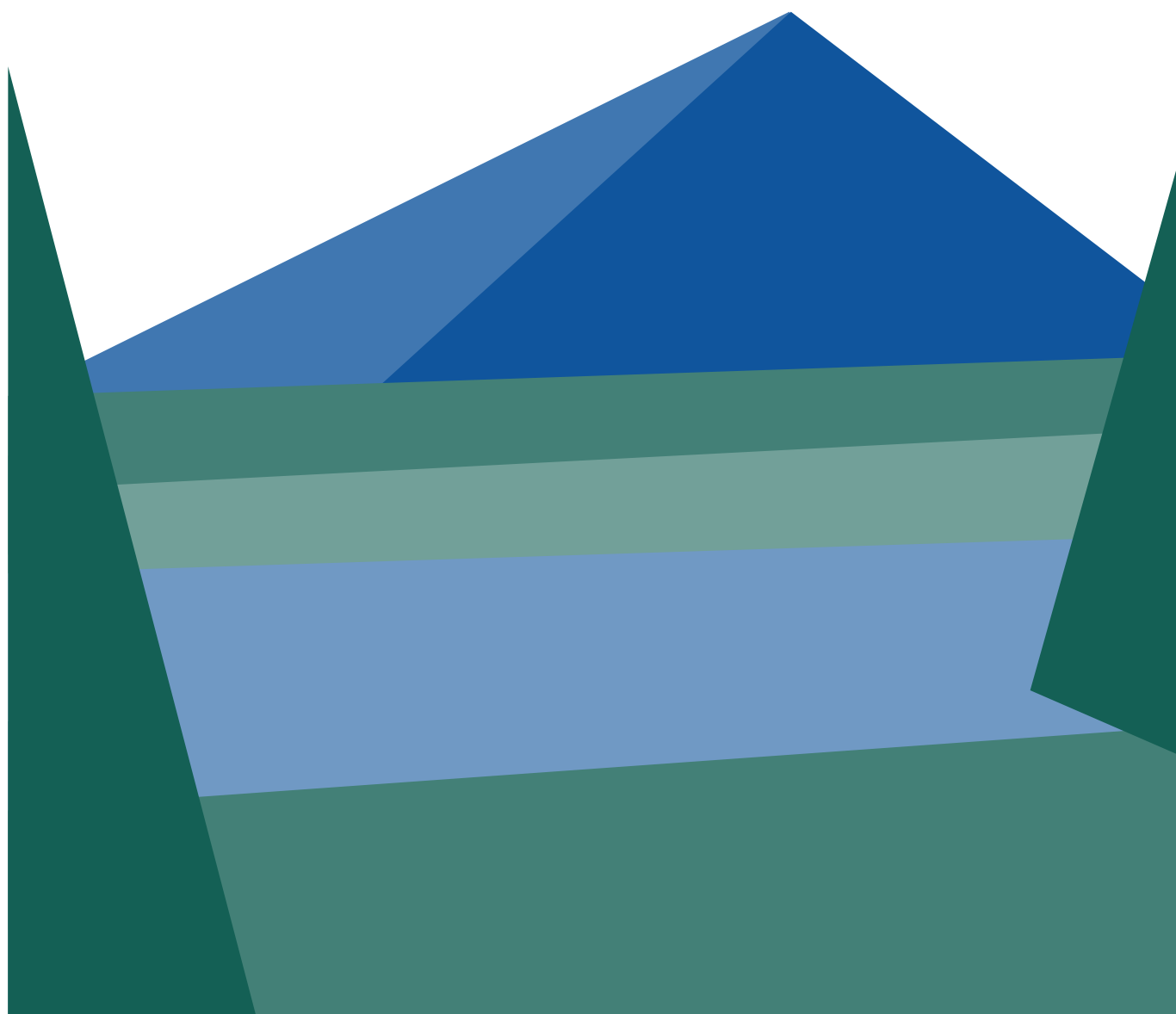


NattoPharma

2020

Q1 Interim Report





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KEY FIGURES

All amounts in NOK mill.

Amounts in NOK 1000	Q1'20	Q1'19	2019	2018	2017 ^{*)}
Operating Revenue	56 265	27 771	127 119	101 722	66 418
EBITDA	10 133	1 607	7 469	5 070	2 758
EBITDA (Adj.)	10 501	1 879	8 200	6 652	5 269
Earnings Before Interest and Tax (EBIT)	8 099	-497	-479	-2 208	-4 606
Earnings Before Tax (EBT)	10 468	-377	-14 131	1 047	-4 763
Net Profit/(Loss)	9 868	-193	-13 696	1 677	-4 130
EBITDA (Adj.) Margin	18.7%	6.8%	6.5%	6.5%	7.9%
Gross Margin Operating Revenue	42.4%	43.6%	40.0%	43.1%	47.3%
Equity Ratio	71.8%	71.9%	63.2%	74.5%	70.6%
Interest-Bearing Debt	6 000	6 000	6 000	0	0
Cash Flow from Operating Activities	-14 296	-5 228	6 366	6 488	-11 229
Net Cash Flow	-2 705	-4 064	-4 036	5 096	-6 260
Share Price	6.95	10.80	7.50	8.10	9.10
Shares Issued (1000)	19 415	18 180	18 180	18 180	18 130
Market Value (NOK 1000)	134 934	196 343	136 349	147 257	164 982
Earnings per Share	0.51	-0.01	-0.75	0.09	-0.23

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



Q1 Operating Revenue up 103% to **NOK 56.3 mill**



Q1 EBITDA (Adj.) of 18.7% at **NOK 10.5 mill**, up from **NOK 1.9 mill**



Q1 Net Profit of **NOK 9.9 mill**, up from **NOK -0.2 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

“NattoPharma reports a flying start to the new year with over 100% growth in revenue and a 5x increase in EBITDA for the period compared to same period last year.”

As the world is facing the worst global crisis in modern times NattoPharma are proud to announce a record quarter on all areas. With a revenue of NOK 57.2 million and an Adj. EBITDA of NOK 10.5 million in the quarter we have a flying start to the new year. The growth in the period is yet another evidence of the operational model we have been working on over the last few years, and demonstrates our ability to scale the volume significantly without adding too many new resources.

In the first quarter, and especially in the month of March, we have shipped a higher volume of finished product than we have ever shipped in a single period before. We have done this on the same resources as we've had through most of 2019 which is an outstanding achievement from the whole NattoPharma team. A great thanks and congratulations to all who has participated in making this happen.

During the quarter the COVID-19 situation escalated and from late February and into March more and more countries started to put strict restrictions in place to limit and stop the continued spreading of the virus. NattoPharma has not been significantly impacted by the situation as all our production facilities have been operating close to normal through most of the period. We went into the period with a good inventory buffer, and due to this, and the continued supply through the period, we have been able to meet the increased demand from our customers.

Towards the latter part of the quarter some slowdown of production has been noticeable in the production of the Natural product category. Currently all production facilities are up and running, and are again ramping up to full capacity. However, the continued lockdown in India is still impacting the access to some raw materials, and we are taking steps to resolve this together with our partners.

We also see a positive trend in international logistics as goods are flowing more regularly between the major regions, such as Asia, Europe and North America.

Our process to optimize the operation to improve profitability is continuing and in the first quarter we reached a new milestone where our OpEx/Revenue ratio is below 25%. Although we do not expect that this is attainable for the full year we will continue to focus on improvements in this area also in the coming periods to ensure a sustainable and profitable growth path for the company.

The increased trading of the NattoPharma share is continuing into the first quarter of 2020 after seeing a positive effect from the initiatives we took during 2019. We will continue to improve in this area, and will plan more activities directed towards the investor communities during 2020 to further increase the visibility of the share and the potential we believe an investment in the share will provide for all investors.

The market has been very strong in the first quarter and we see that more and more brand owners start to embrace vitamin K2. This is a tribute to the work NattoPharma has been doing over the last 10 to 15 years by first leading the clinical validation of the vitamin and its health effects, and then following up through the educational effort where NattoPharma again has had a leading position in providing information to both brand owners and consumers to elevate the knowledge related to the vitamin.

As mentioned in the Q4'2019 Quarterly Report our effort to build the MenaQ7® brand continues as we are looking at several new digital marketing platforms and more direct support to our B2B customers on finished formulations and turnkey solutions.



We are also continuing our broad media outreach, and we see great interest amongst the industry news media related to our news articles promoting new discoveries within the benefits of supplementing with vitamin K2 as part of the daily diet.

Unfortunately the COVID-19 situation has impacted our ability to complete two clinical studies on the new ingredient. The two ongoing trials have been discontinued due to the travel restrictions hampering access to study participants. As these studies are spanning over a longer period of time, with several control points during the trial period, it is critical that all these control points are documented. As many participants were unable to complete the trial, both will have to be re-started.

While this will delay the official launch of the new ingredient, we will continue with our initiative for the earlier communicated soft launch to select customers.

The intention to launch this new ingredient in a Direct-to-Consumer (D2C) market is still being considered, and we are, as earlier communicated, focusing on the Norwegian and Scandinavian market where we can take advantage of the platform established by TG Montgomery AS.

The activity in Kaydence Pharma is as we have informed about in February still suspended until the project can be re-started once sufficient funding has been secured.

NattoPharma is considering all options for the investment in Kaydence, including continuing the effort to secure external funding as well as considering to propose to the board of Kaydence and its shareholders a solution where NattoPharma again take control over the entity. More information about the progress on this will be shared with the market once a decision has been taken in terms of the next steps.

The outlook for the remainder of the year is good, and based on the performance in the first quarter and the ongoing development in the market, we adjust our expectations on YoY growth to now be an annual growth of 35% to 50% 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 early July when we do our first half reporting for 2020. On the margins we maintain our overall gross margin expectation to be between 42% and 47%. The Adj. EBITDA is further expected to be between 10% and 15% as previously guided. 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 first quarter of 2020 relative to the first quarter 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 22](#) in the interim report for a summary of these measures.

INCOME STATEMENT

Revenues

NattoPharma reported a product revenue of NOK 56.3 million in the quarter, an increase of 103% compared to the same period last year. The majority of the growth has been in the North American markets, but there is also a positive trend in the Asia Pacific region and Europe. There is growth in all product categories. The most substantial part of the growth is organic and the remaining parts are the result of the USD and EUR exchange rate, and some positive impact from COVID-19 where customers have placed larger or earlier orders to ensure delivery. Other revenue represents services and other recharges to related parties.

<i>Amounts in NOK mill.</i>	Q1'20	Q1'19	Change	2019
Operating Revenue	56.3	27.8	28.5	127.1
Other Revenue	1.0	1.0	0.0	4.0
Total Revenue	57.3	28.7	28.5	131.2

Gross Margin

The Gross Margin came in at 42.2% in the period. This is down from 43.6% in the same period last year. The margin is in line with expectations given the product and customer mix in the period. On average we expect margins to stay within the guiding (42%-47%) for the rest of the year.

<i>Amounts in NOK mill.</i>	Q1'20	Q1'19	Change	2019
Gross Profit on Operating Revenue	23.7	12.0	11.7	50.9
Gross Margin on Operating Revenue	42.2%	43.6%	-1.4%	40.0%

Operating Expenses

Operating expenses include recharges made to related parties and non-cash cost related to share options granted to management and employees. Below is a summary of the OpEx development adjusted for these two items.

<i>Amounts in NOK mill.</i>	Q1'20	Q1'19	Change	2019
Personnel Cost (adj.)	8.8	5.8	2.9	26.3
Other OpEx (adj.)	4.5	3.4	1.1	16.3
Total OpEx (adj.)	13.2	9.2	4.0	42.7
as % of Operating Revenue	23.5%	33.2%	-9.7%	33.6%

The increase in Personnel Cost is mainly related to hiring of new senior personnel during 2020 to support the growth and strengthen the focus on the supplement/nutraceutical segments. Further part of the cost increase is result of the change in USD and EUR exchange rate which has led to higher costs.

The improved Opex as % of Operating Revenues is in line with our expectations at the reported revenue levels.

Profitability

Adjusted Earnings Before Interest, Tax & Depreciation (EBITDA (adj.)) was positive with NOK 10.5 million for the period. This compares to NOK 1.9 million for the same period last year. Earnings before Interest and Tax (EBIT) was NOK 10.5 million in the period, compared to NOK -0.4 million in 2019. EBIT is mainly impacted by depreciation of the investment in NattoPharma R&D Ltd. in 2013, and fully depreciated at the end of 2023 offset with Net Currency Gain in the first quarter 2020.

<i>Amounts in NOK mill.</i>	Q1'20	Q1'19	Change	2019
EBITDA (Adj.)	10.5	1.9	8.6	8.2
EBITDA Margin (Adj.)	18.7%	6.8%	11.9%	6.5%
EBITDA	10.1	1.6	8.5	7.5
EBITDA Margin	17.7%	5.6%	12.1%	5.7%
EBIT	10.5	-0.4	10.8	-14.1
EBIT Margin	18.3%	-1.3%	38.0%	-10.8%

BALANCE SHEET

Assets

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

<i>Amounts in NOK mill.</i>	Q1'20	Q1'19	Change	2019	Change
Non-Current Assets	87.1	87.1	0.0	83.9	3.2
Current Assets	91.4	64.2	27.2	76.6	14.9
Total Assets	178.5	151.3	27.2	160.5	18.0

Cash and cash equivalents decreased by NOK 2.7 million in the quarter. See more in the Cash flow chapter below.

Trade receivables from the sale of products are NOK 38.3 million in the period. 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 13.3 million consist of accruals for SkatteFUNN, prepayments, VAT assets and other receivables. The prepayments mainly relate to 2020 services and events/tradeshows and raw material.

The Group has not recorded any deferred tax assets. Per December 31st, 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>	Q1'20	Q1'19	Change	2019	Change
Total Equity	128.1	108.8	19.3	101.3	26.8
Non-Current Liabilities	15.9	16.9	-0.9	15.7	0.2
Current Liabilities	34.5	25.7	8.8	43.4	-8.9
Total Equity and Liabilities	178.5	151.3	27.2	160.5	18.0

NattoPharma continues to maintain a strong financial position, with an equity ratio of 71.8 %, compared to 63.2% as per December 31st, 2019. The change is driven by the strong quarterly result and the conclusion of the private placement on January 7th, 2020.

The increase in current liabilities is in line with the activity levels during Q1 and largely relate to trade payables and other operational accruals.

Cash Flow

Despite we reported a positive EBT of NOK 10.5 million in the first quarter, our operational cash flow was NOK -14.3 million (Q1'19: NOK -5.2 million) which is largely driven by the significant increase in our trade receivables in line with the growth we have experienced in the first quarter (net change in Q1 of NOK 23.9 million). In addition, we retained high inventory levels and paid our suppliers for all orders in the fourth quarter 2019 (net change in Q1 of NOK -10.8 million).

During the first quarter the Group has done limited capital expenditure for either tangible and/or intangible assets in line with the planning for 2020.

Cash will be sufficient for working capital purposes going forward.

<i>Amounts in NOK mill.</i>	Q1'20	Q1'19	Change	2019
Cash Flow from Operations	-14.3	-5.2	-9.1	6.4
Net Cash Flow	-2.7	-4.1	1.4	-4.0

CONDENSED CONSOLIDATED STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Amounts in NOK 1000	Note	Q1'20 (unaudited)	Q1'19 (unaudited)	2019 (audited)
Revenue				
Operating Revenue	2	56 265	27 771	127 119
Other Revenue	2	1 000	976	4 031
Total Operating and Other Revenue		57 265	28 747	131 150
Operating Expenses				
Cost of Goods Sold		(32 517)	(15 535)	(76 232)
Personnel Cost		(10 055)	(8 130)	(30 942)
Depreciation and Amortisation		(2 035)	(2 104)	(7 948)
Other Operating Expenses		(4 559)	(3 476)	(16 507)
Total Operating Expenses		(49 166)	(29 243)	(131 629)
Earnings Before Interest and Tax (EBIT)		8 099	(497)	(479)
Financial Items				
Interest Income	3	5	596	2 688
Interest Expense		(156)	(140)	(753)
Other Financial Income/Expense		(71)	(36)	(171)
Impairment of Investment in Associate		0	0	(15 973)
Net Currency Gain/Loss		2 591	(299)	557
Net Financial Items		2 369	120	(13 652)
Earnings Before Tax (EBT)		10 468	(377)	(14 131)
Income Tax Expense		(600)	184	435
Net Profit/(Loss)		9 868	(193)	(13 696)
Earnings per Share		0.53	-0.01	-0.75
Diluted Earnings per Share		0.50	-0.01	-0.75

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

Amounts in NOK 1000	Q1'20 (unaudited)	Q1'19 (unaudited)	2019 (audited)
Net Profit/Loss	9 868	-193	-13 696
Translation Difference	7 314	-1 045	-547
Total Other Comprehensive Income	17 182	-1 238	-14 243
Total Comprehensive Income for the Period	17 182	-1 238	-14 243

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in NOK 1000

	Note	31.03.2020 (unaudited)	31.03.2019 (unaudited)	31.12.2019 (audited)
Assets				
Non-Current Assets				
Intangible Assets				
Goodwill		8 686	7 289	7 444
Other Intangible Assets	4	44 485	36 422	42 436
Total Intangible Assets		53 171	43 711	49 880
Tangible Assets				
Property, Plant and Equipment		615	519	519
Right-of-Use Assets		1 363	2 595	1 598
Total Tangible Assets		1 979	3 114	2 117
Financial Assets				
Other Long-Term Receivables	3	31 907	40 275	31 907
Total Financial Assets		31 907	40 275	31 907
Total Non-Current Assets		87 056	87 101	83 904
Current Assets				
Inventory		27 935	15 748	33 667
Trade Receivables		38 257	19 376	14 370
Other Receivables		13 335	14 516	13 918
Cash and Cash Equivalents		11 914	14 591	14 619
Total Current Assets		91 441	64 230	76 574
Total Assets		178 497	151 331	160 478

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in NOK 1000	Note	31.03.2020 (unaudited)	31.03.2019 (unaudited)	31.12.2019 (audited)
Equity and Liabilities				
Equity				
Share Capital	5	58 223	54 518	54 518
Share Premium Reserve		129 121	118 625	118 625
Non-issued Equity		0		5 003
Accumulated Loss		-73 111	-70 412	-83 348
Translation Differences		13 858	6 046	6 544
Total Equity		128 091	108 777	101 342
Non-Current Liabilities				
Deferred Tax Liability		3 185	3 402	2 915
Deferred Revenue from Sale of Business	3	12 027	12 027	12 027
Lease Liabilities		696	1 429	800
Total Non-Current Liabilities		15 908	16 857	15 742
Current Liabilities				
Trade Payables		18 348	14 190	29 185
Borrowings	6	6 089	6 087	6 000
Lease Liabilities		733	1 197	858
Other Current Liabilities		9 328	4 224	7 352
Total Current Liabilities		34 498	25 698	43 394
Total Liabilities		50 406	42 555	59 136
Total Equity and Liabilities		178 497	151 331	160 478

CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK 1000	Note	Q1'20 (unaudited)	Q1'19 (unaudited)	2019 (audited)
Cash Flow from Operating Activities				
Earnings Before Tax (EBT)		10 468	-377	-14 131
Depreciation and Amortization		2 035	2 104	7 948
Other Non-Cash Items		368	272	16 861
Changes in Working Capital Items:				
Inventory		5 732	-4 183	-22 102
Trade Receivables		-23 887	2 567	8 228
Trade Payables		-10 837	-4 390	10 605
Other Current Items		1 825	-1 222	-1 043
Net Cash Flow from Operating Activities		-14 296	-5 228	6 366
Cash Flow from Investment Activities				
Investment in Property, Plant and Equipment		-57	-45	-187
Investments in Intangible Assets	4	0	-4 398	-14 716
Loan to Associate		0	0	-5 000
Sale of Property, Plant and Equipment		0	0	0
Net Cash Flows from Investment Activities		-57	-4 442	-19 903
Cash Flow from Financing Activities				
Proceeds from Share Issue/Transaction Costs		9 200	0	5 003
Proceeds from Long-Term Loan		0	0	0
Proceeds from Short-Term Loan	6	0	6 000	6 000
Lease Payments		-271	-304	-1 150
Net Cash Flow from Financial Activities		8 929	5 696	9 853
Net Change in Cash and Cash Equivalents		-5 424	-3 974	-3 685
Foreign Currency Effects		2 719	-89	-352
Cash and Cash Equivalents at Period Start		14 619	18 655	18 655
Cash and Cash Equivalents at Period End		11 914	14 591	14 619

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Own Shares	Share Premium	Non-issued Equity	Accumulat- ed Loss	Translation Adjustment	Total Equity
Equity as per January 1st, 2019	54 539	-21	118 625	0	-70 492	7 091	109 742
Total Comprehensive Income for the Period					-193	-1 045	-1 238
Equity Based Remuneration					272		272
Share Issue Including Transaction Costs							0
Equity as per March 31st, 2019	54 539	-21	118 625	0	-70 412	6 046	108 777
Equity as per January 1st, 2020	54 540	-21	118 625	5 003	-83 348	6 544	101 342
Total Comprehensive Income for the Period					9 868	7 314	17 182
Equity Based Remuneration					368		368
Share Issue Including Transaction Costs	3 705		10 498	-5 003			9 200
Equity as per March 31st, 2020	58 245	-21	129 122	0	-73 111	13 858	128 091

NOTES TO CONSOLIDATED STATEMENTS

NOTE 1 ACCOUNTING PRINCIPLES

General

NattoPharma (the Group) consists of NattoPharma ASA and its subsidiaries. NattoPharma ASA is a public limited company incorporated in Norway. The address of its registered office is Lilleakerveien 2B, 0283 Oslo.

The Group includes the following subsidiaries:

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

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 May 6th, 2020.

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.

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 31st, 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 March 31st, 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.

Background

NattoPharma sold the pharma business to Kaydence Pharma AS in December 2017 and currently holds a 46.41% ownership in the company. Through the ownership NattoPharma has significant influence in the company but are not in control. The investment is recognized using the equity method, and due to a deferred gain on the initial transaction, the investment currently holds zero book-value in the consolidated accounts.

Kaydence Pharma AS has a long-term liability to NattoPharma ASA at the end of the quarter of NOK 46.03 million, which is representing a seller's credit for the acquisition of the pharma business. 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 net proceeds, limited to NOK 10 million per event until the whole loan balance is repaid.

On October 3rd, 2019, NattoPharma ASA granted a 24-month waiver in relation to all claims against Kaydence Pharma AS under the following agreements including accrued and future interest:

1. Credit agreement dated December 15th, 2017, original loan amount NOK 65 500 000, and
2. Loan Agreement/credit facility dated April 30th, 2019 with a limit of NOK 5 000 000, with original due date December 31st, 2019.

Status of investment at year-end 2019

At the end of 2019, Kaydence Pharma AS is experiencing financial distress and is in the process of laying off staff. The Company still holds several patents related to Vitamin K2 that is licensed to NattoPharma. The recovery of the loan receivable is uncertain and is hence evaluated for impairment under IFRS 9.

The carrying amount of the total debt at the end of 2019 before impairment was about NOK 47.9 million (including impairment of NOK 5.8 million recorded in 2018) while the remaining deferred gain was approximately NOK 12 million. In order to write-down the loans to the fair value of the collateral (patents), NattoPharma has recorded an impairment of NOK 16 million in 2019 which brought the value of the total debt as at December 31st, 2019 to amount to NOK 31.9 million.

In the first quarter of 2020 the outlook has remained unchanged. Therefore, the accrued interest on the loan has been deemed not recoverable and an accrual equal to this amount (NOK 0.7 million) has been recorded to account for the exposure.

The net exposure to Kaydence is NOK 19.9 million, which can be seen in the below schedule:

<i>Amounts in NOK 1000</i>	Long-Term Loan	Investment	Deferred Revenue	Total
Book (net) Value January 1st, 2018	57 500	0	-22 002	35 498
IFRS 9 Operating Balance Adjustment	-5 750	0	0	-5 750
Debt Conversion Q4'18	-9 975	9 975	0	0
Netting Investment/Deferred Revenue	0	-9 975	9 975	0
Loan Repayment Q4'18	-1 500	0	0	-1 500
Book (net) Value December 31st, 2018	40 275	0	-12 027	28 248
Bridge Loan Given 2019	5 000	0	0	5 000
Accrued Interest 2019 Reclassed to Loan Receivable	2 605	0	0	2 605
Impairment	-15 973	0	0	-15 973
Book (net) Value December 31st, 2018	31 907	0	-12 027	19 880
Accrued Interest 2020 Reclassed to Loan Receivable	705	0	0	705
Accrued Interest 2020 Provision	-705	0	0	-705
Book (net) Value March 31st, 2020	31 907	0	-12 027	19 880

NOTE 4 INTANGIBLE ASSETS

<i>Amounts in NOK 1000</i>	Acquired Technology	Software	Acquired Rights	Patents	Assets Under Construction	Total Other Intangible Assets
Aquisitions Cost January 1st, 2019	58 802	2 204	1 908	1 798	2 845	67 557
Aquisitions		14		330	4 054	4 398
Disposals						0
Exchange Rate Changes	-1 710					-1 710
Aquisitions Cost March 31st, 2019	57 092	2 218	1 908	2 128	6 899	70 244
Aquisitions		88			10 231	10 319
Disposals						0
Exchange Rate Changes	1 211			42		1 252
Aquisitions Cost December 31st, 2019	58 302	2 306	1 908	2 169	17 129	81 815
Aquisitions						0
Disposals						0
Exchange Rate Changes	9 730			362		10 092
Acquisition Cost March 31st, 2020	68 033	2 306	1 908	2 532	17 129	91 908
Accumulated Depreciation January 1st, 2019	29 272	724	1 201	1 798	0	32 995
Amortization and Depreciation for the Period	1 470	94	35	91		1 690
Disposals						0
Exchange Rate Changes	-863					-863
Accumulated Depreciation December 31st, 2019	29 880	818	1 236	1 889	0	33 822
Amortization and Depreciation for the Period	4 476	358	87	13		4 935
Disposals						0
Exchange Rate Changes	623					623
Accumulated Depreciation December 31st, 2019	34 979	1 176	1 323	1 902	0	39 380
Amortization and Depreciation for the Period	1 578	116	30	5		1 729
Disposals						0
Exchange Rate Changes	5 997			318		6 315
Accumulated Depreciation March 31st, 2020	42 554	1 292	1 353	2 225	0	47 424
Balance Sheet Value March 31st, 2019	27 212	1 400	672	239	6 899	36 422
Balance Sheet Value December 31st, 2019	23 323	1 130	585	267	17 129	42 435
Balance Sheet Value March 31st, 2020	25 479	1 014	555	307	17 129	44 485

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 58 244 799 divided into 19 414 933 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.

On January 7th a share issue of 1 235 000 new shares at a subscription price of NOK 11.50 was completed. After this transaction the company's share capital is NOK 58 244 799 divided into 19 414 933 registered shares each with a nominal value of NOK 3.

An updated list of the largest shareholders is available on the corporate website – 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	Q1 2020			Options March 31 st , 2020
		Options December 31 st , 2019	Granted Options	Exercised Options	
Kjetil Ramsøy	CEO	225 100	50 000		275 100
Robert Schrama	CFO*	0	30 000		30 000
Frode Bohan	Chairman	150 000			150 000
Katarzyna Maresz	Board Member	100 000			100 000
Annette Elmqvist	Board Member	100 000			100 000
Stefan Hallden	Board Member	100 000			100 000
Sjur Thorsheim	Board Member	50 000			50 000

Description:

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

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

Amounts in NOK 1000			Q1 2020 Transactions (+ Revenue, - Expense)		
Entity	Related Party	Balance March 31 st , 2020 (net)	Other Revenue	Purchases	Interest
Kaydence Pharma AS	Associated Entity	19 880	731		705
Pro AS	Sjur Thorsheim	-6 089			-89
Bohan & Co AS	Frode Bohan	263	237		
Tape Poland	Frode Bohan	-34		222	

Description:

- Kaydence Pharma AS is an associated entity created through a spin-off of the pharmaceutical business from NattoPharma in December 2017.
- 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 2019.
- Frode Bohan is the Chairman of the Board and a major investor in NattoPharma.

NOTE 7 EVENTS AFTER THE BALANCE SHEET DATE

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

STATEMENT FROM THE BOARD OF DIRECTORS AND CEO

We confirm that, to the best of our knowledge, the consolidated financial statements as of March 31st, 2020, and for the period January 1st, 2020 to March 31st, 2020, have been prepared in accordance with IAS 34 Interim Financial Reporting, and that the Interim Management Report for 2019 are presented in accordance with Accounting and Generally Accepted Accounting principles in Norway. 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, May 5th, 2020

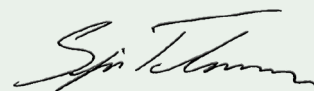
Board of Directors, NattoPharma ASA



Frode M. Bohan
Chairman



Stefan Halldén
Board Member



Sjur Thorsheim
Board Member



Annette Elmqvist
Board Member



Katarzyna Maresz
Board Member



Kjetil Ramsøy
NattoPharma CEO

ALTERNATIVE PERFORMANCE MEASURES

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 Operating Revenue (Adj.)

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.

Operating Expenses (Adj.)

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.

EBITDA (Adj.)

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, EBITDA (adj.) excludes non-cash cost related to the options program and any other special items in the period.

RECONCILIATION OF APM

GROSS PROFIT ON OPERATING REVENUE (ADJ.)

Amounts in NOK 1000	Q1'20	Q1'19	2019
Total Operating and Other Revenue			
Operating Revenue	56 265	27 771	127 119
Other Revenue	1 000	976	4 031
Less Recharges of OpEx	-1 000	-1 206	-4 031
Operating Revenue (Adj.)	56 265	27 541	127 119
Cost of Goods Sold	-32 517	-15 535	-76 232
Total Cost of Goods Sold	-32 517	-15 535	-76 232
Gross Profit Operating Revenue (Adj.)	23 747	12 006	50 887
Gross Margin Operating Revenue (Adj.)	42.2%	43.6%	40.0%

OPERATING EXPENSES (ADJ.)

Amounts in NOK 1000	Q1'20	Q1'19	2019
Operating Expenses			
Personnel Cost	-10 055	-8 130	-30 942
Less Recharges	923	1 108	3 869
Less Non-Cash Cost for Options Program	368	1 174	731
Personnel Cost (Adj.)	-8 764	-5 848	-26 342
Other Operating Expenses	-4 559	-3 476	-16 507
Less Recharges	77	98	162
Other Operating Expenses (Adj.)	-4 482	-3 377	-16 345
Operating Expenses (Adj.)	-13 247	-9 225	-42 687
As % of Operating Revenue (Adj.)	23.5%	33.5%	33.6%

EBITDA (ADJ.)

Amounts in NOK 1000	Q1'20	Q1'19	2019
Total Operating and Other Revenue	57 265	28 747	131 150
Cost of Goods Sold	-32 517	-15 535	-76 232
Personnel Cost	-10 055	-8 130	-30 942
Other Operating Expenses	-4 559	-3 476	-16 507
Less Non-Cash Cost for Options Program	368	272	731
EBITDA (Adj.)	10 501	1 879	8 200
As % of Operating Revenue (Adj.)	18.7%	6.8%	6.5%