

# NattoPharma ASA

First Half 2017



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by NattoPharma

# NattoPharma Interim Report First 6 Months 2017

## Operational highlights

- Second quarter revenue of NOK 16,8 million was highest single quarter revenue ever for the group
- Milestone achievement of positive EBITDA for the first half year in the Supplement business area
- Increased focus on Pharma strategy,
  - activity now reported as separate business area
  - discussions with potential future strategic partners are ongoing
- Continued to lead industry on market outreach, promotional activities and clinical studies

## Key financial numbers and facts

- Revenue rose by 18,6 % to NOK 30,6 million
- Gross Margin for the period was 45,8 %
- Positive adjusted EBITDA of NOK 1,5 million for the supplement business

## OPERATIONAL REVIEW

During the first half of the year we continued our top line growth, increasing sales by approximately 19% versus the same period in 2016. While this growth rate is below our full year expectation, it is in line with our budget timing and reflects our expectation of accelerated sales growth during the second half of the year. In the second quarter we recorded the highest quarterly revenue in our history, and based on multiple commercial initiatives that are well underway, we anticipate strong performance in the months ahead. Customer brand support and media outreach in regions such as Brazil, China and Australia were especially effective. These initiatives helped drive exceptional growth in these regions and materially contributed to overall results. Strong growth in the US was driven by a combination of new customers and growth with our existing base. In Europe, we also saw a significant increase in new customers, although the resulting growth was somewhat offset by purchase timing related to one of our larger customers. The current outlook, including a return to more typical order patterns with this customer, further supports our expectation of accelerated growth in the second half of the year.

Profit margin, at 46%, was also within expectations, albeit on the lower end of our range. The difference from the prior year period, at 50%, was due primarily to higher costs associated with the ramp-up of additional synthetic capacity. Timing of demand with the availability of the new capacity was tight during the 1<sup>st</sup> half of the year; however, as this capacity now comes fully on line we are highly confident in the return of margins at or above the level we achieved in the prior period. Our priority during the first half of the year was to assure we could meet increasing demand. While the focus on fulfilling new customer demand will continue during the second half of the year, we will increasingly be able to meet it with additional, and more efficient, capacity. As the planned capacity becomes operational in the coming months we will shift some of our dedicated resources to process efficiencies and a strengthened cost position.

Total operating expenses for the first 6 months were 8.5% higher than prior year, yet lower than

our budget expectation. The increase in expenses was driven by our significant uptick in funding of direct pharmaceutical initiatives. In fact, operating expenses for the core nutra business decreased year over year. This shift in the direction of greater R&D and project resource funding to our promising pharmaceutical initiatives is fully in line with our stated strategic objectives. This distinction is becoming increasingly important, and thus we are now identifying the direct pharmaceutical investment.

For our core nutraceutical business, EBITDA for the first 6 months was approximately NOK 0.2 million, compared with a 2016 loss of (NOK 3.3 million). Adjusting for non-cash costs related to options, the EBITDA result for 2017 was NOK 1.5 million as compared to a 2016 loss of (NOK 2.4 million).

Working capital and cash management is still a high priority area, and despite a temporary reduction in the Cash and Cash Equivalents at the end of the period, we are confident that, barring any unforeseen incidents, the current cash balance is sufficient for the coming period. Further investments in the Pharma strategy will continue to require cash, and the plan to finance this initiative is being developed in conjunction with the overall Pharma strategy formation.

In May, we held our first investor informational session where we shared an update on our accomplishments over the prior year along with progress on our strategy. There are three key elements to our strategy as we look ahead over the next 5 years:

1. MenaQ7
2. Pharmaceutical development
3. Product portfolio expansion

### 1. MenaQ7

Our flagship brand, **MenaQ7**, is our top priority. A series of initiatives during the first half of the year assured that we remain the recognized leader in the vitamin K2 market. These initiatives included everything from media outreach and consumer product launch support to continuing efforts on clinical research and new application delivery technologies.

Our market position was reinforced and presented to the industry in our six pillars framework.

These are:

- We are the **EXPERTS**: customers benefit from the unique know-how and perspective that comes from MenaQ7 being the most-researched vitamin K2 on the market.
- NattoPharma has the **SCIENCE**: MenaQ7 is validated by groundbreaking human clinical trials in bone and heart health, as well as a world-leading ongoing clinical program to identify new market opportunities;
- MenaQ7 stands for the highest **QUALITY**: NattoPharma has a proprietary manufacturing process and a system of R&D support, regulatory compliance, intellectual property and patents making MenaQ7 the best choice for quality-minded brands;
- We continue to drive **INNOVATION**, with clinical research and new enabling technologies, such as our Advance Delivery Platform;
- We provide unmatched **MARKETING** and communication in direct support of our MenaQ7 customers;
- We offer a broad level of **SUPPORT SERVICES** to our customers, from technical expertise and analysis to advice on structure-function claims, as part of our consultative partnership model to help our customers be successful.

There are multiple examples of how NattoPharma continues to lead the industry in building segment and consumer awareness:

- In April NattoPharma's Chief Medical Officer, Dr. Hogne Vik appeared on ABC News Australia to speak about MenaQ7 health benefits. He was also featured in a Q&A in *Go Mag*, a major Australian retail publication;
- NattoPharma partnered with leading brands across multiple geographies to support product launches and expand segment categories. For example:
  - Wiley's Finest created the first kid-specific product featuring MenaQ7® in combination with DHA/EPA omega-3. The new product received *Delicious Living* recognition as Best Kids' Nutrition product; NattoPharma also supported the launch of an adult

formula, featuring MenaQ7, and participated at Natural & Organic Products Expo in UK and a retailer reception at Anaheim, CA during the Expo West event

- In Australia, Blackmores launched a new, high dose K2 Melt featuring MenaQ7
- NattoPharma increased its Brazilian presence with the Nutriangels launch of a new MenaQ7 K2 product launch
- Biolab, also in Brazil, launched Doiska MenaQ7
- MenaQ7 was featured in multiple articles and industry publications, such as:
  - Natural Products INSIDER featured commentary by Eric Anderson on the importance of vitamin K2 for children: "Vitamin K2 for Child Development: Why It Should Be Included in Prenatal & Children's Multivitamins"
  - A Nutraingredients-USA article detailing latest MenaQ7 study showing benefit for CKD patients, explaining how consumption of vitamin K2 may reverse calcification of blood vessels in people with kidney disease
  - Nutrition Insight at the VitaFoods show featured an interview of Eric Anderson
  - A second, more comprehensive article in Nutrition Insight provided an overview of the vitamin K2 market, the reasons for the highly optimistic outlook and why NattoPharma continues to lead the way: <http://www.nutritioninsight.com/news/vitamin-k2-nattopharma-builds-a-solid-market-foundation.html>
- NattoPharma was an active participant in the sponsorship of and participation in symposiums, trade shows, media outreach, and conferences:
  - At a Biolab cardiologist conference in Brazil, which featured the launch of Doiska MenaQ7, NattoPharma CMO Dr. Hogne Vik participated in and moderated a panel with Dr. Francisco Fonseca. Over 600 cardiologists were in attendance

- NattoPharma gained exposure in London by assembling research experts who participated in a press breakfast
- Over 500 health professionals and sales representatives were in attendance at a conference in Ostrava, Czech Republic, where NattoPharma research expert was a featured speaker
- At the Vitafoods Europe, in Geneva, the company held what we believe to be our largest and most successful trade show to date
- We also exhibited at Hi/Fi Asia, in cooperation with our partner in China, Prochin
- And we continued to invest in both clinical studies and technical innovation in support of our nutraceutical growth:
  - Abstract presented at International Conference on Children's Bone Health correlating low K2 status with increased fracture risk in children
  - We added a strong proprietary element to our Advance Delivery Platform with the signing of a technology licensing agreement with ZümXR, giving exclusive access to NattoPharma for patented delivery technologies in the vitamin K space
- And finally, we launched a completely new corporate web site.

## 2. Pharmaceutical development

During the first half of 2017 the company ramped up its efforts on the **Pharmaceutical Development** initiative.

- Clinical development for pharmaceutical application has continued, including the generation of additional proprietary data and patent filings in the therapeutic area of cardiovascular disease and kidney treatment.
- A new MenaQ7 study published in *BMC Nephrology* showing benefit for hemodialysis patients;
- NattoPharma was named as partner in the award of a second Horizon 2020 research grant;
- In March, we were awarded with a new INTRICARE research grant

- We received yet another grant from Norwegian Research Council
- The company formally engaged regulatory consultants for the next phase of its registration strategy in EU and US markets

## 3. Product Portfolio Expansion

We are also ramping up our efforts on our objective of **Product Portfolio Expansion**. With the launch of our soy-based MenaQ7, NattoPharma is now the only company to offer three distinct vitamin K2 MK-7 versions: a natural non-soy, a synthetic PURE and a natural soy-based.

In parallel, we are actively seeking new ingredients that meet our science-based, validation and quality criteria. We are currently in latter-stage negotiations for a novel ingredient with the potential to be launched within 6 months. Additionally, we now have a pipeline of several promising ingredient candidates on which comprehensive evaluations are underway.

## FORWARD LOOKING

In summary, we are pleased with our performance during the first 6 months of the year. We are seeing an acceleration of interest in the vitamin K2 space and a corresponding increase in our own commercial activities. We are confident this is largely the result of our extensive and multi-faceted marketing initiatives across multiple geographies, along with our ability to deliver the product quality and support that our customers expect. Our investment in global systems are now in place and will allow us to realize greater efficiencies and scalability as we meet this increasing demand. We will continue to selectively add new talent to the team, particularly in the commercial areas of sales and support. Importantly, we have also reached a point of positive EBITDA with our core nutraceutical business. In the coming months we are confident with our outlook of increasing sales growth, acceleration of the underlying business growth drivers and a continued strengthening of our financial performance.

## H1'17 Financial Review

In the first 6 months of 2017 NattoPharma Group continues its growth in all regions compared to same period last year. Revenue rose to NOK 30,6 million, with a second quarter of the year being the highest revenue quarter in the company's history, coming in at NOK 16,8 million.

Numbers in NOK million	H1'17	H1'16	Change
<b>Revenue</b>	30,6	25,8	18,6 %

Gross Margin came in at 45,8 % in the period. This is slightly down from the same period last year, mostly related to higher costs associated with the ramp-up of additional synthetic capacity, however, as this capacity now comes fully on line we are highly confident in the return of margins at or above the level we achieved in the prior period.

Numbers in NOK million	H1'17	H1'16	Change
<b>Gross Profit</b>	14,0	13,0	1,0
<b>Gross Margin</b>	45,8 %	50,3 %	

Operating expenses in the first 6 months of 2017 came in NOK 1,4 million higher than same quarter last year.

Numbers in NOK 1,000	H1'17	H1'16	Change
Personnel Cost	9,8	8,1	1,7
Other OpEx	7,9	8,2	-0,3
<b>Total OpEx</b>	<b>17,7</b>	<b>16,3</b>	<b>1,4</b>

Non-cash cost related to options and shares granted to strategic partners and key employees have been expensed in the period with NOK 1,3 million. Corrected for this the adjusted Operating Expenses in the period is NOK 16,4 million, compared to adjusted Operating Expenses of NOK 15,4 million in the same period last year.

The Board and Management has increased the focus on developing a Pharma strategy, and in conjunction with this process the activity has been split in two separate business areas; **Supplement** and **Pharma**.

The Supplement segment is continuing the operational activities as carried out in previous years, focusing on offering Vitamin K2, in natural and synthetic form, in all geographical markets around the world.

The Pharma business area is currently a cost center where all investments and expenses for the Pharma strategy is allocated.

Operating Expenses in the first 6 months is split between the two segments in the following way;

Numbers in NOK million	Supplement	Pharma	Total
<b>Personnel Cost</b>	8,3	1,5	9,8
<b>Other Op Expenses</b>	5,5	2,4	7,9
<b>Total Op Expenses</b>	<b>13,8</b>	<b>3,9</b>	<b>17,7</b>

Adjusted Earnings Before Interest, Tax & Depreciation (EBITDA) was negative with NOK -2,4 million for the period.

Numbers in NOK million	H1'17	H1'16	Change
<b>EBITDA</b>	-3,7	-3,3	-0,4
<b>EBITDA Margin</b>	-12,1 %	-13,0 %	
<b>Adj. EBITDA</b>	-2,4	-2,4	-
<b>Adj. EBITDA Margin</b>	-7,87%	-9,44%	

Total EBITDA for the period is negative with NOK -3,7 million, compared to negative NOK -3,3 million in the same period last year.

Adjusted EBITDA for the Supplement business area was positive with NOK 1,5 million in the period, and un-adjusted it was positive with NOK 0,2 million.

EBITDA for the supplement business area, compared to same period 2016;

Numbers in NOK million	H1'17	H1'16	Change
<b>EBITDA</b>	0,2	-3,3	3,5
<b>EBITDA Margin</b>	0,5%	-13,0 %	
<b>Adj. EBITDA</b>	1,5	-2,4	3,9
<b>Adj. EBITDA Margin</b>	4,8%	-9,44%	

The Pharma business area had a negative EBITDA of NOK -3,9 million.

Numbers in NOK million	H1'17	H1'16	Change
<b>EBITDA</b>	-3,9	-	-3,9
<b>EBITDA Margin</b>	n/a	n/a	
<b>Adj. EBITDA</b>	-3,9	-	-3,9
<b>Adj. EBITDA Margin</b>	n/a	n/a	

Depreciation in the period was NOK 3,6 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 negative NOK -0,1 million. Net finance cost is mainly related to realized and un-realized FX gains and losses.

Total assets at the end of H1'17 were as follows,

Numbers in NOK million	H1'17	FY'16	Change
Non-Current Assets	49,4	48,7	0,7
Current Assets	40,9	47,7	-6,8
<b>Total Assets</b>	<b>90,3</b>	<b>96,4</b>	<b>-6,1</b>

Cash and cash equivalents totaled NOK 11,2 million of current assets, compared to NOK 19,8 million at the end of 2016.

The reduction in cash & cash equivalents is mainly related to continued investment in working capital, as well as the funding of the ongoing Pharma strategy development.

Trade and other receivables of NOK 25,2 million can be broken down to NOK 16,4 million in trade receivables, NOK 1,6 million in pre-payments and NOK 7,2 million in other receivables, this includes approx. NOK 4,4 million in receivables related to the ongoing SkatteFunn programs. Management believes there is no risk related to recoverability of trade receivables of NOK 16,4 million.

Working capital management continues to be a priority, and although the investment in working capital has gone up in the period, compared to the end of 2016, management believe that, barring any unforeseen events, any investments in fixed assets or other financial investments, the current cash balance is sufficient to sustain the expected business growth in the coming period.

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

Numbers in NOK million	H1'17	FY'16	Change
Total Equity	72,7	76,2	-3,5
Non-Current Liabilities	4,7	4,8	-0,1
Current Liabilities	12,9	15,4	-2,5
<b>Total Assets</b>	<b>90,3</b>	<b>96,4</b>	<b>-6,1</b>

NattoPharma's financial position is strong, with an equity ratio at the end of H1'17 of 80,4% compared to 79,1% as per December 31<sup>st</sup>, 2016.

The company has no long-term debt beyond deferred tax of NOK 4,7 million.

### Other issues

For transactions between related parties, see note 3.

In board proceedings on February 7<sup>th</sup>, the Board of Directors resolved to grant a total of 315,000 share options to management, key employees and strategic partners. The options are vested immediately upon grant, and can be exercised within March 31st, 2022. The strike price is NOK 11,20 per share option, and is equal to the closing share price on the Oslo Stock Exchange on February 7<sup>th</sup>, 2017. None of these options are exercised at the time of this interim financial report.

Further, the Board of Directors received through a resolution at the Annual General Meeting on 15<sup>th</sup> May 2017 options as form of remuneration related to the work performed during 2016/2017.

	Granted Options	Options prior to grant	Options post grant
Frode Bohan	100,000	100,000	200,000
Katarzyna Maresz	50,000	50,000	100,000
C. von Schirach-Smigiel	50,000	50,000	100,000
Stefan Hallden	50,000	0	50,000
Annette Elmquist	50,000	0	50,000

The options are vested immediately upon grant, and can be exercised within April 30th, 2019. The strike price is NOK 10,50 per share option, and is equal to the closing share price on the Oslo Stock Exchange on May 15<sup>th</sup>, 2017. None of these options are exercised at the time of this interim financial report.

## Statement from The Board of Directors and CEO

We confirm to the best of our knowledge, that the consolidated financial statements as at 30 June 2017, and for the period 01 January to 30 June 2017, have been prepared in accordance with IAS 34 "Interim Financial Reporting", and that the Interim Management Report for 2017 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 15<sup>th</sup>, 2017

Board of Directors



Frode M. Bohan  
Chairman



Christopher von Schirach-Smigiel  
Board Member



Stefan Hallden  
Board Member



Katarzyna Maresz  
Board Member



Annette Elmquist  
Board Member



Daniel H. Rosenbaum  
CEO, NattoPharma Group

Consolidated Income statement for the 6 months ending June 30<sup>th</sup>, 2017

		NattoPharma ASA	
		01.01-30.06 2017 (unaudited)	01.01-30.06 2016 (unaudited)
(Numbers in 1 000 NOK)			
<b>REVENUE</b>			
Revenue	4	30 452	25 726
Other revenue		159	77
<b>TOTAL REVENUE AND OTHER INCOME</b>		<b>30 611</b>	<b>25 803</b>
<b>OPERATING EXPENSES</b>			
Cost of goods sold		-16 601	-12 829
Salaries and benefits		-9 766	-8 157
Depreciation and amortisation		-3 644	-3 381
Other operating expenses <sup>1)</sup>		-7 946	-8 165
<b>TOTAL OPERATING EXPENSES</b>		<b>-37 957</b>	<b>-32 532</b>
<b>OPERATING PROFIT / LOSS</b>		<b>-7 346</b>	<b>-6 729</b>
<b>FINANCE INCOME AND EXPENSES</b>			
Interest income		16	88
Interest expense		-16	2 901
Other finance income/-expense		-52	-944
Revaluation Adjustment		-15	-5 097
<b>NET FINANCE</b>		<b>-66</b>	<b>-3 051</b>
<b>(LOSS)/PROFIT BEFORE INCOME TAX</b>		<b>-7 412</b>	<b>-9 780</b>
Income tax		329	356
<b>NET (LOSS)/PROFIT</b>		<b>-7 083</b>	<b>-9 425</b>
<b>Gain/-Loss per weighted average number of shares in period</b>		<b>-0,40</b>	<b>-0,55</b>
<b>COMPREHENSIVE INCOME</b>		<b>01.01-30.06 2017 (unaudited)</b>	<b>01.01-30.06 2016 (unaudited)</b>
<b>Gain/-Loss for the period</b>		<b>-7 083</b>	<b>-9 425</b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent period</b>			
Translation difference		2 277	-136
<b>Total other comprehensive income</b>		<b>2 277</b>	<b>-136</b>
<b>Total comprehensive income for the period</b>		<b>-4 806</b>	<b>-9 561</b>

## Balance sheet – Assets

		NattoPharma ASA		
		Note	30.06 2017 (unaudited)	31.12 2016
<i>(Numbers in 1 000 NOK)</i>				
NON CURRENT ASSETS				
INTANGIBLE ASSETS				
Goodwill			7 223	6 857
Intangible Assets – IP and patents			38 958	38 198
Other Financial Assets			1 137	-
<b>TOTAL INTANGIBLE ASSETS</b>			<b>47 318</b>	<b>45 055</b>
OTHER NON-CURRENT ASSETS				
Property, Plant & Equipment			2 066	3 599
<b>TOTAL OTHER NON-CURRENT ASSETS</b>			<b>2 066</b>	<b>3 599</b>
<b>TOTAL NON CURRENT ASSETS</b>			<b>49 383</b>	<b>48 654</b>
CURRENT ASSETS				
Inventory			4 513	3 767
Trade and Other Receivables <sup>1)</sup>			25 192	24 108
Cash & Cash Equivalents			11 236	19 818
<b>TOTAL CURRENT ASSETS</b>			<b>40 940</b>	<b>47 693</b>
<b>TOTAL ASSETS</b>			<b>90 324</b>	<b>96 347</b>

1) See comments in Financial Review above, page 7

## Balance sheet – Equity and liabilities

		NattoPharma ASA		
		Note	30.06 2017 (unaudited)	31.12 2016
<i>(Numbers in 1 000 NOK)</i>				
EQUITY				
PAID IN EQUITY				
Share Capital	2		52 688	52 688
Share Premium Reserve			113 087	113 087
<b>TOTAL PAID IN EQUITY</b>			<b>165 776</b>	<b>165 776</b>
OTHER EQUITY				
Accumulated Loss			-98 076	-92 285
Translation Adjustment			4 994	2 717
<b>TOTAL EQUITY</b>			<b>72 694</b>	<b>76 207</b>
NON-CURRENT LIABILITIES				
Deferred Tax Liability			4 679	4 787
<b>TOTAL NON-CURRENT LIABILITIES</b>			<b>4 679</b>	<b>4 787</b>
CURRENT LIABILITIES				
Trade Payables			9 511	10 178
Other Current Liabilities			3 440	5 175
<b>TOTAL CURRENT LIABILITIES</b>			<b>12 951</b>	<b>15 353</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>90 324</b>	<b>96 347</b>

## Cash Flow Statement

(Numbers in 1 000 NOK)	01.01-30.06 2017 (unaudited)	01.01-30.06 2016
<b>OPERATING ACTIVITIES</b>		
Loss before tax	-7 412	-9 780
Depreciation and amortization	3 644	3 381
<b>Changes in working capital items:</b>		
Inventory	-746	-2 375
Trade and other receivables	-1 948	-1 529
Trade payables	-630	2 998
Other short term items	-2 045	2 199
<b>NET CASH FLOW FROM OPERATION ACTIVITIES</b>	<b>-9 136</b>	<b>-5 106</b>
<b>INVESTMENT ACTIVITIES</b>		
Investments in property, plant & equipment	-864	-224
<b>NET CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	<b>-864</b>	<b>-224</b>
<b>FINANCING ACTIVITIES</b>		
Transactions Cost / Proceeds from share issue	-	-168
<b>NET CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>-</b>	<b>-168</b>
Net change in cash and cash equivalents	-9 999	-5 498
Effect of currency	1 417	1 493
Cash and cash equivalents 1.1	19 818	24 761
<b>CASH AND CASH EQUIVALENTS AS PER 30 JUNE</b>	<b>11 236</b>	<b>20 756</b>

## Changes in Equity

(Numbers in 1 000 NOK)	Share capital	Share premium	Non controlling interest	Accumulated loss	Translation Adjustment	Total Equity
Equity as per 01.01.2016	51 398	113 269	-	-77 090	5 225	92 802
Total comprehensive income for the period				-17 144	-2 508	-19 652
Equity based remuneration				1 948		1 948
Share issue	1 290					1 290
Transaction costs		-182				-182
<b>EQUITY AS PER 31.12.2016</b>	<b>52 688</b>	<b>113 087</b>	<b>-</b>	<b>-92 286</b>	<b>2 717</b>	<b>76 207</b>
Equity as per 01.01.2017	52 688	113 087	-	-92 286	2 717	76 207
Total comprehensive income for the period				-7 083	2 277	-4 806
Equity based remuneration				1 293		1 293
Share issue						
Share issue transaction costs						
<b>EQUITY AS PER 30.06.2017</b>	<b>52 688</b>	<b>113 087</b>	<b>-</b>	<b>-98 076</b>	<b>4 994</b>	<b>72 694</b>

## Notes to consolidated accounts as per June 30<sup>th</sup>, 2017

### 1. ACCOUNTING PRINCIPLES

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 2016. From Q3 2013, the company is a group with subsidiaries in the USA and Cyprus, respectively NattoPharma USA, Inc. and NattoPharma R&D Ltd.

The interim report, which is not audited, was approved by the company's board of directors on 15<sup>th</sup> August 2017.

### 2. SHARE CAPITAL

As per June 30<sup>th</sup>, 2017, the share capital is NOK 52,709,799 based on a total number of shares issued equal to 17 569 933 each with a face value of NOK 3.

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

### 3. RELATED PARTIES

Entity	Related Party	Balance		Transactions			Interest
		31.12.2016	Sales	Purchases	Loans		
EuroPharma Alliance SP ZOO	Piotr Jandziak	6 414	460	1 137	-	16	
ImmunoPharma AS	F. Bohan / H. Vik	-157	106	175	-	-	
Seminarium Spolka Jawna	Piotr Jandziak	-	-	560	-	-	
Tape Poland SP ZOO	Frode Bohan	-	-	130	-	-	

All numbers in NOK 1,000

#### Description:

1. EuroPharma Alliance Sp zoo (EPA), Poland has a longstanding customer relationship with NattoPharma ASA and has from fall 2014 been engaged in the production of the Company's new synthetic vitamin K2 product. Piotr Jandziak is the CEO of EuroPharma Alliance Sp zoo. EPA is also a supplier of finished products to TG Montgomery AS.
2. ImmunoPharma AS has supplied graphical and R&D services. Frode Bohan is the Chairman in both ImmunoPharma AS and NattoPharma ASA.
3. Seminarium Spolka Jawna is supplying services related to the production of the Company's new synthetic vitamin K2 product. The company is controlled by Piotr Jandziak.
4. Tape Poland Sp Z oo deliver IT related services to NattoPharma. Frode Bohan is a major shareholder in Tape International AS, the parent company to Tape Poland Sp Z oo

### 4. SEGMENT AND REVENUE REPORTING

As of January 1<sup>st</sup>, 2017 the company has established two segments/business areas where the management make separate decisions with regards to allocation of resources and investments. These segments are **Supplement** and **Pharma**.

The Supplement segment is continuing the operational activities as carried out in previous years, focusing on offering Vitamin K2, in natural and synthetic form, in several different geographical markets around the world. Management considers the risk profile and profitability to be approximately equal in all these geographic markets. The Management, together with the Board, considers therefore that the company operates as one unit in assessments and decisions about allocating resources and investments within this segment.

The Pharma business area is established with effect from 2017, and is currently a cost center where all investments and expenses for the Pharma strategy is allocated.

(Numbers in 1 000 NOK)	2017			2016		
	Supplement	Pharma	Total	Supplement	Pharma	Total
<b>REVENUE</b>						
<b>TOTAL REVENUE AND OTHER INCOME</b>	<b>30 611</b>	-	<b>30 611</b>	<b>25 803</b>	-	<b>25 803</b>
<b>OPERATING EXPENSES</b>						
Cost of goods sold	-16 601	-	-16 601	-12 829	-	-12 829
Salaries and benefits	-8 331	-1 435	-9 766	-8 157	-	-8 157
Other operating expenses	-5 517	-2 429	-7 946	-8 165	-	-8 165
<b>TOTAL OPERATING EXPENSES, excl. Depreciation &amp; Amortization</b>	<b>-30 449</b>	<b>-3 864</b>	<b>-34 313</b>	<b>-29 151</b>	-	<b>-29 151</b>
<b>EBITDA</b>	<b>162</b>	<b>-3 864</b>	<b>-3 702</b>	<b>-3 348</b>	-	<b>-3 348</b>
EBITDA Margin	0,50%	n/a	-12,09%	-13,00%	n/a	-13,00%
Non-Cash Cost for Options program	1 293	-	1 293	912	-	912
<b>Adj. EBITDA</b>	<b>1 455</b>	<b>-3 864</b>	<b>-2 409</b>	<b>-2 436</b>	-	<b>-2 436</b>
Adj. EBITDA Margin	4,80%	n/a	-7,90%	-9,40%	n/a	-9,40%

*Comparative numbers for 2016 are not available and the cost to develop these is excessive, hence 2016 figures have not been restated.*

## 5. EVENTS AFTER BALANCE DATE

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

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## RECONCILIATION OF NON-GAAP MEASURES

## Reconciliation of Gross Profit (Margin)

		NattoPharma ASA	
		01.01-30.06 2017 (unaudited)	01.01-30.06 2016 (unaudited)
<i>(Numbers in 1 000 NOK)</i>			
REVENUE			
Revenue		30 452	25 762
Other revenue		159	77
<b>TOTAL REVENUE AND OTHER INCOME</b>		<b>30 611</b>	<b>25 803</b>
OPERATING EXPENSES			
Cost of goods sold		-16 601	-12 829
<b>TOTAL COST OF GOODS SOLD</b>		<b>-16 601</b>	<b>-12 829</b>
<b>GROSS PROFIT</b>		<b>14 010</b>	<b>12 974</b>
GROSS MARGIN		45,8%	50,3%

## Reconciliation of EBITDA (earnings before interest, tax, depreciation and amortization)

		NattoPharma ASA	
		01.01-30.06 2017 (unaudited)	01.01-30.06 2016 (unaudited)
<i>(Numbers in 1 000 NOK)</i>			
REVENUE			
Revenue		30 452	25 726
Other revenue		159	77
<b>TOTAL REVENUE AND OTHER INCOME</b>		<b>30 611</b>	<b>25 803</b>
OPERATING EXPENSES			
Cost of goods sold		-16 601	-12 829
Salaries and benefits		-9 766	-8 157
Other operating expenses		-7 946	-8 165
<b>TOTAL OPERATING EXPENSES, excl. Depreciation &amp; Amortization</b>		<b>-34 312</b>	<b>-29 151</b>
<b>EBITDA</b>		<b>-3 701</b>	<b>-3 348</b>
EBITDA Margin		-12,09%	-12,98%
Non-Cash Cost for Options program		1 293	912
<b>Adj. EBITDA</b>		<b>-2 408</b>	<b>-2 436</b>
Adj. EBITDA Margin		-7,87%	-9,44%