

QUARTERLY AND HALF  
YEAR REPORT **Q2**

2008



**PRONova**  
BIOPHARMA



Pronova BioPharma ASA ("Pronova BioPharma" or the "company" or the "group" – OSE: PRON.OL) is a global leader in the research, development and manufacture of marine-originated omega-3 derived pharmaceutical products. The first commercialised product developed from Pronova BioPharma's Active Pharmaceutical Ingredient (API) is the first and only EU- and FDA-approved omega-3 derived prescription drug. The product is branded as Omacor in a number of countries throughout Europe and Asia and as Lovaza in USA.

## Q2 2008 Operating highlights

(Figures in brackets = Q2 2007)

- ➔ **Substantial growth in Omacor/Lovaza**
  - Up 55 per cent to USD 283 million (May YTD), annual run-rate of USD 735 million as of May 2008 (May 2007: USD 476 million)\*
- ➔ **Continued growth in USA end user sales**
  - Up 63 per cent to USD 160.1 million (May YTD), annual run-rate of USD 422 million as of May 2008\*
  - Lovaza benefits from GSK's commercial activities with prescription data showing accelerated growth
- ➔ **Strong sales growth in Europe continues**
  - Up 45 per cent to USD 118.9 million (May YTD), annual run-rate of USD 302 million as of May 2008\*
- ➔ **Solid manufacturing performance and on track to achieve the 2008 production target of 1 200 tonnes**
  - 315 tonnes produced in the quarter (179 tonnes) and 315 tonnes (185 tonnes) shipped
- ➔ **Kalundborg project progresses on time and on budget**
- ➔ **Good momentum for the pipeline development initiatives**
  - Clinical studies on a fixed dose combination product (Omacor/Lovaza and simvastatin) will commence by the end of 2008
  - Alginate capsule technology is in pre-clinical animal studies to be finalised by the end of Q3 2008
  - Toxicology report is now complete on PRB-2 (next generation omega derived pharmaceutical) and preparation will start for initiation of a phase I trial

\* Source IMS

## Q2 2008 Financial highlights

- ➔ **Revenues and other income up 34.3 per cent to NOK 316.3 million (NOK 235.5 million). Underlying revenues (at constant currency) were up 41.2 per cent**
- ➔ **EBITDA<sup>1</sup> growth of 23.5 per cent to NOK 151.1 million (NOK 122.3 million)**
- ➔ **EBITDA margin<sup>2</sup> at 47.8 per cent (51.9 per cent) due to increased operating expenses at the new site in Kalundborg, Denmark and increased in-sourcing of intermediaries**
- ➔ **Gross margin at 79 per cent (81.6 per cent), slightly impacted by currency effects and in-sourcing**

## H1 2008 Financial highlights

(Figures in brackets = H1 2007)

- ➔ Revenue growth of 18 per cent to NOK 575.2 million (NOK 487.4 million). Underlying revenues (at constant currency rate) were up 24.7 per cent
- ➔ EBITDA<sup>1</sup> increased to NOK 272.7 million (NOK 243.8 million)
- ➔ EBITDA margin<sup>2</sup> of 47.4 per cent (50.0 per cent)
- ➔ Gross margin of 79.3 per cent (79.2 per cent)

## Key financial figures

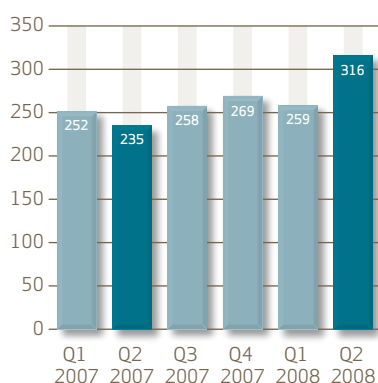
Income statement		Q2 2008	Q2 2007	H1 2008	H1 2007	FY 2007
Revenues and other income	NOK million	316.3	235.5	575.2	487.4	1 014.4
Gross margin	Per cent	79.0	81.6	79.3	79.2	80.1
EBITDA	NOK million	151.1	122.3	272.7	243.8	503.0
EBITDA margin	Per cent	47.8	51.9	47.4	50.0	49.6
Profit before tax	NOK million	110.1	60.5	168.7	121.9	202.0
Net profit	NOK million	78.9	43.5	122.3	87.6	143.4
EPS basic and diluted	NOK	0.26	0.15	0.41	0.30	0.45
EPS adjusted <sup>3</sup>	NOK	0.34	0.32	0.56	0.65	1.07

<sup>1)</sup> EBITDA is defined as profit for the accounting period before financial income and financial expense, income tax expense and depreciation and amortization. Pronova BioPharma presents EBITDA because it is considered to be an important supplemental measure of the group's operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the industry.

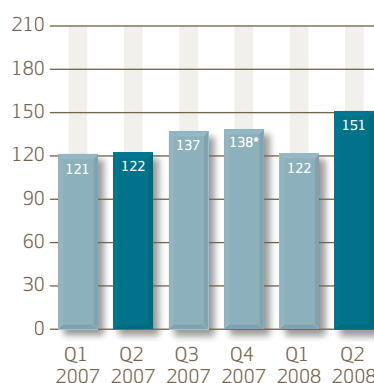
<sup>2)</sup> EBITDA margin is defined as EBITDA for a particular period divided by revenues for that period.

<sup>3)</sup> Earnings per share (EPS) adjusted for amortisation of intangible assets.

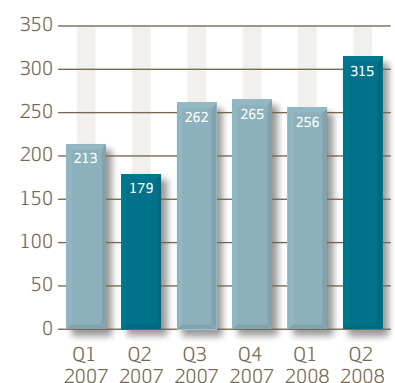
**Revenue and other income**  
NOK million



**EBITDA**  
NOK million



**Production volume**  
Tonnes



\*Excl. IPO bonus

## The second quarter of 2008:

# Pronova BioPharma's strongest quarter

Pronova BioPharma's second quarter results were at a record-high level, with a substantial revenue growth of 34 per cent and 24 per cent EBITDA growth. Strong growth was also seen in global end-user sales, which were up 55 per cent to USD 283.3 million (May YTD), driven by market share growth in the USA. The blockbuster potential of the product is highlighted by a global run-rate in May 2008 of approximately USD 735 million (USD 475 million in May 2007). The construction process in the Kalundborg project continues on time and on budget with critical equipment already secured at the plant. R&D initiatives are also progressing well, with trial results from the GISSI-HF (heart failure trial) to be released on 31 August.

Underlying end-user sales developed exceptionally well in the second quarter, with end-user sales (May YTD) of USD 283.3 million (Source:IMS). In the USA, Lovaza achieved a 14.6 per cent share of new prescriptions (NRx) in the non-statin dyslipidemic market (25 July 2008), compared to 11.5 per cent market share at the beginning of the year (Source: IMS). This represents a 26.9 per cent growth YTD in a highly competitive market. The market share in total prescriptions (TRx) grew to 12.5 per cent (25 July 2008) compared to 9.7 per cent at the beginning of the year. The total number of prescriptions YTD increased by 28.6 per cent compared to the same period in 2007. Growth in the USA was driven by GSK's continued sales and marketing activities related to Lovaza with special focus on Lovaza's efficacy and safety profile. In the second quarter of 2008, Lovaza was one of the fastest growing products in GSK's portfolio. (Source: GSK, second quarter 2008 report).

Omacor also continued its strong development in all European markets, where end-user sales amounted to USD 118.9 million (May YTD) with an overall growth rate of 45 per cent from the same period last year (Source: IMS). The strong performance was primarily due to continued momentum in the Italian market, which grew by 35 per cent in the period (measured in USD). Growth in the European markets excluding Italy was 64 per cent (May YTD) from the same period last year. Omacor is an increasingly important growth-driver for many of Pronova BioPharma's marketing partners, sustaining the continued enthusiasm for the company's product.

Total production was 315 tonnes (179 tonnes) in the second quarter, significantly higher than the 256 tonnes produced in the first quarter of 2008. The increase was driven by an overall good production performance and in-sourcing of intermediary products into the production process. The group's gross margin for the second quarter was 79 per cent (81.6 per cent), and shipped volume in the quarter reached 315 tonnes (185 tonnes). The in-sourcing of intermediary products is part of the strategy to optimise utilisation of the manufacturing plant in order to meet the expected increased end-user demand. The overall production performance in the second quarter supports the 2008 full year target of 1 200 tonnes.

All main buildings in the new manufacturing plant in Kalundborg have now been constructed, and all critical equipment is secured at site or has specified delivery dates. The building continues to be in line with the group's execution plan, both in terms of the time-line and in terms of the overall budget. Following this strong progress, approximately 90 per cent of the total procurement costs had been committed at the end of June. The group remains on track to deliver the first commercial shipment of Pronova BioPharma's API from this plant in the first quarter of 2010.

The GISSI-HF trial (congestive heart failure trial) is scheduled for presentation of the main results at the European Society of Cardiology meeting in Munich on 31 August 2008. The GISSI-HF study has investigated the effect of 1g Omacor versus placebo on mortality and morbidity in patients with symptomatic heart fail-

ure. The development programme for the alginate capsule is on track, with in vitro pharmacokinetic studies progressing well. Toxicology report is now complete on PRB-2 (next generation omega derived pharmaceutical) and preparation will start for initiation of a phase I trial.

## FINANCIAL REVIEW AND PRELIMINARY ACCOUNTS FOR Q2 AND H1

### Consolidated income statement

#### Revenues

Total group revenues and other income in the second quarter increased by 34 per cent from the corresponding quarter last year to NOK 316.3 million (NOK 235.5 million). Total revenues and other income for the first half increased by 18 per cent to NOK 575.2 million (NOK 487.4 million).

Sales to all Pronova BioPharma's marketing partners remained strong, including to GlaxoSmithKline (GSK) in the USA. Sales in the USA represented 55.5 per cent of total group revenues and other income in the second quarter (49.5 per cent) and 52.2 per cent in the first half (56.1 per cent). Sales to European partners represented 43.4 per cent of the second quarter revenues (49.2 per cent) and 45.1 per cent of the first half year's revenues (42.7 per cent). Sales to partners in the Rest of the World (RoW) represented 1.1 per cent in the quarter (1.3 per cent) and 2.8 per cent in the first half year (1.1 per cent).

The revenue increase in the second quarter was negatively impacted by approximately NOK 16.1 million due to the

decrease in the value of the US dollar and the euro against the NOK. The average USD/NOK exchange rate recorded in the quarter was 5.52.

The increase in revenues in the first half of 2008 compared to the first half of 2007 was negatively impacted by approximately NOK 32.5 million due to the decrease in the value of the US dollar and the euro against the Norwegian krone. The average USD/NOK exchange rate recorded for the half year was 5.59.

62 per cent of the USD currency exposure in the second quarter of 2008 has been hedged with forward contracts at an exchange rate of 5.78 NOK per USD. Total future hedging amounts to USD 202.6 million at exchange rates of 5.71 NOK per USD, 5.73 NOK per USD, 5.74 NOK per USD and 5.51 NOK per USD for 2008, 2009, 2010 and 2011 respectively.

### Gross margin

Gross margin for the quarter was 79 per cent (81.6 per cent) and 79.3 per cent for the first half year (79.2 per cent). Gross margin was slightly impacted by negative currency effects and in-sourcing. The gross margin in the second quarter last year was positively impacted by a net compensation received in relation to equipment malfunction in April 2007.

### Employee benefits expenses

Employee benefit expenses increased by NOK 17 million to NOK 50.7 million for the second quarter 2008 (NOK 33.7 million) and NOK 94.7 million for the first half of 2008 (NOK 67.4 million).

The employee benefits costs have increased as a result of the planned employee ramp-up, salary rises, and one-time expenses related to severance pay.

### EBITDA

EBITDA for the quarter increased by 23.5 per cent from the same period last year, to NOK 151.1 million (NOK 122.3 million) and amounted to NOK 272.7 million for the first half year (NOK 243.8 million). This corresponds to an EBITDA margin of 47.8 per cent (51.9 per cent) and 47.4 per cent for the half year (50 per cent). The drop in the EBITDA margin was mainly due to increased operating costs related to Kalundborg, and to a lesser extent to the generally increased level of operational activities in the group. The EBITDA margin for the group's activities in Norway came

to 51.7 per cent for the quarter (54.7 per cent) and 50.6 per cent for the first half year (51.3 per cent).

### Depreciation of property, plant, and equipment

Depreciation of property, plant, and equipment was NOK 20.3 million in the second quarter (NOK 13.7 million) and NOK 38.3 million for the first half year (NOK 26.7 million). The increase is related to the depreciation of investments in new production capacity in Sandefjord.

### Amortisation of intangible assets

The amortisation charges relate to patents and trademarks, customer contracts and customer relations, all of which have finite lives. The amortisation plans for identifiable intangible assets are based on the projected future cash flow identified at the time of the business combination. These amortisations amounted to NOK 23.8 million the second quarter of 2008 (NOK 39.6 million) and NOK 47.6 million for the first half year (NOK 79.1 million). Based on updated information, management has revised the projected future cash flows identified at the time of the business combination. The effect on the second quarter and first half is a reduction of NOK 15.3 million and NOK 30.5 million respectively.

### Operating profit

The group's operating profit for the quarter increased by 54.9 per cent to NOK 106.9 million from the same period in 2007 (NOK 69.1 million). The operating profit for the first half amounted to NOK 186.8 million compared to the first half of 2007 (NOK 137.9 million). The growth in operating profit is a result of the growth in gross profit and lower amortisation of intangible assets, offset by higher operating expenses in Kalundborg and negative currency effect.

### Net financial items

Net financial items for the second quarter of 2008 were NOK 3.2 million (NOK -8.5 million) and NOK -18.1 million for the first half (NOK -16 million). The main reason for the positive net financial items in the second quarter of 2008 is a positive change in the value of interest swaps of NOK 29.1 million in addition to capitalised interest expenses of NOK 11.9 million regarding the financing of the new manufacturing

facility in Kalundborg.

The group has applied hedge accounting for foreign exchange forward contracts as set out in IAS 39 for cash flow hedges in the period. The group's foreign exchange forward contracts are entered into in accordance with the group's currency risk policy, which is to hedge a certain proportion of the net exposure arising from sales and purchases in US dollar. Hedge accounting was introduced and applied from Q3 2007.

### Profit before tax

The group's profit before tax amounted to NOK 110.1 million (NOK 60.5 million) in the second quarter and to NOK 168.7 million for the first half (NOK 121.9 million).

### Income tax expense

Calculated income tax expense was NOK 31.2 million (NOK 17 million) in the quarter and NOK 46.3 million for the first half year (NOK 34.3 million), which corresponds to effective tax rates of 28.3 per cent for the quarter (28.1 per cent) and 27.5 per cent for the first half (28.2 per cent). The income tax expense reported comprises taxes currently payable and the deferred tax charges/benefits for the period presented.

### Net profit

Net profit increased by 81.3 per cent to NOK 78.9 million in the second quarter 2008 from NOK 43.5 million in the same quarter of 2007. For the first half year, the net profit amounted to NOK 122.3 million (NOK 87.6 million).

### Earnings per share

Earnings per share (basic and diluted) were NOK 0.26 (NOK 0.15) for the second quarter of 2008 and adjusted for amortisation the earning per share were NOK 0.34 (NOK 0.32). For the period ending 30 June 2008 the earnings per share were NOK 0.41 (NOK 0.30), and adjusted for amortisation the earning per share were NOK 0.56 (NOK 0.65). The total number of shares outstanding at the end of June 2008 (basic and diluted) is 300.8 million.

### Consolidated balance sheet and liquidity

The balance sheet as of 30 June showed total assets of NOK 3 756.7 million (NOK 2 690.4 million). Property, plant, and equip-

ment amounted to NOK 1 376.5 million (NOK 615.9 million). The increase is mainly related to investments in the new plant in Kalundborg, Denmark. The group had total intangible assets excluding goodwill of NOK 832.4 million (NOK 955.7 million). Goodwill amounted to NOK 633.5 million, the same value as at the end of 2007. Other long-term financial assets amounted to NOK 38.5 million, which is the discounted value of the USD hedging program maturing beyond twelve months. Inventory was NOK 391.3 million (NOK 117.7 million). The increase relates to raw materials as the group works to establish a raw material inventory level of 24 months for future utilisation. Trade and other receivables amounted to NOK 295.1 million at the end of the second quarter (NOK 216.2 million). Total shareholders' equity for the group was NOK 1 006.5 million (NOK 671.6 million) and represents an equity ratio of 26.8 per cent (25 per cent). Total interest-bearing liabilities at the end of June 2008 were NOK 1 667.7 million (NOK 1 319.6 million). Total non-current liabilities were NOK 2 009.3 (NOK 1 533).

### Cash flow

Cash flow from operating activities in the second quarter was NOK 180.3 million versus NOK 76.5 million in the same quarter last year. The group's cash and cash equivalents as at 30 June 2008 were NOK 116.6 million (NOK 139.2 million). Net working capital (defined as inventories plus trade and other receivables less trade payables and other liabilities) was NOK 261.6 million (NOK 231.2 million).

### GEOGRAPHICAL REVIEW

Pronova BioPharma operates in three geographical segments: USA, Europe, and Rest of the World (RoW). 55.5 per cent (49.5 per cent) of total revenues in the second quarter and 52.2 per cent in the first half year (56.1 per cent) were attributed to sales of products in the USA, where revenues grew by 50.7 per cent quarter-on-quarter and by 9.6 per cent in the first half year. Europe accounted for 43.4 per cent (49.2 per cent) of sales in the second quarter and 45.1 per cent in the first half year (42.7 per cent), a growth of 18.6 per cent quarter-on-quarter and 24.6 per cent in the first half year. 1.1 per cent (1.3 per cent) of sales came from Rest of the World in the second quarter and 2.8 per cent in the first half, up 9.8 per cent and 187.4 per cent respectively year-on-year.

### OPERATIONAL REVIEW

#### Kalundborg project on schedule

All main buildings in the new manufacturing plant in Kalundborg, Denmark have been completed and all critical equipment has been delivered or has specified delivery dates. The construction process continues to be in line with the group's plan, in terms of both the time-line and the overall budget. During the quarter, 24 new employees have been recruited in Denmark. The training programme continues, in order to prepare new employees for the start of operations at the site. Approximately 90 per cent of procurement costs had been committed by the end of June 2008.

The group remains on track to have mechanical completion of the plant by the third quarter of 2009 and to deliver the first commercial shipment in the first quarter of 2010.

The new facility is expected to double the current production capacity of Pronova BioPharma's API and the company plans to invest between NOK 1.45 billion to NOK 1.7 billion in this second production site.

### Production

The facility in Sandefjord produced 315 tonnes in the quarter (179 tonnes), an increase of 76.2 per cent from the same period last year. 571.3 tonnes (391.6 tonnes) were produced in the first half year, representing an increase of 45.9 per cent from the first half of 2007. The total volume shipped in the second quarter was 315 tonnes (185 tonnes), an increase of 70.5 per cent. 554 tonnes were shipped in the first half year (433 tonnes).

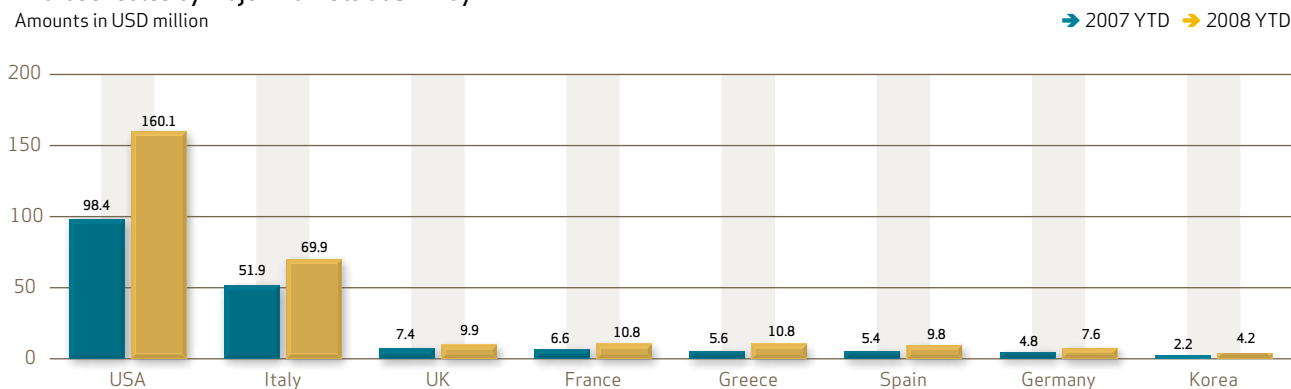
As previously communicated, certain intermediaries were in-sourced in the second quarter. In-sourcing of intermediaries will continue as part of an optimisation process to meet the strong end-user demand. The level is expected to be higher in the second half of 2008 than in the first half. The volume produced in the second quarter substantiates the 2008 full year target of 1 200 tonnes.

### Litigation status

Legal action continues for infringement of the company's Italian patent in the Court of Rome following Chiesi Farmaceutici's filing of a marketing authorisation application with the Italian Competition

### End-user sales by major markets at 31 May\*

Amounts in USD million



\*Source: IMS

Authority for a generic form of Seacor. Written arguments, which are expected to be final, were submitted by both parties in June. Although the timing cannot be predicted with certainty, it is anticipated that the court's ruling will be given during the second half of 2008.

A final hearing on the nullity action against the patent covering the API of Omacor in Milan was held in February 2008. It is expected that the decision of the court will be given towards the end of 2008 at the earliest.

### Research and development

Pronova BioPharma had 19 full time employee equivalents associated with the group's research and development (R&D) activities at the end of June. In the second quarter of 2008, R&D related expenses were NOK 11.8 million, which corresponds to 3.7 per cent of the group's revenues.

The group's R&D programmes continued to progress well in the second quarter, and plans are in place to move several PRB (next generation omega-3 derived pharmaceuticals) compounds into preclinical evaluation towards the end of 2008. The recent completion of the toxicology report on PRB-2 will initiate the preparation for a phase I trial on the group's first new compound.

Life-cycle and extension programmes will both be initiated and completed in

2008, and the company is preparing the utilisation of potential positive data arising from the completed studies.

The GISSI-Heart Failure study is a large-scale, randomised, double-blind placebo-controlled trial with 7 000 patients to investigate whether 1g Omacor exerts an effect in patients with symptomatic heart failure. Patients with New York Heart Association (NYHA) classes II to IV heart failure who are already receiving optimised recommended therapy have been recruited from more than 300 cardiology and internal medicine centres in Italy. The study is designed to show a 15 per cent reduction of all-cause mortality or a 20 per cent reduction of all-cause mortality or cardiovascular hospitalisations. The GISSI Group will present the main results of the study at the European Society of Cardiology meeting in Munich on 31 August, 2008.

The development programme for the alginate capsule is in line with the group's development plan, with in vitro pharmacokinetic studies progressing well and the pre-clinical animal studies is expected to be finalised by the end of the third quarter 2008.

The group expects to start a clinical trial with alginate capsules in 2009. In addition, clinical studies on a fixed dose combination product (Omacor/Lovaza and simvastatin) will commence by the end of 2008.

### Geographical distribution of ownership at 30 June 2008

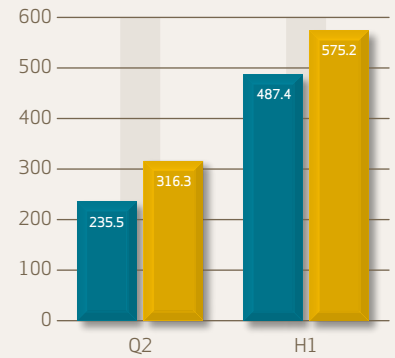
Country	Number of shares	Ownership%
Norway- Herkules Private Equity Fund I+II	175 720 267	58.4%
Norway- Other	33 458 196	11.1%
Other Nordic	7 129 065	2.4%
Europe (ex. Nordic/Norway)	58 192 836	19.4%
USA	25 922 703	8.6%
RoW	409 441	0.1%
Total	300 832 508	100%

### Ownership by number of shares at 30 June 2008

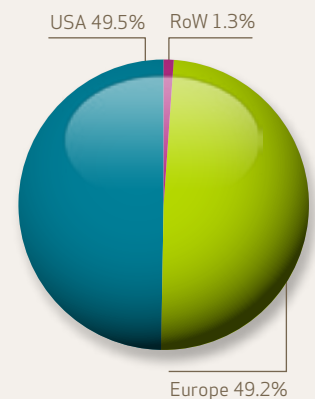
Number of shares	Shareholders	% share capital
> 1 million	26	88.93%
100 000 - 1 million	74	9.18%
10 001 - 100 000	161	1.34%
1 001 - 10 000	720	0.51%
1 - 1 000	280	0.04%
Total	1 261	100.0%

### Operating revenues

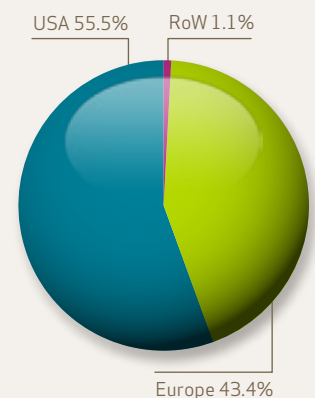
Amounts in NOK million → 2007 → 2008



### Revenues split by market Q2 2007



### Revenues split by market Q2 2008



## 20 largest shareholders at 30 June 2008

Investor	Number of shares	% of total	Account type	Country
1 Herkules Private Equity Fund (Jersey-I) L.P	145 910 372	48.5%	COMP	GBJ
2 Herkules Private Equity Fund (Jersey-II) L.P	29 809 895	9.9%	COMP	GBJ
3 JPMorgan Chase Bank	14 336 338	4.8%	NOM	GBR
4 Morgan Stanley & Co.Inc.	11 063 760	3.7%	NOM	GBR
5 Citibank N.A.	8 661 803	2.9%	NOM	USA
6 Brown Brothers Harriman & Co	7 608 200	2.5%	COMP	USA
7 Fidelity Funds	7 218 014	2.4%	COMP	GBR
8 Folketrygdfondet	5 248 905	1.7%	COMP	NOR
9 Skandinaviska Enskilda Banken	4 838 900	1.6%	NOM	SWE
10 Svenska Handelsbanken Stockholm	3 459 700	1.2%	NOM	NOR
11 Mutus As	3 122 956	1.0%	COMP	NOR
12 Rbc Dexia Investor Services Bank	2 942 167	1.0%	NOM	LUX
13 JPMorgan Chase Bank	2 920 710	1.0%	NOM	GBR
14 Odin Europa	2 488 261	0.8%	COMP	NOR
15 Brown Brothers Harriman & Co	2 000 000	0.7%	COMP	USA
16 Credit Suisse Securities	1 948 741	0.6%	COMP	GBR
17 State Street Bank and Trust Co.	1 898 830	0.6%	NOM	USA
18 JPMorgan Chase Bank	1 809 739	0.6%	NOM	GBR
19 JPMorgan Chase Bank	1 636 652	0.5%	NOM	GBR
20 Goldman Sachs & Co - Equity	1 588 626	0.5%	NOM	USA
Total 20 largest shareholders	260 512 569	86.6%		
Total all shareholders	300 832 508	100.0%		

## ORGANISATION

At the end of second quarter 2008, 194 full-time employee equivalents were based in Norway (165), and 55 were assigned to the Kalundborg project (5).

The number of full-time employee equivalents increased from 170 at the end of second quarter 2007 to 249 at the end of the second quarter of 2008. The ramp-up of employees in Kalundborg constitutes the majority of the increase, combined with an overall growth in the group's activity level.

## OUTLOOK

Omacor/Lovaza significantly increased its market penetration across all geographies during the second quarter. The product is growing at a rapid pace in all markets and the company expects this positive trend to continue throughout 2008. The presentation of the results from GISSI-HF (congestive heart failure) is an important upcoming event, which may offer additional potential increase in the patient population available for treatment.

Pronova BioPharma reiterates its full-year production target of 1 200 tonnes for 2008. An increased level of in-sourced intermediates will form part of an on-going strategic plan to meet end-user demand. The level of in-sourcing is expected to be higher in the second half than in the first half of 2008. The total capital expenditure estimate for the new site in Kalundborg remains unchanged, and the first commercial shipments are, as previously communicated, expected to take place in the first quarter of 2010.

Preparations will be started for the initiation of a phase 1 trial pertaining to PRB-2.

Following the mechanical completion in the third quarter of 2009, the group is planning to in-source intermediaries from Kalundborg to Sandefjord to secure a volume of 1 300 tonnes in 2009 and potentially achieve further volume growth for 2009.

The board of Pronova BioPharma believes that the strong performance in the first half of 2008 will provide an excellent platform for continued growth and is confident about the outlook for the group.

## RISK AND UNCERTAINTY

Pronova BioPharma's total risk exposure is analysed and evaluated in the group's annual report for 2007 and there has not been any significant change in the risk exposures in the first half of 2008. Pronova BioPharma sells to international partners in foreign currencies and is thereby exposed to risk in these currencies, particularly US dollars and euros. As a consequence of weaker US dollars and euro, revenues, gross margin and profit are negatively impacted. This negative impact has partly been offset by an active currency hedging strategy.

Note 26 in the annual report for 2007 provides details of related parties. During the first half of 2008 there has not been any changes or transactions that has significant impact on the group's financial position or result for the period.

Lysaker, 4 August 2008

The board of directors and chief executive officer,  
Pronova BioPharma ASA

## Pronova BioPharma group

### Condensed consolidated income statement (unaudited)

(Amounts in NOK 1 000)	Note	Q2 2008	Q2 2007	H1 2008	H1 2007	Full year 2007
Revenues	2	<b>316 319</b>	235 492	<b>575 213</b>	486 865	1 013 839
Other income			-	-	538	538
<b>Total revenues and income</b>		<b>316 319</b>	235 492	<b>575 213</b>	487 403	1 014 377
<b>Change in inventories</b>						
Cost of materials and change in inventories		<b>(66 546)</b>	(43 441)	<b>(119 121)</b>	(101 610)	(202 340)
Employee benefits expense		<b>(50 706)</b>	(33 721)	<b>(94 739)</b>	(67 367)	(162 408)
Depreciation property, plant and equipment and write downs		<b>(20 347)</b>	(13 680)	<b>(38 307)</b>	(26 735)	(58 521)
Amortisation intangible assets	3	<b>(23 799)</b>	(39 553)	<b>(47 596)</b>	(79 105)	(158 136)
Other operating expenses		<b>(47 990)</b>	(36 046)	<b>(88 654)</b>	(74 671)	(146 635)
<b>Total operating expenses</b>		<b>(209 389)</b>	(166 440)	<b>(388 417)</b>	(349 488)	(728 040)
<b>Operating profit</b>		<b>106 931</b>	69 052	<b>186 796</b>	137 915	286 337
<b>Financial income and financial expenses</b>						
Net financial items	4	<b>3 162</b>	(8 533)	<b>(18 135)</b>	(16 041)	(84 382)
<b>Profit before tax</b>		<b>110 093</b>	60 519	<b>168 661</b>	121 874	201 955
Income tax expense	5	<b>(31 210)</b>	(17 019)	<b>(46 336)</b>	(34 311)	(58 584)
<b>Net profit for the period</b>		<b>78 883</b>	43 500	<b>122 325</b>	87 563	143 371
Earnings per share (in NOK) - basic and diluted	6	<b>0.26</b>	0.15	<b>0.41</b>	0.30	0.45
EBITDA		<b>151 077</b>	122 284	<b>272 699</b>	243 756	502 994
EBITDA margin		<b>47.8 %</b>	51.9 %	<b>47.4 %</b>	50.0 %	49.6 %

The notes are an integral part of these condensed consolidated financial statements.  
Due to rounding differences certain summations might not add up.

## Pronova BioPharma group Condensed consolidated balance sheet at 30 June (unaudited)

(Amounts in NOK 1 000)	Note	30.06.2008	30.06.2007	31.12.2007
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		1 376 480	615 874	853 881
Goodwill		633 453	633 453	633 453
Other intangible assets	3	832 399	955 655	879 331
Deferred tax assets	5	6 088	-	-
Other long term financial assets		38 501	-	11 133
<b>Total non-current assets</b>		<b>2 886 921</b>	2 204 982	2 377 798
<b>Current assets</b>				
Inventories		391 308	117 709	157 320
Trade and other receivables		295 130	216 221	258 260
Other financial assets		66 741	12 258	47 664
Cash and cash equivalents		116 606	139 224	284 458
<b>Total current assets</b>		<b>869 785</b>	485 412	747 702
<b>Total assets</b>		<b>3 756 706</b>	2 690 394	3 125 500
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Share capital		6 017	13 026	6 017
Share premium reserve		579 665	473 232	579 665
Retained earnings		363 430	185 297	241 105
Reserves		57 378	-	26 728
<b>Total shareholders' equity</b>		<b>1 006 490</b>	671 555	853 515
<b>Non-current liabilities</b>				
Deferred tax liabilities	5	271 796	284 677	276 592
Borrowings		1 492 679	1 003 635	1 173 159
Deferred revenue		223 963	232 974	234 292
Retirement benefit obligation		20 886	11 730	23 529
<b>Total non-current liabilities</b>		<b>2 009 324</b>	1 533 016	1 707 572
<b>Current liabilities</b>				
Trade and other payables		361 519	45 358	238 286
Borrowings		175 000	315 954	150 000
Other financial liabilities		5 212	-	12 081
Current tax liabilities		102 363	45 647	81 108
Deferred revenue		19 463	21 512	18 197
Other liabilities		63 281	57 352	51 480
Provisions		14 054	-	13 261
<b>Total current liabilities</b>		<b>740 892</b>	485 823	564 413
<b>Total liabilities</b>		<b>2 750 216</b>	2 018 839	2 271 985
<b>Total equity and liabilities</b>		<b>3 756 706</b>	2 690 394	3 125 500

The notes are an integral part of these condensed consolidated financial statements.  
Due to rounding differences certain summations might not add up.

## Pronova BioPharma group

## Condensed consolidated statement of changes in equity (unaudited)

(Amounts in NOK 1 000)	Share capital	Share premium	Retained earnings	Reserves	Total shareholders' equity
Balance at 1 January 2008	6 017	579 665	241 105	26 728	<b>853 515</b>
Consolidated profit 1.1 -30.06	-	-	122 325	-	<b>122 325</b>
Fair value adjustment of forward hedging contracts	-	-	-	28 688	<b>28 688</b>
Currency conversion differences	-	-	-	1 962	<b>1 962</b>
Balance at 30 June 2008	6 017	579 665	363 430	57 378	<b>1 006 490</b>
Balance at 1 January 2007	13 019	472 884	97 734	-	<b>583 637</b>
Issue of shares	7	348	-	-	<b>355</b>
Consolidated profit 1.1 -30.06	-	-	87 563	-	<b>87 563</b>
Balance at 30 June 2007	13 026	473 232	185 297	-	<b>671 555</b>
Balance at 1 January 2007	13 019	472 884	97 734	-	<b>583 637</b>
Issue of shares	508	574 848	-	-	<b>575 356</b>
Share issue costs (net of tax effect)	-	(17 723)	-	-	<b>(17 723)</b>
Redemption of B-shares	(12 720)	(461 079)	-	-	<b>(473 799)</b>
Capitalisation issue	5 210	(5 210)	-	-	-
Consolidated profit 1.1 -31.12 2007	-	-	143 371	-	<b>143 371</b>
Fair value adjustment of forward hedging contracts	-	-	-	26 701	<b>26 701</b>
IPO bonus paid by previous shareholders	-	15 945	-	-	<b>15 945</b>
Currency conversion differences	-	-	-	27	<b>27</b>
Balance at 31 December 2007	6 017	579 665	241 105	26 728	<b>853 515</b>

The notes are an integral part of these condensed consolidated financial statements.  
 Due to rounding differences certain summations might not add up.

## Pronova BioPharma group

### Condensed consolidated cash flow statement (unaudited)

(Amounts in NOK 1 000)	Q2 2008	Q2 2007	H1 2008	H1 2007	Full year 2007
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>					
Result before tax	110 093	60 519	168 661	121 874	201 955
Taxes paid in the period	(23 770)	(25 634)	(47 060)	(47 260)	(47 260)
Write down of property, plant and equipment	1 614	-	1 614	-	355
Depreciation and amortisation	42 532	53 233	84 289	105 840	216 657
Gain on disposal of intangible assets	-	-	-	-	-
Expensed borrowing costs	-	(584)	-	-	1 429
Pension costs, without cash effect	826	3 476	(2 643)	(514)	11 285
Gain on sale of shares	-	-	-	-	-
Currency effects	1 401	-	(969)	-	(1 884)
Interest on loan from shareholders added to loan balance	-	(1 065)	-	(1 065)	-
Changes in inventories	(28 703)	13 581	(233 988)	18 756	(20 855)
Changes in accounts receivable	(48 866)	(7 547)	(43 893)	(28 152)	(64 865)
Changes in accounts payable	77 567	5 510	123 233	(31 720)	(21 005)
Changes in other current assets/liabilities	47 585	(25 019)	(12 941)	(60 811)	(21 406)
Net cash from operating activities	180 279	76 470	36 303	76 948	254 406
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>					
Payments for property, plant and equipment	(310 996)	(29 495)	(559 938)	(56 983)	(182 181)
Proceeds from sale of intangible assets	-	-	-	-	-
Proceeds from sale of financial assets	-	-	-	-	-
Net cash payment for purchase of subsidiary	-	-	-	-	-
Net cash from investment activities	(310 996)	(29 495)	(559 938)	(56 983)	(182 181)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>					
Proceeds from new long-term borrowings	165 515	-	430 783	-	316 875
Repayment of long term debt	(75 000)	-	(75 000)	-	-
Payment relating to repayment of shareholder loan	-	-	-	-	(316 430)
Receipt from issue of equity	-	-	-	-	566 328
Redemption of B-shares	-	-	-	-	(473 799)
Net cash from financing activities	90 515	-	355 783	-	92 974
Net change in bank deposits, cash and cash equivalents	(40 202)	46 975	(167 852)	19 965	165 199
Bank deposits, cash and cash equivalents at beginning of period	156 808	92 249	284 458	119 259	119 259
Bank deposits, cash and cash equivalents at end of period	116 606	139 224	116 606	139 224	284 458

The notes are an integral part of these condensed consolidated financial statements.  
Due to rounding differences certain summations might not add up.

## Pronova BioPharma group

## Selected notes to the consolidated accounts (unaudited)

**Note 1** Basis of preparation

The condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. The condensed interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2007.

**Note 2** Revenues and expenses by geography

**REVENUES BY GEOGRAPHICAL MARKET (INCLUDING OTHER INCOME)**

(Amounts in NOK 1000)	Q2 2008	Q2 2007	H1 2008	H1 2007	Full year 2007
Europe	137 405	115 889	259 389	208 235	414 936
USA	175 500	116 490	299 974	273 114	564 741
RoW	3 413	3 113	15 850	5 515	34 162
<b>Total</b>	<b>316 319</b>	<b>235 492</b>	<b>575 213</b>	<b>486 865</b>	<b>1 013 839</b>

**INCOME STATEMENT AND INVESTMENTS BY GEOGRAPHICAL OPERATING UNIT**

(Amounts in NOK 1 000)	Q2 2008				Q2 2007			
	Norway <sup>1</sup>	Denmark <sup>2</sup>	Eliminations	Total	Norway <sup>1</sup>	Denmark <sup>2</sup>	Eliminations	Total
Total revenues and other income	316 319	-	-	316 319	235 492	-	-	235 492
Gross profit	249 773	-	-	249 773	192 051	-	-	192 051
Employee benefits expense	(42 918)	(7 788)	-	(50 706)	(30 732)	(2 989)	-	(33 721)
Other operating expenses	(43 219)	(4 771)	-	(47 990)	(32 541)	(3 505)	-	(36 046)
EBITDA	163 636	(12 559)	-	151 077	128 778	(6 494)	-	122 284
EBITDA margin	51.7%	-	-	47.8%	54.7 %	-	-	51.9 %
Net financial items	(8 698)	(8)	11 868	3 162	(8 533)	-	-	(8 533)
Profit (loss) before tax	110 791	(12 567)	11 868	110 093	67 013	(6 494)	-	60 519
Investments (NOK million)	20.4	289.1	-	309.5	24.9	8.0	-	32.9

(Amounts in NOK 1 000)	H1 2008				H1 2007			
	Norway <sup>1</sup>	Denmark <sup>2</sup>	Eliminations	Total	Norway <sup>1</sup>	Denmark <sup>2</sup>	Eliminations	Total
Total revenues and other income	575 213	-	-	575 213	487 403	-	-	487 403
Gross profit	456 092	-	-	456 092	385 793	-	-	385 793
Employee benefits expense	(84 629)	(10 110)	-	(94 739)	(64 378)	(2 989)	-	(67 367)
Other operating expenses	(80 424)	(8 230)	-	(88 654)	(71 165)	(3 505)	-	(74 670)
EBITDA	291 039	(18 340)	-	272 699	250 249	(6 494)	-	243 756
EBITDA margin	50.6%	-	-	47.4%	51.3%	-	-	50.0%
Net financial items	(37 701)	(8)	19 575	(18 135)	(16 041)	-	-	(16 041)
Profit (loss) before tax	167 435	(18 348)	19 575	168 661	128 368	(6 494)	-	121 874
Investments (NOK million)	33.8	527.1	-	560.9	49.0	8.0	-	57.0

<sup>1)</sup> Pronova BioPharma ASA and Pronova BioPharma Norge AS

<sup>2)</sup> Pronova BioPharma Danmark A/S

### Note 3 Change in amortisation profile

Pronova BioPharma ASA purchased the subsidiary Pronova BioPharma Norge AS (formerly Pronova Biocare AS) for a net excess purchase price of NOK 1 407.9 million on 10 May 2006. Through a purchase price allocation, as required by IFRS 3, identifiable intangible assets have been recognised apart from goodwill. Of the excess purchase price, NOK 1 121.9 million was allocated to identifiable intangible assets at the time of acquisition; whereas remaining carrying amount as at 31 December 2007 was NOK 869.9 million, NOK 252 million has thus been amortised since the acquisition of the company. The amortisation charge in 2007 was NOK 157.5 million. The amortisation charges related to patents and trademarks, customer contracts and customer relations are cash flow based and have finite useful lives. The group has, with effect from the financial year 2008, changed the amortisation profile within the estimated total useful life period for patents, customer contracts and customer relations acquired in the business combination in May 2006. The assessed useful life of these intangible assets are unchanged. The amortisation plans for these identifiable intangible assets are based on the projected future cash flows at the time of the business allocation. The projected future cash flows were risk adjusted in order to reflect the uncertainty in the projections. Based on updated information regarding the commencement of expected sales to the Japanese market and also performance since the formation of the group, the group has revised the projected future cash flows identified at the time of the business combination.

The group also acquired other minor patents and trademarks in the business combination. Fair value of these identifiable intangible assets were deemed to equate the carrying value. These intangible assets are amortised based on a straight line method and no adjustments have been made to this plan.

#### The effect of the change of the amortisation profile for the financial year 2008:

(Amounts in NOK 1000)	Patents	Customer contracts	Customer relations	Total
Estimated amortisation charges of identifiable intangible assets in 2008 based on the original amortisation profile:	34 665	22 965	97 814	155 444
Estimated amortisation charges of identifiable intangible assets in 2008 after an updated amortisation profile:	28 749	30 262	35 429	94 440
The effect of the change of the amortisation profile for the financial year 2008:	5 916	(7 297)	62 385	61 004

Amortisation profile of identifiable intangible assets with a cash flow based amortisation profile:

(Amounts in NOK 1000)	Patents	Customer contracts	Customer relations	Total
2008	28 749	30 262	35 429	94 440
2009	27 552	27 763	32 834	88 149
2010	23 974	27 360	32 650	83 984

The residual value, useful life and the amortisation method applied are subject to review on an annual basis and, if expectations differ from the previous estimates or there have been a significant change in the expected pattern of consumption of the future economic benefits embodied in the intangible assets, the estimates or method will be changed to reflect the changed estimates or pattern.

At 30 June 2008, there were no restrictions in title related to intangible assets. The group had made no contractual commitments as to the acquisition of intangible assets at the balance sheet date.

### Note 4 Financial items

Borrowing cost relating to the construction of the Kalundborg plant is capitalised and recognised as a part of the asset's cost. Capitalised borrowing costs amounts to NOK 11.9 million for the second quarter, and 19.6 for the first half year of 2008. The company has also had unrealised gains relating to interest rates instruments of NOK 29.1 million in the second quarter.

### Note 5 Taxes

Pronova BioPharma Danmark A/S had an accumulated tax loss carry forward of NOK 24.3 million giving rise to deferred tax asset of NOK 6.1 million, of which NOK 1.4 million refers to loss in 2007. The deferred tax asset is measured at a tax rate of 25 per cent. The deferred tax asset is capitalised in the balance sheet of the Pronova BioPharma group. Effective calculated tax rate in Q2 and H1 2008 are 28.3 per cent and 27.5 per cent respectively.

**Note 6** Earnings per share

(Amounts in NOK 1 000)	Q2 2008	Q2 2007	H1 2008	H1 2007	Full year 2007
Net profit for the period	<b>78 882</b>	43 500	<b>122 325</b>	87 563	143 371
Dividends attributable to preference shareholders (B-shares)	-	(9 652)	-	(19 051)	(27 799)
Net profit for the year attributable to ordinary shareholders (A-shares)	<b>78 882</b>	33 848	<b>122 325</b>	68 512	115 572
Average number of ordinary shares outstanding (basic)	<b>300 832 508</b>	232 657 813	<b>300 832 508</b>	226 564 507	256 948 923
Basic and diluted profit per share (NOK)	<b>0.26</b>	0.15	<b>0.41</b>	0.30	0.45

In August 2007 there was a share split of 1:7. The number of shares has been adjusted to reflect this from the earliest period presented.

In May 2006 a number of the ordinary shares were converted into B-shares (preference shares), creating two share classes. This has been included to reflect an adjustment to earnings for preference dividends and the average number of shares on a prospective basis. In June 2007, a number of B-shares were converted into A-shares, maintaining the existing shareholder proportionate ownership. This has been included in the determination of average ordinary shares outstanding and the profit available to holders of ordinary shares on a prospective basis.

A resolution was made in a general meeting on 27 August 2007 to convert all B-shares into ordinary shares in connection with the initial public offering in October 2007. This had a dilutive effect on earnings per share.

**RESPONSIBILITY STATEMENT**

We confirm to the best of our knowledge that the condensed sets of consolidated financial statements as at 30 June 2008 and for the six month period 1 January to 30 June 2008 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and gives 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 management report in accordance with the Norwegian Securities Trading 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-yearly financial report, and any significant related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the year.

Lysaker, 4 August 2008

The board of directors and chief executive officer  
 Pronova BioPharma ASA,

  
 Gert W. Munthe  
 Chair

  
 Jo Lunder  
 Board member


  
 Siri Furst  
 Board member

  
 Jo Klaveness  
 Board member

  
 Rikke Tobiasson Reinemo  
 Board member

  
 Hege Charlotte Bakken  
 Employee representative

  
 Sverre Magne Sondbø  
 Employee representative

  
 Tomas Settevik  
 President and CEO

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