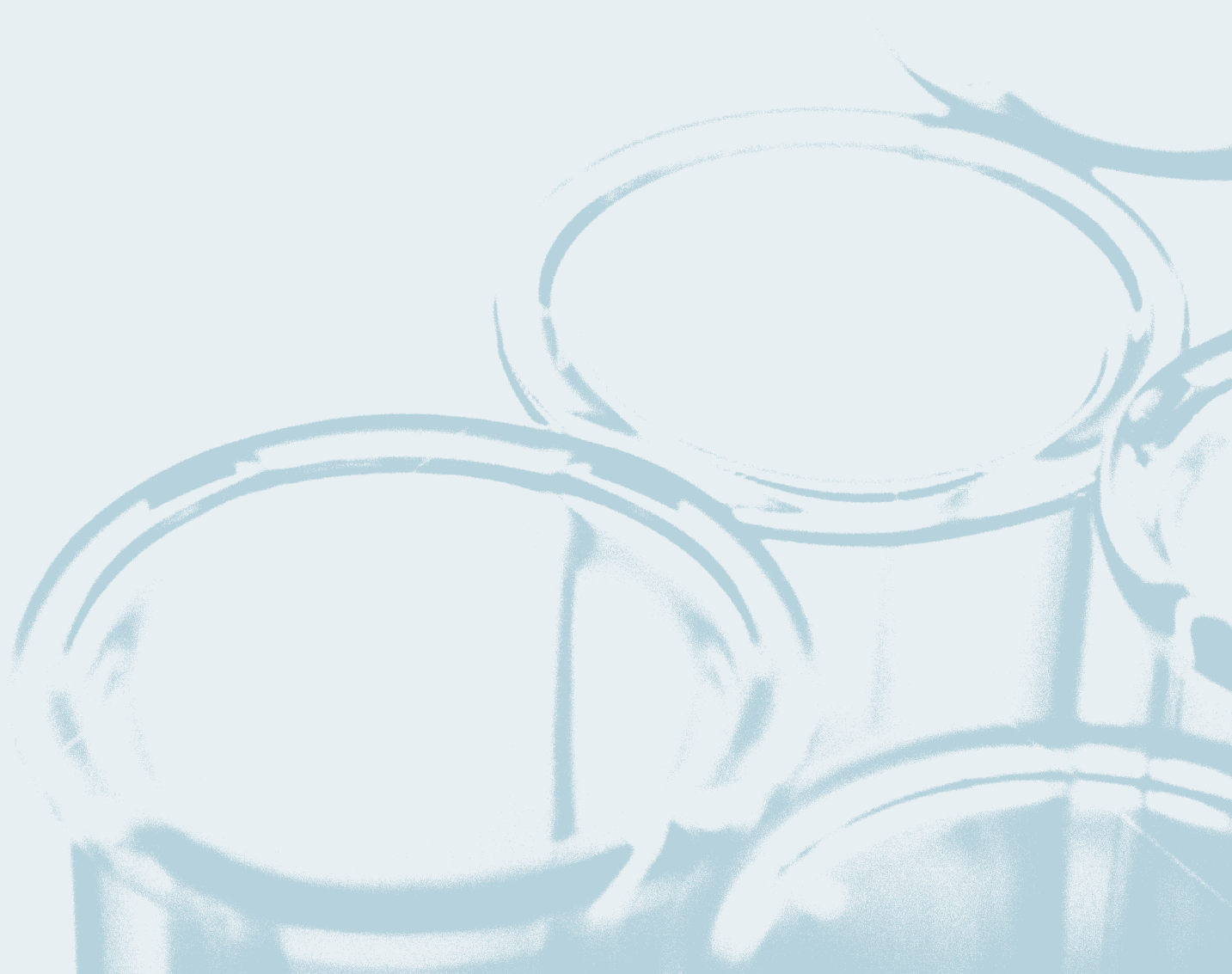


INTERIM REPORT **Q3 2007**



## HIGHLIGHTS

- Strong growth in revenues and EBITDA (quarter on quarter)
  - Revenues up 71.4 per cent to NOK 257.6 million
  - EBITDA<sup>1</sup> up 87.4 per cent to NOK 137.2 million
  - EBITDA<sup>2</sup> margin increased from 48.7 per cent to 53.2 per cent
- Cash flow from operating activities increased from NOK 4.4 million to NOK 99.4 million (quarter on quarter)
- Increase of production volume from 149 tons in the third quarter of 2006 to 262 tons in the third quarter of 2007
- Annual production capacity at the Sandefjord plant increased from 850 tons at 30 September 2006 to 1 200 tons at 30 September 2007
- Total end user sales for Omacor<sup>®</sup>/Lovaza<sup>™</sup> increased from USD 210.7 million for the nine months ended September 2006 to USD 357.6 million for the nine months ended September 2007, of which 55.7 per cent was in the United States (Source: IMS)
- Rebranding of Omacor as Lovaza in the US market
- Completion of Phase I clinical trial in Japan in Hypertriglyceridemia

## POST-PERIOD HIGHLIGHTS

- Completion of company's initial public offering on Oslo Børs, with commencement of share trading on 11 October
- Final decision taken in October to begin construction of new 1 200 ton API production site in Kalundborg, Denmark

## KEY FINANCIAL FIGURES

|                            |             | Q3 2007      | Q3 2006 | YTD 2007     | YTD 2006 <sup>3</sup> | Full 2006 <sup>3</sup> |
|----------------------------|-------------|--------------|---------|--------------|-----------------------|------------------------|
| Operating revenues         | NOK million | <b>257.6</b> | 150.3   | <b>745.0</b> | 246.8                 | 450.4                  |
| Gross margin               | Per cent    | <b>79.4</b>  | 78.4    | <b>79.2</b>  | 55.3                  | 67.2                   |
| EBITDA <sup>1</sup>        | NOK million | <b>137.2</b> | 73.2    | <b>380.9</b> | 59.5                  | 166.1                  |
| EBITDA margin <sup>2</sup> | Per cent    | <b>53.2</b>  | 48.7    | <b>51.1</b>  | 24.1                  | 36.9                   |
| Profit before tax          | NOK million | <b>42.2</b>  | (14.2)  | <b>164.1</b> | (80.6)                | (30.2)                 |
| Net profit                 | NOK million | <b>30.2</b>  | (11.2)  | <b>117.7</b> | (55.9)                | (18.5)                 |
| EPS basic                  | NOK         | <b>0.08</b>  | (0.08)  | <b>0.37</b>  | (0.41)                | (0.21)                 |
| EPS diluted                | NOK         | <b>0.08</b>  | (0.08)  | <b>0.37</b>  | (0.41)                | (0.21)                 |

1) EBITDA is defined as profit for the accounting period before financial income and financial expense, income tax expense and depreciation and amortization. Pronova presents EBITDA because we consider it an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

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

3) Actual figures YTD 2006 = 1 May to 30 September, actual figures full 2006 = 1 May to 31 December

# STRONG PERFORMANCE

**Pronova BioPharma is a global leader in the research, development and manufacture of marine-originated omega-3 derived pharmaceutical products. The first commercialized 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 the United States.**

Omacor/Lovaza has been found by regulatory authorities to be both efficacious and safe, and is approved as an adjunct to diet as a monotherapy in the United States and in certain European and Asian markets for the treatment of elevated levels of triglycerides in humans, a condition known as hypertriglyceridemia ("HTG"), a form of dyslipidemia or disorder of lipid metabolism. Very high triglycerides have been linked to a number of cardiovascular diseases. Omacor has also been approved in certain European and Asian markets for the secondary prevention of post-myocardial infarction ("Post-MI"), the period following the initial survival of a heart attack. In addition, Omacor/Lovaza has been documented to be highly complementary to other lipid-lowering agents, such as statins, and can be used in concomitant treatment for HTG and mixed dyslipidemia. To address these potential uses, Pronova BioPharma is involved in developing combination products, the most advanced of which is a fixed-dose combination with simvastatin, which is expected to enter into bioavailability and clinical studies (Phase III) in 2008. The API is manufactured through a unique and complex process, which results in a concentration of at least 90 per cent omega-3 ethyl esters derived from high-grade fish oil.

IMS Health reports that sales of Omacor/Lovaza to end-users have increased from approximately USD144 million in 2005 to approximately USD306 million in 2006. For the six months ended June 30, 2007, sales of Omacor/Lovaza to end-users as reported by IMS Health were USD226.3 million, of which 54.8 per cent was in the United States through the sale of Lovaza. The total current end-user sales run rate for Omacor/Lovaza is approximately USD500 million, calculated on the basis of June 2007 data provided by IMS Health and multiplied over a 12 month period. Pronova BioPharma esti-

mates that more than 600 000 patients are currently on a prescription for one of the branded products.

Pronova BioPharma has entered into long-term license and supply agreements and works closely with strong regional, collaborative "partners". These partners include Prospa BV, Grupo Ferrer International, Pierre Fabre Médicament, Pfizer, Inc. and Kuhnle Pharmaceutical. In the United States, Reliant Pharmaceuticals is working to further increase the market penetration of Lovaza.

The pipeline for products utilizing Pronova BioPharma's API includes collaborative projects to develop further the API's uses through clinical trials as a monotherapy for additional indications such as atrial fibrillation, heart failure and primary prevention of cardiovascular disease relate to Type II diabetes, all of which are in Phase III clinical development. In addition, the group is involved with its partners in combination therapy projects for HTG and mixed dyslipidemia as well as a new capsule technology, which are all expected to enter into Phase III in 2008. Moreover, the group is involved in a number of projects for next-generation omega-3 derived pharmaceuticals in preclinical studies and in early stages of discovery.

The API is manufactured at the production facility located in Sandefjord, Norway, using a unique and complex process that is believed to provide the optimal ratio and concentration of EPA and DHA for the treatment of cardiovascular disease. To meet anticipated demand for the API, Pronova BioPharma has recently completed a major expansion project of the existing production plant in Norway and a formal decision has recently been made by the board of directors to start construction of a new manufacturing facility in Kalundborg, Denmark, with construction currently expected to commence prior to the end of 2007 and the goal of being fully operation-

al with the requisite regulatory approvals by the end of the first half of 2010.

## FINANCIAL REVIEW

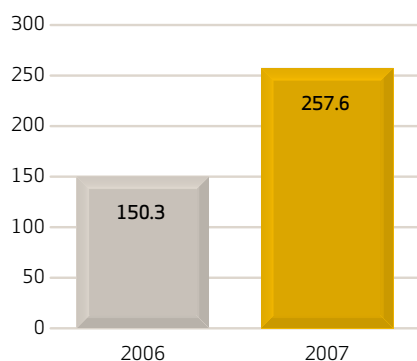
*Financial information in the Income Statement as of and for the nine months ended 30 September 2006 and the year ended 31 December 2006 are actual accounting figures and represent activity from May 2006 up to and including 31 September 2006 (YTD 2006) and 31 December 2006 (full year 2006), respectively. Accordingly, financial information as of and for the nine months ended 30 September 2006 and as of and for the year ended 31 December 2006 do not reflect the full results of operation of our business for the full period under review and are not comparable to the historical financial information as of and for the nine months ended 30 September 2007. To facilitate comparisons of these periods, in the financial review below, the financial information for the nine months ended 30 September 2007 (YTD 2007) are compared with pro-forma financial information for the nine months ended 30 September 2006 (YTD 2006). Note 8 in the back of the interim report presents the pro-forma income statement per 30 September 2006. Although the pro-forma financial information is based on estimates and assumptions based on current circumstances believed to be reasonable, actual results could have materially differed from those presented herein.*

*Figures in brackets refer to the pro-forma financial information for YTD 2006 or financial information for the three months ended 30 September 2006 (3Q 2006) unless otherwise specified.*

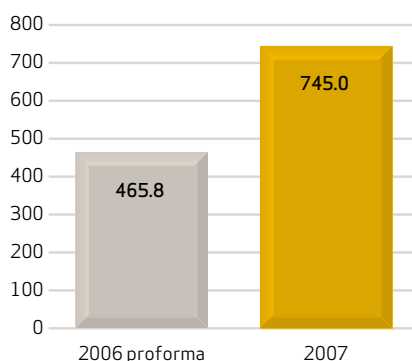
Pronova BioPharma ASA is a holding company, which owns 100 per cent of the share capital of Pronova BioPharma Norge AS. Pronova BioPharma Norge AS owns 100 per cent of the share capital of Pronova BioPharma Danmark A/S.

**TOTAL REVENUES – Q3**

AMOUNTS IN NOK MILLION

**TOTAL REVENUES – YTD**

AMOUNTS IN NOK MILLION



The increase in revenue was primarily an effect of sales volumes to the US market increasing by 86.4 per cent

Pronova BioPharma ASA was incorporated in March 2005 but was dormant until April 2005. In April 2005 Pronova BioPharma ASA acquired 18.08 per cent of the share capital of Pronova BioPharma Norge AS. By May 2006, it had acquired the remaining 81.92 per cent of the share capital of Pronova BioPharma Norge AS, and the Pronova BioPharma group was established, as Pronova BioPharma Norge AS became a fully consolidated subsidiary of Pronova BioPharma effective May 2006. Historical consolidated financial information for the group is not available prior to May 2006.

**GROUP INCOME STATEMENT****Revenues**

Total revenues for the group in the third quarter were 71.4 per cent higher than for the same period in 2006 and amounted to NOK 257.6 million (NOK 150.3 million). Total revenues YTD increased by 60 per cent, from NOK 465.8 million in 2006 to 745 million in 2007. The increase in revenue was primarily an effect of increased sales volumes to the US market, driven both by increases in end-user demand as well as Reliant Pharmaceuticals' inventory build-up to meet future anticipated growth.

Sales in the US market through Reliant Pharmaceuticals represented 56 per cent of revenues in the third quarter of 2007 compared to 51 per cent in the third quarter of 2006 and 56 per cent YTD 2007 compared to 46 per cent YTD 2006. To a lesser extent, the uplift in revenues was also driven by an increase of 45 per cent in the European market, driven primarily by increased demand from Spain, France and Italy. The increase in revenues in the third quarter of 2007 compared to the third quarter of 2006 was offset in part by the impact of the decrease in the value of the US dollar and the Euro against the NOK during the period.

**Gross margin**

Gross margin in the third quarter 2007 was 79.4 per cent (78.4 per cent) and gross margin YTD was 79.2 per cent (64.9 per cent). The low gross margin YTD 2006 was primarily due to the fact that the cost of materials and change in inventories in the first half of 2006 reflected an identified excess value of the inventory of NOK 53 million. This was recognized at the time of acquisition of Pronova BioPharma Norge AS in May 2006 as the inventory on hand was sold during the period. Thus, this excess value was expensed in the period from May to June 2006. Excluding this item, gross margin YTD 2006 would have been 76.3 per cent versus 79.2 per cent YTD 2007. In April 2007, Pronova BioPharma experienced an unexpected set-back in its manufacturing due to an equipment malfunction which resulted in a reduction of capacity of approximately 25 per cent for approximately one month. Based on this incident, and the consequential loss insurance cover, the group has recognised NOK 8 million as revenues in the first half of 2007. With the exception of this equipment malfunction (15 year old centrifuge), the production processes are considered to have been improved significantly since the completion of the capacity expansions.

**Employee benefits expenses**

Employee benefits expenses increased NOK 9.9 million to NOK 34.3 million for the third quarter 2007, as compared to NOK 24.4 million for the third quarter 2006, while the employee benefit expense increased to NOK 101.7 million YTD 2007 from NOK 70.5 million in the same period in 2006. These expenses increased primarily because the number of full-time employee equivalents increased from 146 at the end of Q3 2006 to 177 at the end of September 2007. The increase of full-time employee equivalents was mainly caused by an increase in administrative functions

and, to a lesser extent, additional plant operators. In addition to the increase of full-time employee equivalents, increased employee benefits expenses were attributable to salary raises and incentive programs. Employee benefit expenses relative to revenue decreased from 16.2 per cent in the third quarter of 2006 to 13.3 per cent in the third quarter of 2007.

**Research and development**

Pronova BioPharma had 18 full time equivalents associated with the group's research and development activities. For the third quarter of 2007, R&D related expenses were NOK 8.2 million which corresponds to 3.2 per cent of revenues. For the nine months ended September 2007 R&D related expenses were NOK 25.6 million which corresponds to 3.4 per cent of revenues.

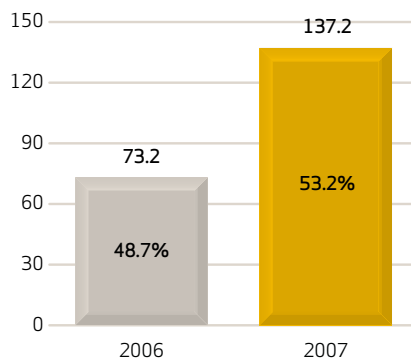
**EBITDA**

EBITDA for the third quarter came to NOK 137.2 million (NOK 73.2 million) and NOK 380.9 million YTD 2007 (NOK 164.8 million including NOK 53 million in expensed inventory first half 2006). The EBITDA in third quarter 2007 and YTD 2007 correspond to an EBITDA margin of 53.2 per cent (48.7 per cent) and 51.1 per cent (35.4 per cent), respectively. The improvement is driven by increased production capacity, revenue growth, improved gross margin and improved cost efficiency.

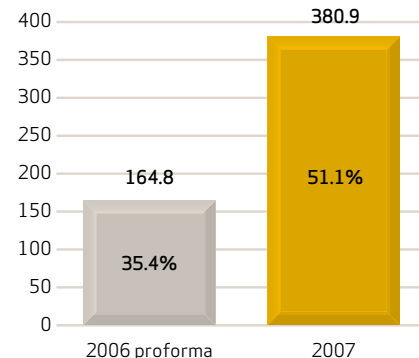
Exclusive of operating expenses linked to the expansion project in Kalundborg, Denmark (NOK 3.1 million in third quarter 2007 and NOK 9.6 million YTD 2007), the EBITDA margin for the Norwegian operating company and holding company came to 54.5 per cent for the third quarter 2007 and 52.4 per cent YTD 2007.

**EBITDA/EBITDA MARGIN – Q3**

AMOUNTS IN NOK MILLION

**EBITDA/EBITDA MARGIN – YTD**

AMOUNTS IN NOK MILLION

**Depreciation property, plant and equipment**

Depreciation property, plant and equipment was NOK 16.4 million and corresponds to 6.4 per cent of revenues in the third quarter (NOK 13 million and 8.7 per cent of revenues). The depreciation in the YTD was NOK 43.1 million (NOK 35.5 million). This increase is related to depreciation of the investments in new production capacity in Sandefjord.

**Amortization of intangible assets**

The amortization charges relate to patents and trademarks, customer contracts and customer relations, all of which have finite lives. All amortization charges are based on estimated cash flow profiles related to the existing customers and the existing products at the time of the acquisition of the Pronova BioPharma Norge AS. The profile of the amortization charges is expected to decline subsequent to 2007.

Amortization of intangible assets for the third quarter was NOK 39 million or 15.1 per cent of revenues (NOK 35.5 million, or 23.6 per cent of revenues). Amortisation in the nine months ended 30 September 2007 amounted to NOK 118.1 million (NOK 107 million).

**Net financials**

Net financial expenses for the third quarter 2007 were NOK 39.6 million (NOK 39 million) and NOK 55.6 million YTD (NOK 112.8 million).

With effect from the third quarter 2007, the group applies hedge accounting for foreign exchange forward contracts as set out in IAS 39 for cash flow hedges. 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. Forward contracts have been

entered into to hedge an estimated 52 per cent of the net exposure in 2008, an estimated 32 per cent of the net exposure in 2009, and approx. 16 per cent in 2010, all at an average exchange rate of approx. 5.82 NOK/USD.

Prior to the third quarter 2007, forward contracts were recognised in the balance sheet at fair value, with the effects of changes in fair value being recognised in the income statement during the period in which they occur. From the third quarter 2007 and onwards, forward contracts are recognised in the balance sheet at fair value, but the effects of the period's changes in fair value are deferred in equity until the contracts are realised, at which time the effect is recognised in the income statement. This change, caused by our achieved ability to sufficiently satisfy the documentation requirements for hedge accounting, will serve to better reflect the underlying hedging relationships and offsets the effect of changes in the fair value of the hedging instrument (the forward contract) and the transactions being hedged.

**Profit before tax**

The group's profit before tax in the third quarter amounted to NOK 42.2 million (NOK -14.2 million). Accumulated profit before tax YTD was NOK 164.1 million (NOK -90.5 million).

**Income tax expense**

Calculated income tax expense for the third quarter was NOK 12.1 million (NOK -3 million), which corresponds to an effective tax rate of 28.4 per cent. Calculated income tax expense YTD was NOK 46.4 million (NOK -27.4 million) representing an effective tax rate of 28.6 per cent. The income tax expense represents the sum of tax currently payable and the deferred tax charges for the period presented.

**Net profit**

Net profit increased to NOK 30.2 million in the third quarter 2007 from a net loss of NOK 11.2 million for the same period last year. Net profit YTD 2007 increased to NOK 117.7 million from a loss of NOK 63.1 million for the same period in 2006.

**Earnings per share**

Earnings per share for the third quarter and YTD 2007 were NOK 0.08 (NOK -0.08) and NOK 0.37 (NOK -0.41), respectively.

**Balance sheet and liquidity**

Total assets as at 30 September were NOK 2 785.2 million (NOK 2 694.5 million). Total assets at 31 December 2006 were NOK 2 694 million.

Property, plant & equipment amounted to NOK 642.6 million as of 30 September 2007, (NOK 502 million).

The group had total intangible assets excluding goodwill of NOK 916.1 million at the end of September 2007 (NOK 1 072.8 million).

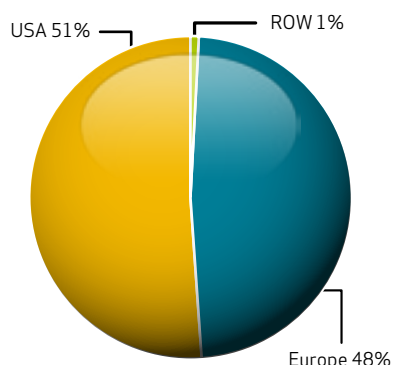
Inventory was NOK 101.2 million as at 30 September 2007 (NOK 104.4 million).

Trade and other receivables amounted to NOK 242.1 million at the end of the third quarter of 2007. The corresponding amount at the same time in 2006 was NOK 238.7 million.

Shareholders equity was NOK 740.6 million at 30 September 2007 (NOK 546.2 million) and represents an equity ratio of 26.6 per cent compared to 20.3 per cent at the same time in 2006.

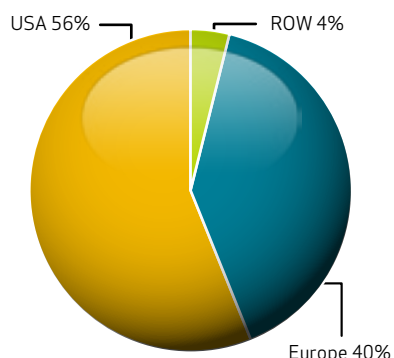
Total interest-bearing liabilities at the end of September 2007 were NOK 1 328.9 million as compared to NOK 1 396.8 million at the same period 2006. Total non-current liabilities at 30 September were NOK 1 782.6 million (NOK 1 668 million).

REVENUES BY MARKET  
Q3 2006



Total revenues: NOK 150.3 million

REVENUES BY MARKET  
Q3 2007



Total revenues: NOK 257.6 million

### Regional partners

| Partner                              | Territory   |
|--------------------------------------|---|
| Reliant Pharmaceuticals Inc.         | United States   |
| Prospa BV                            | Italy   |
| Solvay Pharmaceuticals               | United Kingdom, Ireland, Canada, Australia, Germany, Belgium, Holland, Eastern Europe, Middle East, Russia, Greece, South Africa, China, India and eight additional countries in the South Far East |
| Grupo Ferrer International           | Spain, Portugal, Germany, Greece, Central and South America and South-East Asia   |
| Pierre Fabre Santé                   | France, West/Central Africa   |
| Kuhnil Pharmaceutical Co. Ltd        | South Korea   |
| Pfizer Pharmaceuticals <sup>3)</sup> | Norway  |
| Takeda Pharmaceutical Co. Ltd        | Japan   |

3) Terminated with effect from September 2008

### Cash flow

The group's cash and cash equivalents at the end of the third quarter were NOK 187.6 million (NOK 143.1 million). Net working capital (defined as inventories plus trade and other receivables less trade payables and other liabilities) was NOK 247.1 million (NOK 226.9 million).

Cash flow from operating activities for the third quarter 2007 was NOK 99.4 million (NOK 4.4 million). Net cash flow from operating activities for YTD 2007 amounted to NOK 176.3 million (actual cash flow from operating activities YTD 2006 amounted NOK 102.2 million)

### GEOGRAPHICAL REVIEW

Pronova BioPharma is operating one business area in three geographical segments: USA, Europe and Rest of the World (ROW). 56 per cent of revenues in third quarter 2007 were attributed to sales of products in the United States, 40 per cent were attributed to sales of products in Europe and 4 per cent were attributed to sales of products in Rest of the World.

Revenues for third quarter 2006 show

that the company's share of revenues in these geographical markets were 51 per cent in the United States, 48 per cent in Europe and 1 per cent in Rest of the World.

Revenues in all geographical markets have increased significantly in YTD 2007 compared to the same period in 2006. However, the US market has shown the best sales development by close to double the revenues in YTD 2007 compared to the same period in 2006.

Pronova BioPharma has established collaborative out-licensing relationships with strong regional partners covering principal geographical markets throughout the world (see table above).

### OPERATIONAL REVIEW

#### Production

The facility in Sandefjord produced 261.8 metric tons in the third quarter 2007 (149 metric tons). Production in YTD 2007, has been 653.4 metric tons (442 metric tons). Annual capacity has increased from 850 metric tons by the end of third quarter 2006 to 1 200 metric tons by the end of third quarter 2007.

### Inventors

During third quarter 2007, the company offered the four inventors of the API patent a total of NOK 2 million, which currently has been accepted by three out of four inventors.

### Events after 30 September

The company recently announced the board's decision to commence construction of a new manufacturing facility in Kalundborg, Denmark. The new facility is expected to double the current production capacity of Pronova BioPharma's API. The company plans to invest between NOK 1.45 billion to NOK 1.7 billion in this second production site. The expansion project will be funded principally through a multicurrency revolving credit facility of NOK 1.5 billion, and any capital requirements above NOK 1.5 billion are expected to be financed through the company's operations. Construction was commenced in late October and the new facility is expected to be operational and approved by the relevant regulatory authorities by the first half of 2010.

On 29 October 2007, the Norwegian Environmental Authorities ("SFT") issued an extension of the current emission permits for various discharges into water until 31 March 2008. The current emission permits originally expired 30 October 2007, to be replaced by stricter permits. The company's new wastewater treatment plant is expected to be completed in February 2008.

### SHARE AND SHAREHOLDER INFORMATION

As at 30 September 2007 Pronova BioPharma had 15 shareholders and a total of 275 832 508 shares.

Since that date, Pronova BioPharma has completed its initial public offering



The new production plant in Kalundborg, Denmark is expected to double the production capacity

### Number of shareholders

|                 | Shareholders | Number of shares | % of total |
|-----------------|--------------|------------------|------------|
| 1-1 000         | 324          | 156 697          | 0.1%       |
| 1 000-10 000    | 919          | 2 035 968        | 0.7%       |
| 10 000-100 000  | 181          | 4 217 011        | 1.4%       |
| 100 000- 1 mill | 96           | 35 278 131       | 11.7%      |
| > 1 mill        | 27           | 259 144 701      | 86.1%      |
| Total           | 1 547        | 300 832 508      | 100.0%     |

### Geographical distribution of ownership as of 25 October 2007

| Country                             | Number of shares | Ownership % |
|-------------------------------------|------------------|-------------|
| Norway - Ferd Private Equity Fund I | 175 404 767      | 58.3 %      |
| Norway - Other                      | 36 339 133       | 12.1 %      |
| Other Nordic                        | 8 325 110        | 2.8 %       |
| Europe (ex. Nordic/Norway)          | 57 701 382       | 19.2 %      |
| USA                                 | 22 899 054       | 7.6 %       |
| ROW                                 | 163 062          | 0.1 %       |
| Total                               | 300 832 508      | 100.0 %     |

and listing of the company's shares on the Oslo Børs. 105 915 432 shares, consisting of 80 915 432 existing shares and 25 000 000 new shares, were offered in the IPO. The shares were listed on the Oslo Børs and commenced trading on 11 October 2007. The number of ordinary shares in issue is now 300 832 508.

As of 25 October 2007, the Company had 1 547 shareholders and some 88 per cent of the employees in Pronova BioPharma are shareholders.

Of the 1 547 shareholders, approximately 70 per cent are Norwegian based (including Ferd Private Equity I), approximately 19 per cent are based in Europe, 8 per cent are based in the US, 3 per cent in the Nordic Countries and 0.1 per cent in Rest of the World.

### ORGANISATION

As of 30 September 2007, the group employed 177 full time equivalents, an increase of 31 full time equivalents from the same date last year. 122 full time equivalents were based in Sandefjord, 50 at Lysaker and 5 assigned to the Kalundborg project.

Pronova BioPharma announced a change in senior management on 15 October. Mr. Eckart Holtz recently joined Pronova BioPharma from GE Healthcare as VP R&D. His latest position was Director/VP Biology in Preclinical Sciences; R&D. Mr. Holtz has diverse experience from pharmaceutical development and has for the last 20 years held a variety of positions in pre-clinical R&D. Dr. Hogne Vik, Senior Vice President Medical and Regulatory Affairs and R&D, has decided to pursue other interests outside the company.

### OUTLOOK

The company expects the output from the Sandefjord plant to be approximately 950–1 000 tons during the full year 2007. Optimising of the production processes is ongoing, and the total annualized production capacity of 1 200 metric tons is expected to be maintained or slightly increased, going forward. The new production plant in Kalundborg, Denmark is expected to double the production capacity to an annual volume of approximately 2 400 metric tons. The plant in Kalundborg is expected to be fully operational, including regulatory approvals, by the first half of 2010.

Recruitment of personnel to the Kalundborg plant is planned to start early 2008, and Pronova BioPharma expects to employ more than 80 new FTEs by the end of 2008. The capital expenditure in Denmark is expected to be around NOK 100 million in 2007 and NOK 700–800 million in 2008.

Pronova BioPharma has experienced significant growth in recent years, driven by strong end-user demand and inventory build-up by certain of its partners. The board of directors expects to see continued strong sales of Omacor/Lovaza in all markets and end-user sales are expected to continue to grow.

Lysaker,  
6 November 2007

The board of directors  
Pronova BioPharma ASA

# CONDENSED INCOME STATEMENT (UNAUDITED)

| (Amounts in NOK 1 000)                             | Note | Q3 2007          | Q3 2006   | Nine months<br>ended<br>30 Sept 2007 | Nine months<br>ended<br>30 Sept 2006 | 31 Dec<br>2006 |
|--|------|------------------|-----------|--------------------------------------|--------------------------------------|----------------|
| Revenues   | 3    | <b>257 604</b>   | 149 721   | <b>744 469</b>                       | 246 272                              | 448 493        |
| Other income                                       |      | -                | 570       | <b>538</b>                           | 570                                  | 1 955          |
| <b>Total revenues and income</b>                   |      | <b>257 604</b>   | 150 291   | <b>745 007</b>                       | 246 842                              | 450 448        |
| Cost of materials and change in inventories        |      | <b>(53 165)</b>  | (32 496)  | <b>(154 775)</b>                     | (110 445)                            | (147 806)      |
| Employee benefits expense                          |      | <b>(34 339)</b>  | (24 439)  | <b>(101 706)</b>                     | (38 072)                             | (62 869)       |
| Depreciation property, plant and equipment         |      | <b>(16 374)</b>  | (12 959)  | <b>(43 109)</b>                      | (20 508)                             | (32 461)       |
| Amortisation intangible assets                     |      | <b>(38 994)</b>  | (35 476)  | <b>(118 099)</b>                     | (59 311)                             | (95 114)       |
| Other operating expenses                           |      | <b>(32 929)</b>  | (20 148)  | <b>(107 600)</b>                     | (38 827)                             | (73 657)       |
| <b>Total operating expenses</b>                    |      | <b>(175 801)</b> | (125 518) | <b>(525 289)</b>                     | (267 163)                            | (411 907)      |
| <b>Operating profit</b>                            |      | <b>81 803</b>    | 24 773    | <b>219 718</b>                       | (20 321)                             | 38 541         |
| Financial income                                   |      | <b>20 219</b>    | 22 915    | <b>53 299</b>                        | 42 717                               | 46 506         |
| Financial expense                                  |      | <b>(59 775)</b>  | (61 921)  | <b>(108 896)</b>                     | (102 962)                            | (115 238)      |
| <b>Net financial items</b>                         |      | <b>(39 556)</b>  | (39 006)  | <b>(55 597)</b>                      | (60 245)                             | (68 732)       |
| <b>Profit/(loss) before tax</b>                    |      | <b>42 247</b>    | (14 233)  | <b>164 121</b>                       | (80 566)                             | (30 191)       |
| Income tax expense                                 |      | <b>(12 090)</b>  | (3 005)   | <b>(46 401)</b>                      | (24 659)                             | (11 723)       |
| <b>NET PROFIT/(LOSS) FOR THE PERIOD</b>            |      | <b>30 157</b>    | (11 228)  | <b>117 720</b>                       | (55 907)                             | (18 468)       |
| Earnings per share (in NOK)<br>– basic and diluted | 4    | <b>0.08</b>      | (0.08)    | <b>0.37</b>                          | (0.41)                               | (0.21)         |
| EBITDA   | 3    | <b>137 171</b>   | 73 208    | <b>380 926</b>                       | 59 498                               | 166 116        |
| EBITDA margin                                      | 3    | <b>53.2%</b>     | 48.7%     | <b>51.1%</b>                         | 24.1%                                | 36.9%          |

The notes are an integral part of these condensed consolidated financial statements.

# CONDENSED BALANCE SHEET (UNAUDITED)

| <i>(Amounts in NOK 1 000)</i>        | Note | 30 Sept<br>2007  | 30 Sept<br>2006 | 31 Dec<br>2006 |
|--------------------------------------|------|------------------|-----------------|----------------|
| <b>ASSETS</b>                        |      |                  |                 |                |
| <b>Non-current assets</b>            |      |                  |                 |                |
| Property, plant and equipment        | 5    | <b>642 627</b>   | 502 014         | 587 120        |
| Goodwill                             |      | <b>633 449</b>   | 633 449         | 633 449        |
| Other intangible assets              |      | <b>916 103</b>   | 1 072 786       | 1 033 270      |
| Deferred tax asset                   |      | -                | -               | 4 973          |
| <b>Total non-current assets</b>      |      | <b>2 192 179</b> | 2 208 249       | 2 258 812      |
| <b>Current assets</b>                |      |                  |                 |                |
| Inventories                          |      | <b>101 202</b>   | 104 446         | 136 465        |
| Trade and other receivables          |      | <b>242 050</b>   | 238 727         | 178 197        |
| Other financial assets               |      | <b>62 223</b>    | -               | 1 285          |
| Cash and cash equivalents            |      | <b>187 578</b>   | 143 106         | 119 259        |
| <b>Total current assets</b>          |      | <b>593 053</b>   | 486 279         | 435 206        |
| <b>TOTAL ASSETS</b>                  |      | <b>2 785 232</b> | 2 694 528       | 2 694 018      |
| <b>EQUITY AND LIABILITIES</b>        |      |                  |                 |                |
| <b>Shareholders' equity</b>          |      |                  |                 |                |
| Share capital                        |      | <b>18 236</b>    | 13 019          | 13 019         |
| Reserves                             |      | <b>468 023</b>   | 505 520         | 472 884        |
| Retained earnings                    |      | <b>254 351</b>   | 27 657          | 97 734         |
| <b>Total Shareholders' equity</b>    |      | <b>740 610</b>   | 546 196         | 583 637        |
| <b>Non-current liabilities</b>       |      |                  |                 |                |
| Deferred tax liabilities             |      | <b>289 408</b>   | 289 244         | 303 107        |
| Interest-bearing liabilities         | 6    | <b>1 253 850</b> | 1 135 890       | 208 584        |
| Deferred income                      |      | <b>226 823</b>   | 230 938         | 245 120        |
| Retirement benefit obligation        |      | <b>12 528</b>    | 11 956          | 12 244         |
| <b>Total non-current liabilities</b> |      | <b>1 782 609</b> | 1 668 028       | 769 055        |
| <b>Current liabilities</b>           |      |                  |                 |                |
| Trade and other payables             |      | <b>16 212</b>    | 65 184          | 77 078         |
| Interest-bearing liabilities         | 6    | <b>75 000</b>    | 260 914         | 1 101 943      |
| Other financial liabilities          |      | -                | -               | 20 468         |
| Current tax liabilities              |      | <b>67 855</b>    | 84 363          | 45 141         |
| Deferred income                      |      | <b>22 980</b>    | 18 865          | 18 622         |
| Other liabilities                    |      | <b>79 966</b>    | 50 978          | 78 074         |
| <b>Total current liabilities</b>     |      | <b>262 013</b>   | 480 304         | 1 341 326      |
| <b>Total liabilities</b>             |      | <b>2 044 622</b> | 2 148 332       | 2 110 381      |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |      | <b>2 785 232</b> | 2 694 528       | 2 694 018      |

*The notes are an integral part of these condensed consolidated financial statements.*

## CONDENSED CHANGES IN EQUITY (UNAUDITED)

| (Amounts in NOK 1 000)  | Share capital | Reserves | Total paid-in equity | Retained earnings | Total Shareholders' equity |
|---|---------------|----------|----------------------|-------------------|----------------------------|
| Balance at 1 January 2006                                       | 2 100         | 57 542   | 59 642               | -                 | 59 642                     |
| Issue of shares   | 10 919        | 507 871  | 518 790              | -                 | 518 790                    |
| Acquisition of subsidiary - reversal of revaluation reserve     | -             | (35 755) | (35 755)             | -                 | (35 755)                   |
| Acquisition of subsidiary - adjustment to equity                | -             | -        | -                    | 70 957            | 70 957                     |
| Sale of shares  | -             | (11 531) | (11 531)             | -                 | (11 531)                   |
| Transfer of share premium reserve to retained earnings          | -             | (12 607) | (12 607)             | 12 607            | -                          |
| Consolidated loss for the nine months ended 30 September 2006   | -             | -        | -                    | (55 907)          | (55 907)                   |
| Balance at 30 September 2006                                    | 13 019        | 505 520  | 518 539              | 27 657            | 546 196                    |
| Balance at 1 January 2007                                       | 13 019        | 472 884  | 485 903              | 97 734            | 583 637                    |
| Issue of shares   | 7             | 348      | 355                  | -                 | 355                        |
| Capitalisation issue  | 5 210         | (5 210)  | -                    | -                 | -                          |
| Consolidated profit for the nine months ended 30 September 2007 | -             | -        | -                    | 117 720           | 117 720                    |
| Fair value adjustments of forward hedging contracts             | -             | -        | -                    | 38 904            | 38 904                     |
| Currency translation differences                                | -             | -        | -                    | (6)               | (6)                        |
| Balance at 30 September 2007                                    | 18 236        | 468 022  | 486 258              | 254 352           | 740 610                    |

The notes are an integral part of these condensed consolidated financial statements.

## CONDENSED CASH FLOW STATEMENT (UNAUDITED)

| (Amounts in NOK 1 000)  | Q3 2007         | Q3 2006  | YTD 2007        | YTD 2006  | Full year 2006 |
|---|-----------------|----------|-----------------|-----------|----------------|
| Net cash from operating activities                              | <b>99 372</b>   | 4 435    | <b>176 320</b>  | 102 213   | 186 143        |
| Net cash from investing activities                              | <b>(40 681)</b> | (37 389) | <b>(97 664)</b> | (530 784) | (562 561)      |
| Net cash from financing activities                              | <b>(10 337)</b> | -        | <b>(10 337)</b> | 563 454   | 487 454        |
| Net change in bank deposits, cash and cash equivalents          | <b>48 354</b>   | (32 954) | <b>68 319</b>   | 134 883   | 111 036        |
| Bank deposits, cash and cash equivalents at beginning of period | <b>139 224</b>  | 176 060  | <b>119 259</b>  | 8 223     | 8 223          |
| Bank deposits, cash and cash equivalents at end of period       | <b>187 578</b>  | 143 106  | <b>187 578</b>  | 143 106   | 119 259        |

The notes are an integral part of these condensed consolidated financial statements.

# SELECTED NOTES TO THE ACCOUNTS

## 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 2006.

## Note 2 – Significant accounting policies

The condensed interim financial statements have been prepared under the historical cost convention, except for the revaluation of financial instruments. With effect from the third quarter 2007, the group applies hedge accounting for foreign exchange forward contracts as set out in IAS 39 for cash flow hedges. Prior to the third quarter 2007, forward contracts were recognised in the balance sheet at fair value, with the effects of changes in fair value being recognised in the income statement during the period in which they occur. From the third quarter 2007 and onwards, forward contracts are recognised in the balance sheet at fair value, but the effects of the period's changes in fair value are deferred in equity until the contracts are realised, at which time the effect is recognised in the income statement. This change, caused by our achieved ability to sufficiently satisfy the documentation requirements for hedge accounting, will serve to better reflect the underlying hedging relationships and offsets the effect of changes in the fair value of the hedging instrument (the forward contract) and the transactions being hedged.

The accounting policies adopted are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 December 2006.

The income tax for the six month interim period to 30 September is accrued based on the estimated average annual effective income tax rate of 28.3% (nine months ended 30 September 2006: -30.6%).

## Note 3 – Revenues and expenses by geography

During the first nine months of 2007, revenues have shown significant growth largely due to the increased demand from our US partner.

### Revenues by geographical market

| (Amounts in NOK 1 000) | Q3             |             | YTD            |             |                | Full year   |                |
|------------------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|
|                        | Actual 2007    | Actual 2006 | Actual 2007    | Actual 2006 | Pro forma 2006 | Actual 2006 | Pro forma 2006 |
| Europe                 | <b>103 161</b> | 70 928      | <b>303 396</b> | 123 115     | 246 503        | 212 028     | 335 417        |
| USA                    | <b>143 353</b> | 76 894      | <b>416 467</b> | 120 706     | 213 891        | 231 342     | 324 526        |
| Rest of the World      | <b>11 090</b>  | 1 899       | <b>24 606</b>  | 2 451       | 4 794          | 5 123       | 7 466          |
| <b>Total</b>           | <b>257 604</b> | 149 721     | <b>744 469</b> | 246 272     | 465 188        |             | 667 409        |

March 2007, Pronova BioPharma Norge AS, a subsidiary of Pronova BioPharma ASA, acquired 100% of the voting share capital in an "off-the-shelf" company, Pronova BioPharma Danmark A/S, domiciled in Kalundborg, Denmark. The activity in Pronova BioPharma Danmark A/S is shown in the table below. At October 19 2007, the Board of Directors of Pronova BioPharma ASA resolved to start construction of a new manufacturing facility.

## Revenues and expenses by geographical operating unit

| (Amounts in NOK 1 000)                      | Q3 2007   |         |           | YTD 2007  |         |           |
|---|-----------|---------|-----------|-----------|---------|-----------|
|   | Norway    | Denmark | Total     | Norway    | Denmark | Total     |
| Operating revenues                          | 257 604   | -       | 257 604   | 744 469   | -       | 744 469   |
| Other income                                | -         | -       | -         | 538       | -       | 538       |
| Total revenues and income                   | 257 604   | -       | 257 604   | 745 007   | -       | 745 007   |
| Cost of materials and change in inventories | (53 165)  | -       | (53 165)  | (154 775) | -       | (154 775) |
| Employee benefits expense                   | (32 662)  | (1 677) | (34 339)  | (97 040)  | (4 666) | (101 706) |
| Depreciation property, plant and equipment  | (16 374)  | -       | (16 374)  | (43 109)  | -       | (43 109)  |
| Amortisation intangible assets              | (38 994)  | -       | (38 994)  | (118 099) | -       | (118 099) |
| Other operating expenses                    | (31 491)  | (1 438) | (32 929)  | (102 657) | (4 943) | (107 600) |
| Total operating expenses                    | (172 686) | (3 115) | (175 801) | (515 680) | (9 609) | (525 289) |
| Operating profit                            | 84 918    | (3 115) | 81 803    | 229 327   | (9 609) | 219 718   |
| EBITDA                                      | 140 286   | (3 115) | 137 171   | 390 535   | (9 609) | 380 926   |
| EBITDA margin                               | 54.5%     | -       | 53.2%     | 52.4%     | -       | 51.1%     |
| Investments (in NOK million)                | 5.3       | 35.4    | 40.7      | 54.3      | 43.4    | 97.7      |

## Note 4 – Earnings per share

| (Amounts in NOK 1 000)  | Q3 2007     | Q3 2006      | YTD 2007     | YTD 2006     | Full year 2006 |
|---|-------------|--------------|--------------|--------------|----------------|
| Net profit/(loss) for the period  | 30 157 000  | (11 228 000) | 117 720 000  | (63 060 000) | (18 468 000)   |
| Dividends attributable to preference shareholders (B-shares)                    | (8 482 191) | (6 583 757)  | (26 762 759) | (13 676 033) | (22 469 142)   |
| Net profit/(loss) for the year attributable to ordinary shareholders (A-shares) | 21 674 809  | (17 811 757) | 90 957 241   | (76 736 033) | (40 937 142)   |
| Average number of ordinary shares outstanding (basic)                           | 275 832 508 | 220 403 498  | 243 167 643  | 187 687 634  | 195 933 825    |
| Basic and diluted profit/(loss) per share (NOK)                                 | 0.08        | (0.08)       | 0.37         | (0.41)       | (0.21)         |

In April 2006 there was a share split of 1/1000. 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 will have a dilutive effect on earnings per share going forward.

## Note 5 – Property, plant and equipment

During Q3 2007 and YTD 2007, the group has invested NOK 40,7 million and NOK 97.7 million respectively. NOK 5.3 million was invested in Norway and NOK 35.4 million in Denmark in Q3 2007.

The group has also entered into a 50 year lease agreement for land in Kalundborg, Denmark. The nominal amount to be paid per annum, commencing in 2009 is approx. MDKK 0.5.

## Note 6 – Borrowings

On 4 July 2007, the board of PB Holding signed a new agreement related to refinancing of existing borrowings of NOK 1,000 million as well as new long-term borrowings of NOK 330 million which are intended to finance the repayment of the Company's loans from shareholders as at 30 June 2007. From a total of NOK 1 330 million, NOK 1 130 million is non-current debt in the parent company and NOK 200 million non-current debt in Pronova Biocare. The first instalment of the parent company borrowings (NOK 1 130 million) is due in June 2008 and amounts to NOK 75 million. The loan in Pronova Biocare of NOK 200 million is due for repayment, in total, in June 2012. In addition, the Board has negotiated a revolving credit of NOK 1.5 billion in connection with the investment in a new plant in Kalundborg in Denmark. The credit facility matures in June 2012.

## Note 7 – Post balance sheet events

### IPO 11 October 2007 and effect on equity

|                        | No. of shares | Share price (NOK) | Total primary (NOK) |
|------------------------|---------------|-------------------|---------------------|
| Share issue (primary)  | 25 000        | 23                | 575 000             |
| Redemption of B-shares | (635 989)     | 0.74498           | (473 799)           |
| Estimated IPO cost     |               |                   | (27 000)            |
| Estimated net proceeds |               |                   | 74 201              |

### Inventors

The inventors of our API have made claims for additional remuneration. During Q3 2007, the company offered the four inventors NOK 500 000 each, which has been accepted by 3 out of four inventors. The offer was NOK 1 120 000 above what was offered during first half of 2007, and is reflected in the financials for Q3 2007.

### Employee bonus

The pre IPO shareholders decided to reward the employees with an IPO bonus on 15 October 2007. For full time employees with employment starting January 1st 2007 or earlier, the bonus amount was NOK 100 000. For employees with shorter period of employment or for part time employees (or employees on leave), the bonus was adjusted downwards according to given criteria. The bonus did not qualify for holiday allowance. The total IPO bonus was approximately NOK 16 million, including social security tax. The IPO bonus will be expensed in total in Q4 2007.

The total IPO bonus net of tax will be reimbursed by the pre IPO shareholders by way of a cash contribution proportionate to their owner share.

## Note 8 – Pro forma Income Statement 30 September 2006

Pronova BioPharma ASA acquired the remaining shares of Pronova BioPharma Norge AS on 10 May 2006 at which point control was achieved. These financial statements thus only include the subsidiary from that date onwards. The below table states the pro forma consolidated income statement for Pronova BioPharma ASA as if the subsidiary had been acquired as of 1 January 2006, including a reconciliation from actual reported figures.

| (Amounts in NOK 1 000)                      | Actual<br>YTD 2006 | Pronova BioPharma Norge AS<br>Jan–Apr 2006 | Pro forma<br>adjustments | Pro forma<br>YTD 2006 |
|---|--------------------|--|--------------------------|-----------------------|
| Revenues                                    | 246 272            | 218 916                                    | -                        | 465 188               |
| Other income                                | 570                | -  | -                        | 570                   |
| <b>Total revenues and income</b>            | <b>246 842</b>     | <b>218 916</b>                             | <b>-</b>                 | <b>465 758</b>        |
| Cost of materials and change in inventories | 110 445            | 52 946 (a)                                 | -                        | 163 391               |
| Employee benefits expense                   | 38 072             | 32 430                                     | -                        | 70 502                |
| Depreciation property, plant and equipment  | 20 508             | 14 980                                     | -                        | 35 488                |
| Amortisation intangible assets              | 59 311             | 368 (b)                                    | 47 301                   | 106 980               |
| Other operating expenses                    | 38 827             | 28 276                                     | -                        | 67 103                |
| <b>Total operating expenses</b>             | <b>267 163</b>     | <b>129 000</b>                             | <b>47 301</b>            | <b>443 464</b>        |
| <b>Operating profit</b>                     | <b>(20 321)</b>    | <b>89 916</b>                              | <b>(47 301)</b>          | <b>22 294</b>         |
| Financial income                            | 42 717             | 4 069                                      | -                        | 46 786                |
| Financial expense                           | (102 962)          | (7 114) (c)                                | (49 505)                 | (159 581)             |
| <b>Net financial items</b>                  | <b>(60 245)</b>    | <b>(3 045)</b>                             | <b>(49 505)</b>          | <b>(112 795)</b>      |
| <b>Profit/(loss) before tax</b>             | <b>(80 566)</b>    | <b>86 871</b>                              | <b>(96 806)</b>          | <b>(90 501)</b>       |
| Income tax expense                          | (24 659)           | 24 324 (d)                                 | (27 106)                 | (27 441)              |
| <b>NET PROFIT/(LOSS) FOR THE PERIOD</b>     | <b>(55 907)</b>    | <b>62 547</b>                              | <b>(69 700)</b>          | <b>(63 060)</b>       |
| EBITDA                                      | 59 498             | 105 264                                    | -                        | 164 762               |
| EBITDA margin                               | 24.1%              | 48.1%                                      | -                        | 35.4%                 |

- (a) The relative high cost of material and change in inventories in the pro forma income statement for YTD September 2006 was primarily due to the fact that the cost of material and change in inventories in the first half of 2006 reflected the identified excess value of the inventory of NOK 53 million recognized at the time of acquisition of the Pronova BioPharma Norge AS in May 2006 as the inventory on hand at the time of acquisition of Pronova BioPharma Norge AS was sold during the period. Thus, this excess value was expensed in the period from May to June 2006.
- (b) Amortisation of intangible assets acquired in the business combination with Pronova BioPharma Norge AS has been adjusted pro forma to show the amortisation charge for the nine-month period ended 30 September 2006 as if the subsidiary were acquired on 1 January 2006. This adjustment has been made assuming a straight-line distribution of the amortisation charge throughout the nine-month period, thus extrapolating the actual amortisation charge during the period May through September 2006 to also include January through April 2006.
- (c) Financial expenses relating to the financing raised in connection with the purchase of Pronova BioPharma Norge AS have been adjusted pro forma to approximate the expense that would be incurred if the financing were in place at 1 January 2006. The pro forma adjustment assumed that finance costs, including interest, fair value adjustments to related derivatives and other related charges accrue on a straight-line basis throughout the nine-month period ended 30 September 2006. The actual expense for May through June has thus been extrapolated to also include January through April 2006.
- (d) The adjustment in income tax expense relates to the deferred tax charge made in relation to adjustments [a] and [b] above. The applicable tax rate is assumed to be 28% (tax rate of Norway enacted as at the balance sheet date).





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