance measures prepared in accordance with IFRS, NattoPharma refers to certain non-GAAP financial measures (also called Alternative Performance Measures, APM). NattoPharma makes regular use of these measures to evaluate performance, and believe they provide additional information which is useful to both management and shareholders in enhancing the understanding of the Group's performance.

Reconciliations of alternative performance measures are provided on the last pages in the report.

## **Gross Profit on Adj. Operating Revenue**

Operating Revenue includes all activities which normally are to be considered as "operating". NattoPharma's main source of Revenue is sale of products. Other Revenue as reported in the Consolidated Statement of Income are largely related to re-charges of personnel cost and other operating expenses and does not form part of the product revenues of the Group.

The Gross Profit Margin is the Operating Revenue less the cost of goods sold, so the residual profit after selling a product and subtracting the costs associated with production and sale.

## **Adj. Operating Expenses**

NattoPharma uses an APM on Operating Expenses due to the re-charges described above. Non-cash cost for options and shares and any other special items relevant in the period are also adjusted in this APM. This is the most useful and reliable APM for NattoPharma as it shows the underlying operational development in expenses, and which is comparable between periods.

## **Adj. EBITDA**

EBITDA is used for three main reasons;

- it is the closest APM to cash flow in the Group. The Group has no long-term debt or other financial instruments significantly impacting net cash flow. In the current stage of significant revenue growth, cash generation is pivotal to support future growth
- it excludes interest, tax, depreciation and amortization, which can vary significantly from period to period and does not represent a good view of the underlying operations in the company
- it is frequently used by securities analysts, investors and other interested parties as a measure of a company's operating performance and debt servicing ability and also in comparison with peers

For NattoPharma, Adj. EBITDA excludes non-cash cost related to the options program and any other special items in the period.



# RECONCILIATION OF APM

## RECONCILIATION OF REVENUE AND GROSS PROFIT

Amounts in NOK 1000	Q2'20	Q2'19	YTD'20	YTD'19	2019
<b>Revenue</b>					
Operating Revenue	48 383	29 996	104 648	57 767	127 119
Other Revenue	1 281	1 102	2 281	2 078	4 031
<i>Less Recharges of OpEx</i>	-1 279	-1 102	-2 280	-2 078	-4 031
<b>Total Adj. Revenue</b>	<b>48 384</b>	<b>29 996</b>	<b>104 649</b>	<b>57 767</b>	<b>127 119</b>
Cost of Goods Sold	-28 936	-18 233	-61 453	-33 768	-76 232
<b>Total Cost of Goods Sold</b>	<b>-28 936</b>	<b>-18 233</b>	<b>-61 453</b>	<b>-33 768</b>	<b>-76 232</b>
<b>Gross Profit</b>	<b>19 448</b>	<b>11 762</b>	<b>43 196</b>	<b>23 999</b>	<b>50 887</b>
<b>Gross Margin</b>	<b>40.2%</b>	<b>39.2%</b>	<b>41.3%</b>	<b>41.5%</b>	<b>40.0%</b>

## RECONCILIATION OF OTHER OPERATING EXPENSES

Amounts in NOK 1000	Q2'20	Q2'19	YTD'20	YTD'19	2019
<b>Operating Expenses</b>					
Personnel Cost	-10 092	-7 555	-20 147	-15 684	-30 942
<i>Less Recharges</i>	1 090	1 087	2 013	2 010	3 869
<i>Less Non-Cash Cost for Options Program</i>	1 125	458	1 493	731	731
<b>Total Adjusted Personnel Cost</b>	<b>-7 876</b>	<b>-6 009</b>	<b>-16 641</b>	<b>-12 944</b>	<b>-26 342</b>
Other Operating Expenses	-6 685	-4 857	-11 244	-8 333	-16 507
<i>Less Recharges</i>	189	15	266	68	162
<i>Special Items</i>	1 170	0	1 170	0	0
<b>Total Adjusted Other Operating Expenses</b>	<b>-5 326</b>	<b>-4 842</b>	<b>-9 808</b>	<b>-8 265</b>	<b>-16 345</b>
<b>Total Adjusted Operating Expenses</b>	<b>-13 202</b>	<b>-10 851</b>	<b>-26 449</b>	<b>-21 209</b>	<b>-42 687</b>
<b>As % of Operating Revenue</b>	<b>27.3%</b>	<b>36.2%</b>	<b>25.3%</b>	<b>36.7%</b>	<b>33.6%</b>

## RECONCILIATION OF EBITDA (EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION)

Amounts in NOK 1000	Q2'20	Q2'19	YTD'20	YTD'19	2019
<b>Total Operating and Other Revenue</b>	<b>49 664</b>	<b>31 098</b>	<b>106 928</b>	<b>59 845</b>	<b>131 150</b>
Cost of Goods Sold	-28 936	-18 233	-61 453	-33 768	-76 232
Personnel Cost	-10 092	-7 555	-20 147	-15 684	-30 942
Other Operating Expenses	-6 685	-4 857	-11 244	-8 333	-16 507
<i>Less Non-Cash Cost for Options Program</i>	1 125	459	1 493	731	731
<i>Special Items</i>	1 170	0	1 170	0	0
<b>Adjusted EBITDA</b>	<b>6 246</b>	<b>911</b>	<b>16 747</b>	<b>2 790</b>	<b>8 200</b>
<b>As % of Operating Revenue</b>	<b>12.9%</b>	<b>3.0%</b>	<b>16.0%</b>	<b>4.8%</b>	<b>6.5%</b>