

# Annual Report 2003





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## Key Events 2003

### 1st quarter

- As a result of increasing his ownership in Nutri Pharma above 40% in December 2002 after acquiring shares from the former CEO, Lars Høie member of the Board of Directors, was, according to Norwegian law, obligated to make a mandatory offer for all shares in Nutri Pharma. Lars Høie received acceptances for 416 801 shares at the mandatory offer price of NOK 1 per share increasing his ownership to 41.46% of the outstanding shares in the Company.
- Nutri Pharma's new soy composition Abacor® was found to be more than twice as effective at reducing cholesterol than soy protein alone.
- Eirik Uboe, CFO/COO of Nutri Pharma is appointed Managing Director of Nutri Pharma ASA.

### 2nd quarter

- Nutri Pharma announces the results of a clinical trial demonstrating that its new isolated soy protein (ISP) is significantly better at lowering serum cholesterol values than the best commercially available ISP.
- Nutri Pharma's low energy diet (LED) was reported, at the European Congress on Obesity (ECO) in Helsinki, to provide more weight loss than the Slim Fast meal replacement product (MRP).
- Nutri Pharma and Nycomed Pharma agree to dissolve the Nutrition Partners joint venture and enter into a licence agreement whereby Nycomed is granted an exclusive license to sell Nutrilett™ in the Nordic countries as well as the Baltic states. Nutri Pharma will receive royalty on sales of Nutrilett™. The new agreement with Nycomed is effective retroactively from 1 January 2003.
- Nutri Pharma enters into a license agreement with the Norwegian food group Mills for the use of Abacor® in a pâté under its Vita brand in the Norwegian market.

### 3rd quarter

- In an extraordinary general meeting of Nutri Pharma ASA on September 5 the shareholders unanimously approve the distribution of NOK 2.75 per share. The total cash distribution will be NOK 197 642 511.

### 4th quarter

- The creditor notification period related to the distribution of NOK 2.75 per share in Nutri Pharma ASA expires. The shares commence trading exclusive of the right to the distribution of NOK 2.75 from 12 December 2003.

### 1st quarter 2004

- On 16 January 2004, Nutri Pharma entered into a 5 year licence agreement with Allied Bakeries (a subsidiary of Associated British Foods), the leading bread manufacturer in the UK, for the use of Abacor® in its Burgen bread brand. The launch on 28 January included a cholesterol lowering bread based on Nutri Pharma's patented technology.

Key figures (NOK million)	2003	2002	2001
Total revenue	11.0	51.3	15.9
Result from operations	-20.9	-80.9	-160.5
Ordinary profit before taxes	-10.5	-66.6	-132.9
Tax on ordinary result	-	-	0.2
Result for the year	-10.5	-66.6	-133.1



## Directors' Report 2003

2003 was a year of change and restructuring for Nutri Pharma. The Company continued to shift focus and resources from research and development to exploring commercial opportunities. Both R&D activities and the organization have been scaled down. While the commercial development has not met the expectations of the Board of Directors, there was sign of positive progress in 2003. Nutri Pharma entered into a license agreement with the Norwegian food group Mills in June 2003 for the use of Abacor® in a pâté in the Norwegian market, and an agreement with Allied Bakeries (a subsidiary of Associated British Foods) in the UK was entered into in early 2004 for the use of Abacor® in bread.

Nutri Pharma has an extensive scientific and intellectual property portfolio in the soy technology field which has been developed over the last two decades. The products which are based on these patented soy technologies help prevent the development of life style related diseases such as obesity, elevated cholesterol levels and type 2 diabetes.

Nutri Pharma ASA has its business address in Oslo.

### Annual accounts

Nutri Pharma ASA and subsidiaries had total revenues of NOK 11.0 million in 2003, down from NOK 51.3 million the previous year. The significant reduction in revenues is mainly due to the joint venture with Nycomed being dissolved as of January 1 2003. Sales revenues from Nutrition Partners amounted to NOK 38.9 million in 2002. Royalty revenues declined from NOK 10.8 million in 2002 to NOK 6.4 million in 2003 as a result of declining sales of Scan Diet™ in the US and Nutriplan™ in Australia/New Zealand.

Operating expenses were reduced from NOK 132.2 million in 2002 to NOK 31.9 million in 2003. 2003 includes a write-off of NOK 8.6 million in intangible fixed assets. Excluding Nutrition Partners in 2002 and the write-off of intangible fixed assets in 2003, operating expenses declined from comparable NOK 91.6 million in 2002 to NOK 23.3 million in 2003 as a result of the cost reduction programme which was implemented during 2002.

The operating result improved from NOK -80.9 million in 2002 to NOK -20.9 million in 2003. Interest income from the investment portfolio resulted in net financial income of NOK 10.3 million in 2003. Net result after financial items was NOK -10.5 million. Net loss improved from NOK -66.6 million in 2002 to NOK -10.5 million in 2003. Operating cash flow was NOK 3.7 million in 2003. The main reason for the difference of NOK 14.2 million between net result after financial items and operating cash flow is depreciation totalling NOK 11.8 million.

Nutri Pharma's total assets were NOK 38.2 million as of December 31 2003 compared to NOK 260.3 million as of December 31 2002. The decline is mainly due to the repayment of NOK 197.6 million to shareholders in December 2003. Cash and other liquid assets were NOK 25.2 million as of December 31 2003 – or 66% of the Company's total assets. The liquid assets are invested in short term instruments with low risk profile.

As of December 31 2003, Nutri Pharma had intangible fixed assets of NOK 11.6 million. The intangible fixed assets represent the cost of the patent rights for Nutrilett™ outside the Nordic countries and royalty rights for Nutrilett™ in the Nordic countries. These

assets are amortized by about NOK 3.2 million each year. Due to the uncertainty related to the sale of Scan Diet in the US market, the remaining intangible assets related to the cost of entering into the agreement with GNC totalling NOK 8.6 million was written off in 2003.

As of December 31 2003 the company's total equity was NOK 34.6 million or 90% of total assets. Nutri Pharma has no interest bearing debt.

The total amount of treasury shares was 6,801,625 at year-end 2003. Nutri Pharma did not invest in treasury shares during 2003. The treasury shares have been bought at an average price of NOK 10.76.





The net loss for 2003 of Nutri Pharma ASA, the parent company, was NOK 21.7 million in 2003. The board proposes that this loss be deducted from other paid in equity. As a result of the proposal by the board and subsequent decision by the shareholders in an extraordinary general assembly on September 5 2003, NOK 197.6 million was repaid to shareholders and the share premium reserve of NOK 243.9 million was transferred to unrestricted equity. Consequently, in the parent company, Nutri Pharma ASA, unrestricted equity as at December 31 2003 stands at NOK 15.5 million.

The annual accounts have been prepared under an assumption that the enterprise is a going concern. In accordance with the requirements of section 3-3 of the Norwegian Accounting Act the Board confirms that this assumption is realistic.

### Commercial Update

#### Nordic - Nutrilett™

In 2003 Nutri Pharma and Nycomed Pharma AS agreed to dissolve Nutrition Partners, the 50/50 joint venture, effective from January 1 2003. The parties entered into a new agreement whereby Nycomed is granted an exclusive license to sell Nutrilett™ in the Nordic countries and the Baltic states. Nutri Pharma will receive royalty on all sales of Nutrilett™. Sales of Nutrilett™ in the Nordic countries during 2003 amounted to NOK 68.8 million compared to NOK 77.8 million in 2002. The main reasons for this decline were increased competition from other dieting programs and a NOK 3 million inventory reduction in Sweden. In December, Ferd Private Equity acquired the consumer health division of Nycomed where Nutrilett™ is one of the core brands.

#### Mills

In September the Norwegian consumer goods company Mills DA (part of the Agra Group which is partly owned by Unilever) launched two new pâtés under its Vita brand containing plant oils, one of which also contains Abacor®. The Vita brand is positioned as an active part of a cholesterol conscious diet. This was the first launch of a food product containing Abacor®. The launch is limited to Norway and will generate limited royalty revenue for Nutri Pharma in the short term.

#### Allied Bakeries

On January 16 2004 Nutri Pharma entered into a 5 year licence agreement with Allied Bakeries, the leading bread manufacturer in the UK, for the use of Abacor® in its Burgen bread brand. The launch on January 28 included a cholesterol-lowering bread based on Nutri Pharma's patented technology.

The agreement with Allied Bakeries is the result of several years of product development work whereby Allied Bakeries and Nutri Pharma have worked together to solve taste, process and technological issues related to Abacor® in bread. These developments have led to a broadening of the Nutri Pharma patent portfolio.



#### US - Scan Diet™

Sales of Scan Diet™ declined further in 2003 largely due to discontinued product lines, less marketing support and the rapid growth of low carbohydrate diets in this market. Sales amounted to USD 3.1 million in 2003, down from USD 11.2 million in 2002. As royalty revenues are expected to decline further and the prospects for Scan Diet after December 2004 are uncertain, Nutri Pharma has written off all intangible fixed assets related to the license agreement with GNC totalling NOK 8.6 million. Nutri Pharma is exploring alternative strategies in the US market.

#### Australia/New Zealand - Nutriplan™

In 2003 Mayne decided to divest several non-core businesses and brands, one of which was Nutriplan™. Mayne and Nutri Pharma have agreed to terminate the licence agreement and Nutriplan™ will not be available in the Australian and New Zealand markets until a new partner can be found.

### R&D and Intellectual Property

Nutri Pharma has, based on 20 years of research and more than 40 clinical and pre-clinical studies, developed patented products and process technologies for soy based dietary products and functional foods.

While Nutri Pharma's investment in R&D was limited in 2003 the Company's scientific and intellectual property position was broadened as a result of finalized studies representing R&D investments from previous years. The



results of several clinical studies was presented at scientific meetings in 2003 and submitted for publication, of which the most important are summarised below:

At the New Functional Ingredients and Foods Congress in Copenhagen in April 2003, a comparative study, emanating from a recent patent application, documents that Nutri Pharma's soy composition Abacor<sup>®</sup>, is more than twice as effective in lowering cholesterol compared to the best commercially available isolated soy protein (ISP). Average reduction of LDL cholesterol and total cholesterol were 9.7% and 8.0% by Abacor<sup>®</sup> and 5.4% and 3.4% by the ISP, respectively. These results are statistically significant. This randomized, double-blind study was conducted in Berlin/Germany in cooperation with the German Institute for Food Research. At the European Congress on Obesity in Helsinki in May 2003, Nutri Pharma's low energy diet was reported to result in more weight and cholesterol reduction when compared directly to the Slim Fast product.

At the 5th International Soy Symposium in Orlando in September 2003, Nutri Pharma announced the results of a study on its newly developed soy protein (ISP). This placebo-controlled, double-blind study of 120 hypercholesterolemic individuals demonstrated that Nutri Pharma's new ISP is approximately twice as effective at lowering serum cholesterol values compared to the best commercially available ISP. Average reductions of LDL cholesterol and total cholesterol were 9.4% and 10.7% for the new soy protein from Nutri Pharma, compared to 5.4% and 5.8% with the best commercially available ISP. These results are statistically significant.

Also, at the Soy Symposium, a meta-analysis conducted at the University of Kentucky, USA showed that Nutri Pharma's soy based low and very low energy diets lowered total and LDL cholesterol levels significantly more than other diets. Average reduction of cholesterol with Nutri Pharma's weight reduction products varied from 20% to 33%. Literature from 1980-2001 was reviewed. Out of the 207 publications studied 47 met the criteria.

For a more comprehensive review of key clinical studies please see [http://www.nutripharma.com/what\\_research.html](http://www.nutripharma.com/what_research.html).

Nutri Pharma's IP position internationally is founded on a broad patent portfolio of patents covering compositions of soy ingredients, improved soy proteins, process technologies and methods of use claims. New composition patents were granted in 2003 both in Europe and in the U.S. covering cholesterol lowering dietary and functional food products. In addition, the patents cover combinations with other

cholesterol lowering substances such as sterols and/or stanol esters, in order to prevent or alleviate cardiovascular diseases or disorders associated with the metabolic syndrome. Nutri Pharma is reviewing its patent portfolio in order to optimize the portfolio from a commercial point of view.

In November 2001, Protein Technologies International Inc., a subsidiary of DuPont, filed an opposition against one of Nutri Pharma's patents regarding Nutri Pharma's proprietary technology of combining soy proteins and fibres granted by The European Patent Office. On 18 September 2002 Nutri Pharma filed a response to the opposition and will continue to defend this patent.

### **Organization, Governance and Operations**

Nutri Pharma continued the required restructuring in 2003. Head count has been further reduced from 11 at year-end 2002 to 6 at year-end 2003. The office in London has been closed. All operating activities are now managed from Oslo. The low head count must be seen in light of the fact that key services related to R&D, patents, legal and accounting are outsourced.

At the company's AGM in March 2003 Gert Munthe and Hans Pieterman withdrew from the Board of Directors. Lars Martin Haugen was elected member of the Board of Directors.

In March 2003 Eirik Uboe was appointed CEO after having been acting CFO/COO since the resignation of Graham Waters in October 2002.

As a result of increasing his ownership in Nutri Pharma above 40% in December 2002, after acquiring shares from the former CEO, Lars Høie, member of the Board of Directors of Nutri Pharma, was, according to the Norwegian Securities Trading Act, obligated to make a mandatory offer for all outstanding shares in Nutri Pharma or reduce his ownership interest below 40%. On 23 December 2002, Høie announced that he would make a mandatory offer at a price of NOK 1 per share. Under the Norwegian Securities Trading Act, the Board of Directors of Nutri Pharma is required to make a statement regarding a mandatory offer. On 19 February 2003, the board announced that it did not recommend that shareholders accept Lars Høie's offer.

Lars H. Høie increased his ownership to 32 617 201 shares, corresponding to 41.46% of the company's share capital. During 2003 Lars Høie purchased an additional 16 604 555, shares and at year end he held a total of 49 221 756 through Blenheim AS which is 100% owned by Lars Høie, corresponding to 62.6% of the share capital.



In an extraordinary shareholders' meeting on September 5 2003, the shareholders unanimously approved the board of directors' proposal to distribute NOK 2.75 per share from the share premium fund to the shareholders. The payment was made upon the expiry of the creditor notification period in December.

The internal work environment is considered good. Nutri Pharma ASA, the parent company recorded 9 days of employee absence due to illness, corresponding to approximately 1% of normal work time. There were no accidents or injuries during the year.

The company's activities do not lead to pollution or other negative impact on the external environment beyond what is considered normal for this type of company with one office location and associated travel activities.

Nutri Pharma had six employees as of 31 December 2003 of which one is a woman. The Company will continue to review the balance between men and women. Nutri Pharma's policy is based on equal pay for the same work, which implies that men and women in the same job have the same salary, provided that everything else is equal.

The distribution of management positions is not equal between men and women. In order to improve this balance, the Company will have to increase the number of women in management positions. However, the main objective is to have the best qualified individual in all positions.

As of 31 December 2003 there were no women on the board of directors.

## Outlook

During the last two decades Nutri Pharma has developed a broad intellectual property portfolio within the growing field of speciality soy ingredients. These patents expire between 2017 and 2023. The focus during 2004 will continue to be on commercialization in two main areas: Functional foods for cholesterol reduction and dietary supplements such as weight management.

Nutri Pharma intends to capitalize on the commercial agreements with Allied Bakeries and Mills by actively pursuing additional commercial and strategic opportunities. In addition Nutri Pharma will also explore the possibility of becoming involved in more parts of the value chain by delivering finished goods and pursuing alternative sales channels such as direct marketing.

Nutri Pharma's financial performance improved in 2003 through cost reduction, but the decline in revenues, mainly due to the poor performance of Scan Diet, is likely to result in continued losses for the coming year. Nutri Pharma's main source of revenue in 2004 will be royalty revenues from Nutrilett™ as the licensing agreements with Mills and Allied Bakeries will generate limited revenues short term.

Oslo 3 February 2004

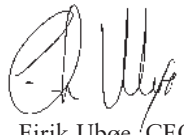
  
Nicolas Brun-Lie, Chairman

  
Lars Høie

  
Per-Morthen Johannessen

  
Lars Martin Haugen

  
Trond Syvertsen

  
Eirik Ubøe, CEO



# Income Statement Jan 1 - Dec 31

Amount in NOK '000	Note	Nutri Pharma ASA			Group		
		2003	2002	2001	2003	2002	2001
<b>REVENUE</b>							
Net sales revenues	1	-	-	-	-	38 915	-
Royalty income	1	6 357	3 989	3 354	6 357	10 845	14 350
Other operating income	1	4 405	391	163	4 642	1 502	1 524
<b>Total revenue</b>		<b>10 762</b>	<b>4 380</b>	<b>3 517</b>	<b>10 999</b>	<b>51 262</b>	<b>15 874</b>
<b>OPERATING EXPENSES</b>							
Cost of goods sold		-	-	-	-	24 413	-
Payroll expenses etc.	2	3 955	4 883	4 080	9 949	21 370	35 937
Depreciation intangible and tangible fixed assets	5, 6	11 822	5 482	4 824	11 822	8 489	5 439
Other operating expenses	3	20 356	109 647	131 253	10 096	77 883	134 981
<b>Total operating expenses</b>		<b>36 133</b>	<b>120 012</b>	<b>140 157</b>	<b>31 867</b>	<b>132 155</b>	<b>176 357</b>
<b>RESULT FROM OPERATIONS</b>		<b>-25 371</b>	<b>-115 632</b>	<b>-136 640</b>	<b>-20 868</b>	<b>-80 893</b>	<b>-160 483</b>
<b>FINANCIAL INCOME AND EXPENSES</b>							
Net financial income and expenses	4	3 638	8 153	30 459	10 348	14 307	27 567
<b>ORDINARY PROFIT BEFORE TAXES</b>		<b>-21 733</b>	<b>-107 479</b>	<b>-106 181</b>	<b>-10 520</b>	<b>-66 586</b>	<b>-132 916</b>
Tax on ordinary result	15	-	-	-	-	-	-233
<b>RESULT FOR THE YEAR</b>		<b>-21 733</b>	<b>-107 479</b>	<b>-106 181</b>	<b>-10 520</b>	<b>-66 586</b>	<b>-133 149</b>
Earnings per share	17				-0.15	-0.93	-1.77
<b>Allocation of profit:</b>							
Share premium reserve	12		-49 531	-			
Other paid in equity	12	-21 733	-57 948	-106 181			
<b>Total allocation of profits</b>		<b>-21 733</b>	<b>-107 479</b>	<b>-106 181</b>			

# Balance Sheet

## Assets Dec 31

Amount in NOK '000	Note	Nutri Pharma ASA			Group		
		2003	2002	2001	2003	2002	2001
<b>FIXED ASSETS</b>							
<b>Intangible fixed assets</b>							
Patent and royalty assets	5	11 560	14 742	17 924	11 560	14 744	17 928
Commission	5	-	8 640	9 792	-	8 640	9 792
<b>Total intangible fixed assets</b>		<b>11 560</b>	<b>23 382</b>	<b>27 716</b>	<b>11 560</b>	<b>23 384</b>	<b>27 720</b>
<b>Tangible fixed assets</b>							
Machinery and equipment	6	-	-	1 127	-	215	3 287
<b>Total tangible fixed assets</b>		<b>-</b>	<b>-</b>	<b>1 127</b>	<b>-</b>	<b>215</b>	<b>3 287</b>
<b>Financial fixed assets</b>							
Investments in subsidiaries	7	49 701	49 701	49 701	-	-	-
Shares and other investments		6	506	506	6	6	6
Other long-term receivables	8	303	12 288	47 490	3	2 446	58
<b>Total financial fixed assets</b>		<b>50 010</b>	<b>62 495</b>	<b>97 697</b>	<b>9</b>	<b>2 452</b>	<b>64</b>
<b>Total long-term assets</b>		<b>61 570</b>	<b>85 877</b>	<b>126 540</b>	<b>11 569</b>	<b>26 051</b>	<b>31 071</b>
<b>CURRENT ASSETS</b>							
<b>Debtors</b>							
Accounts receivable		438	2 341	409	339	3 721	3 404
Other receivables	8	778	1 211	8 129	951	7 559	19 401
<b>Total debtors</b>		<b>1 216</b>	<b>3 552</b>	<b>8 538</b>	<b>1 290</b>	<b>11 280</b>	<b>22 805</b>
<b>Investments</b>							
Accrued interest on short-term investments	9, 11	104	1 956	2 823	104	1 956	2 823
Short-term investments	9, 11	14 006	210 770	268 481	14 006	210 770	268 481
<b>Total bonds and certificates</b>		<b>14 110</b>	<b>212 726</b>	<b>271 304</b>	<b>14 110</b>	<b>212 726</b>	<b>271 304</b>
<b>Cash and bank deposits</b>							
Cash and bank deposits	10	10 659	6 436	5 831	11 235	10 245	14 160
<b>Total current assets</b>		<b>25 985</b>	<b>222 714</b>	<b>285 673</b>	<b>26 635</b>	<b>234 251</b>	<b>308 269</b>
<b>TOTAL ASSETS</b>		<b>87 555</b>	<b>308 591</b>	<b>412 213</b>	<b>38 204</b>	<b>260 302</b>	<b>339 340</b>



# Balance Sheet

## Equity and Liabilities Dec 31


Amount in NOK '000	Note	Nutri Pharma ASA			Group		
		2003	2002	2001	2003	2002	2001
<b>EQUITY</b>							
<b>Paid in capital</b>							
Share capital	12, 13, 14	19 668	19 668	19 668	19 668	19 668	19 668
Repurchase of own shares	12, 16	-1 700	-1 700	-1 700	-1 700	-1 700	-1 700
Share premium reserve	12	-	234 883	284 414	-	224 204	284 414
Other paid in capital	12	15 507	-	57 948	16 667	-	7 578
Total paid in capital		33 475	252 851	360 330	34 635	242 172	309 960
<b>Total equity</b>		<b>33 475</b>	<b>252 851</b>	<b>360 330</b>	<b>34 635</b>	<b>242 172</b>	<b>309 960</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payable		26	463	2 115	26	4 515	14 811
Public duties payable		82	150	62	370	359	294
Other short-term liabilities	8	53 972	55 127	49 706	3 173	13 256	14 275
<b>Total liabilities</b>		<b>54 080</b>	<b>55 740</b>	<b>51 883</b>	<b>3 569</b>	<b>18 130</b>	<b>29 380</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>87 555</b>	<b>308 591</b>	<b>412 213</b>	<b>38 204</b>	<b>260 302</b>	<b>339 340</b>

Oslo 3 February 2004


  
Nicolas Brun-Lie, Chairman

  
Lars Høie

  
Per-Morthen Johannessen

  
Lars Martin Haugen

  
Trond Syvertsen

  
Eirik Ubøe, CEO

# Cash Flow Statement Jan 1 - Dec 31

Amount in NOK '000	Nutri Pharma ASA			Group		
	2003	2002	2001	2003	2002	2001
<b>Cash flow from operations</b>						
Result before tax	-21 733	-107 479	-106 181	-10 520	-66 586	-132 916
Tax paid	-	-	-	-	-233	-
Loss on sale of tangible fixed assets	-	-	-	219	63	-
Depreciation and amortization	11 822	5 482	4 823	11 822	8 489	5 439
Provision against loan to subsidiary company	-	39 505	-	-	-	-
Effect of currency changes	-	1	-948	626	-1 323	-242
Change in accounts receivables	2 336	-1 932	102	9 990	-317	-1 592
Change in accounts payable	-505	-1 652	1 245	-4 478	-10 296	4 293
Change in other provisions	-	7 872	-2 044	-3 989	14 987	1 071
<b>Net cash flow from operations</b>	<b>-8 080</b>	<b>-58 203</b>	<b>-103 003</b>	<b>3 670</b>	<b>-55 216</b>	<b>-123 947</b>
<b>Cash flow from investments</b>						
Investment in tangible fixed assets	-	-20	-72	-	-998	-1 431
Write-off of investment in joint venture	500	-	-	-	-	-
Changes in bonds and certificates	198 616	57 711	158 268	198 616	58 579	158 268
Changes in long-term receivables	11 985	-4 303	-11 893	2 443	-5 236	9 108
Changes in other investments	-	-	-500	-	-	-
<b>Net cash flow from investments</b>	<b>211 101</b>	<b>53 388</b>	<b>145 803</b>	<b>201 059</b>	<b>52 345</b>	<b>165 945</b>
<b>Cash flow from financing</b>						
Changes in short-term liabilities	-1 155	5 420	16 269	-6 096	-1 044	9 618
Purchase of own shares	-	-	-59 345	-	-	-59 345
Refund of capital to shareholders	-197 643	-	-	-197 643	-	-
<b>Net cash flow from financing</b>	<b>-198 798</b>	<b>5 420</b>	<b>-43 076</b>	<b>-203 739</b>	<b>-1 044</b>	<b>-49 727</b>
<b>Net cash flow</b>	<b>4 223</b>	<b>605</b>	<b>-276</b>	<b>990</b>	<b>-3 915</b>	<b>-7 729</b>
<b>Cash 01.01</b>	<b>6 436</b>	<b>5 831</b>	<b>6 107</b>	<b>10 245</b>	<b>14 160</b>	<b>21 889</b>
<b>Cash 31.12</b>	<b>10 659</b>	<b>6 436</b>	<b>5 831</b>	<b>11 235</b>	<b>10 245</b>	<b>14 160</b>



# Accounting principles

## Accounting policies

The Financial Statements are prepared in accordance with the Norwegian Accounting Act (1998) and generally accepted accounting principles.

## Principles for consolidation

The consolidated accounts include Nutri Pharma ASA and subsidiaries specified in note 7. The consolidated accounts are prepared such that the group of companies are presented as a single economic entity. Inter company transactions have been eliminated in the consolidated accounts. The same accounting principles have been applied for both the parent company and the subsidiaries.

Accounts for foreign subsidiaries recorded in foreign currencies are translated to the reporting currency (NOK) by using the closing rate as of balance sheet date for balance sheet items and average exchange rate for the period for revenue and expenses.

## Subsidiaries

Subsidiaries are recorded according to the cost method in the parent company accounts. The investments are valued at initial cost unless a write down has been required. A write down to fair value has been recognised if the decline in value is not considered to be temporary.

## Classification and evaluation of balance sheet items

Assets determined for permanent use are classified as long term assets. Other assets are classified as current assets. The same criteria apply to the classification of short-term debt.

Current assets are valued at the lower of acquisition cost and fair value. Current liabilities are recorded at nominal value when incurred.

Long term assets are recognized at cost of acquisition, or written down to fair value if the reason for the decline in value is not deemed to be temporary. Long term liabilities are recognized at nominal value when incurred.

## Accounts receivable

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated on the basis of individual assessments.

## Intangible Assets

Acquired intangible assets, including patent and royalty rights, have been capitalized and are amortized on a straight-line basis over the expected economic life.

## Fixed Assets

Fixed Assets are capitalized and depreciated over their estimated useful economic lives. Direct maintenance costs are expensed as incurred, whereas improvements and upgrading are capitalized and depreciated over the economic lifetime of the asset. Depreciation is on a straight-line basis over the expected economic lifetime.

## Research and Development

Costs for research and development are expensed when incurred.

## Short-term investments

Short-term investments that are part of a trading portfolio, are recognized at fair value on the date of the balance sheet. Unrealised profit/loss is recorded in the income statement as other financial income/cost.

## Options to employees

Employee compensation expenses are measured on the date of the grant of the share options and represent the excess of the quoted market price of the share over the share exercise price (intrinsic value). Social security taxes are measured at the end of each reporting period based on the excess of the quoted market price of the shares over the exercise price. The expenses are recognised as personnel costs on a straight-line basis over the service period.

## Income recognition

Nutri Pharma recognises royalty and licence fees when earned. Royalty and license fees received as a compensation for use of the company's assets are recognized in accordance with the intention of the agreement. As the agreements are based on quantity sold, Nutri Pharma has earned the royalties and licence fees when the licensee sells a licensed product to a third party. As a result, income recognition is made on basis of reports of actual sales from licensees.

## Intra group transactions

Goods and services between companies within the group are accounted for on terms and conditions similar to the terms and conditions which would apply in an arm's length transaction with a third party. These intra group transactions are eliminated in the consolidated accounts.



### **Taxes**

The tax expense in the income statement includes both the tax payables for the period and change in deferred taxes. Deferred taxes are calculated using the nominal tax rate and based on the temporary differences between the accounting and tax values of assets and liabilities as well as tax losses carried forward at year-end. Tax increasing and tax reducing temporary differences which are reversed or can be reversed in the same period have been netted.

Net deferred tax assets are recognized only when it is sufficiently certain that the group will be able to realize the benefit through future taxable earnings.

### **Foreign currency transactions**

Monetary balance sheet items denominated in foreign currency, such as cash, receivables, payable and loans, are reported using the exchange rates at the balance sheet date.



# Notes

## Note 1 - Revenues

The company's sales revenues in 2002 were generated from the joint venture with Nycomed, Nutrition Partners AS, which was consolidated on a 50% proportional basis from 1 January to 31 December 2002. After this, the joint venture was dissolved.

The company's royalty revenues are related to the soy based weight-reduction products Nutrillett™, ScanDiet™ and Nutriplan™. Organisationally these products belong to the same area of operations. In previous years, the parent company's revenues in USA were royalty revenues from the subsidiary Nutri Pharma Inc.

Geographic areas	Nutri Pharma ASA			Group		
	2003	2002	2001	2003	2002	2001
Sales revenue, Nordic countries	-	-	-	-	38 915	-
Royalty revenue, Nordic countries	2 852	3 080	2 126	2 852	1 545	2 126
Royalty revenue, USA and other countries	3 505	909	1 228	3 505	9 300	12 224
Other revenue	4 405	391	163	4 642	1 502	1524
<b>Total</b>	<b>10 762</b>	<b>4 380</b>	<b>3 517</b>	<b>10 999</b>	<b>51 262</b>	<b>15 874</b>

## Note 2 - Payroll expenses, number of employees and remuneration

Staff cost	Nutri Pharma ASA			Group		
	2003	2002	2001	2003	2002	2001
Wages and salaries	3 622	4 183	3 505	7 824	16 627	32 857
Payroll tax	158	211	248	498	1 447	1 839
Pension costs	-	-	-	140	387	328
Other	175	489	327	1 487	2 909	913
<b>Total</b>	<b>3 955</b>	<b>4 883</b>	<b>4 080</b>	<b>9 949</b>	<b>21 370</b>	<b>35 937</b>

The average number of employees during 2003 was 3 in the parent company and 7 in the group.

The company has no collective pension agreements. Pension costs specified above are additional pensions which do not lead to future contractual obligations for the company.

Payment to CEO	CEO
Wage and salary	1 978
Pension costs	40
Other remuneration	66

Eirik Ubøe was appointed as CEO on March 12 2003. He owns 267 000 shares in the Company.



#### Severance agreements, options and shares held by leading personnel and board members

		<b>Options</b>	<b>Shares</b>
Nicolas Brun-Lie	Chairman of the board	-	238 000
Lars Høie	Board member	2 500 000	49 221 756
Trond Syvertsen	Board member	200 000	4 000 000
Per-Morthen Johannessen	Board member	100 000	200 000
Lars Martin Haugen	Board member	-	-

During 2003 Lars Høie and Trond Syvertsen were employees in the company in addition to being board members. They did not receive directors' fees. In 2003 Lars Høie and Trond Syvertsen had total compensation from the Company of NOK 1 400 000 and NOK 600 000, respectively. As of January 1 2004, Lars Høie and Trond Syvertsen are no longer employees of the Company. However, Lars Høie and Trond Syvertsen will continue to be actively involved in the operation of the Company in their capacities as members of the board of directors.

Nicolas Brun-Lie, the Chairman, is a partner of the law firm Wiersholm, Mellbye & Bech (WMB). WMB performed legal services for the Company during 2003 for a total amount of NOK 1 012 687.

#### Auditors' remuneration

	<b>Nutri Pharma ASA</b>	<b>Group</b>
<b>PriceWaterhouseCoopers:</b>		
Audit services	336	454
Financial Statements review	151	151
Accounting and advisory services	179	179
<b>Ernst &amp; Young:</b>		
Audit services	-	61
Accounting and advisory services	-	558
<b>Total</b>	<b>666</b>	<b>1403</b>



## Note 3 - Other operating expenses

	Nutri Pharma ASA			Group		
	2003	2002	2001	2003	2002	2001
<b>Other operating expenses</b>						
Advertising and marketing	3 892	11 575	6 598	670	32 921	41 298
Research and development	830	1 241	6 959	1 842	16 428	41 554
Administration and offices	5 867	9 115	6 075	7 584	21 531	17 418
Business development	-	-	3 500	-	4 785	18 871
Fees to subsidiaries	9 767	48 211	103 929	-	-	-
Provision against loan to subsidiary company	-	39 505	-	-	-	-
Other operating costs	-	-	4 192	-	2 218	15 840
<b>Total other operating expenses</b>	<b>20 356</b>	<b>109 647</b>	<b>131 253</b>	<b>10 096</b>	<b>77 883</b>	<b>134 981</b>

## Note 4 - Net financial items

	Nutri Pharma ASA			Group		
	2003	2002	2001	2003	2002	2001
<b>Financial income:</b>						
Interest received from companies within group	-	2 874	4 794	-	-	-
Other interest received	10 584	15 151	26 899	10 584	15 387	27 607
Other financial income	-	-	947	-	22	421
<b>Total financial income</b>	<b>10 584</b>	<b>18 025</b>	<b>32 640</b>	<b>10 584</b>	<b>15 409</b>	<b>28 028</b>
<b>Financial costs:</b>						
Interest cost to companies within group	-6 334	-9 510	-1 832	-	-	-
Fluctuation in market value of financial assets	-106	83	-251	-106	83	-251
Other interest paid	-6	-37	-90	-6	-37	-126
Other financial costs	-500	-408	-8	-124	-1 148	-84
<b>Total financial costs</b>	<b>-6 946</b>	<b>-9 872</b>	<b>-2 181</b>	<b>-236</b>	<b>-1 102</b>	<b>-461</b>
<b>Net financial items</b>	<b>3 638</b>	<b>8 153</b>	<b>30 459</b>	<b>10 348</b>	<b>14 307</b>	<b>27 567</b>

## Note 5 - Intangible assets and research and development

Nutri Pharma ASA and Group	Total	Patents	Royalty rights	Capitalized commission
<b>Acquisition cost 31 December 2002</b>	<b>39 073</b>	<b>10 653</b>	<b>16 900</b>	<b>11 520</b>
Additions	-	-	-	-
Disposals	-	-	-	-
Acquisition cost 31 December 2003	39 073	10 653	16 900	11 520
Accumulated amortization 31 December 2003	27 513	5 933	10 060	11 520
<b>Book value 31 December 2003</b>	<b>11 560</b>	<b>4 720</b>	<b>6 840</b>	<b>-</b>
Amortization this period	3 182	1 180	2 002	-
Balance written off this period	8 640	-	-	8 640
Total charged for 2003	11 822	1 180	2 002	8 640
Expected economic life		9 years	8.5 years	
Amortization plan		Linear	Linear	

### Intangible Assets

Patent rights relate to the Nutrilett™ product (excluding the Nordic countries) and was acquired from Lars Høie in 1995 and 1997.

Royalty rights were bought from Lars Høie and relate to an agreement with Nycomed Pharma. Nutri Pharma ASA receives royalty revenues from Nycomed Pharma's sale of Nutrilett™ in the Nordic countries.

Capitalized commission was the calculated cost price for entering into the agreement with GNC. As sales prospects under this agreement are now uncertain, it has been decided to write off the related intangible fixed assets.

### Research and Development

The company's research and development relates to soy-based products used to treat diseases of the Metabolic Syndrome, including weight management, cholesterol reduction and type 2 diabetes. The company has incurred the following expenses for research and development:

Cost of research and development	Nutri Pharma ASA			Group		
	2003	2002	2001	2003	2002	2001
R&D costs classified as other operating costs (note 3)	830	1 241	6 959	1 842	16 428	41 554
Share R&D debited the accounts through fees to subsidiary companies	1 012	15 187	34 595	-	-	-
<b>Total</b>	<b>1 842</b>	<b>16 428</b>	<b>41 554</b>	<b>1 842</b>	<b>16 428</b>	<b>41 554</b>

A proportion of the salary costs incurred by the Nutri Pharma group may be attributable to Research and Development. These costs are not reflected in the above table.

The company expects total future earnings from ongoing research and development to be at least equivalent to the R&D costs.



## Note 6 - Tangible fixed assets

Inventory and office appliances	Nutri Pharma ASA	Group
<b>Acquisition costs 31 December 2002</b>	<b>2 204</b>	<b>5 632</b>
Disposals	-	-215
<b>Acquisition costs 31 December 2003</b>	<b>2 204</b>	<b>5 417</b>
Accumulated depreciation 31 December 2003	2 204	5 417
<b>Book value 31 December 2003</b>	<b>-</b>	<b>-</b>

There was no depreciation charge for the year.

## Note 7 - Subsidiaries

Investments in subsidiaries are accounted for according to the cost method

Subsidiary	Office	Ownership	Voting rights
Nutri Pharma Danmark Holding A/S	Denmark	100 %	100 %
Nutri Pharma UK Ltd	UK	100 %	100 %
Nutri Pharma GmbH	Germany	100 %	100 %
Sub-subsidiaries	Office	Ownership	Voting rights
Nutri Pharma Danmark AS	Denmark	100 %	100 %

Nutri Pharma UK Limited and Nutri Pharma GmbH were transferred from Nutri Pharma Danmark Holdings A/S to Nutri Pharma ASA on September 30 2003.

Nutri Pharma Inc. was dissolved with effect from December 17, 2003.

Nutri Pharma Sverige AB was disposed of as of October 24, 2003 for a nominal amount.

## Note 8 - Accounts receivable and short term liabilities

	Nutri Pharma ASA			Group		
	2003	2002	2001	2003	2002	2001
<b>Specification of long-term accounts receivable</b>						
Loans to companies in the same group	300	12 285	47 487	-	-	-
Deposits	3	3	3	3	2 446	58
<b>Total</b>	<b>303</b>	<b>12 288</b>	<b>47 490</b>	<b>3</b>	<b>2 446</b>	<b>58</b>
<b>Specification of other short-term receivables</b>						
Amounts owed by companies in the same group	-	788	-	-	-	-
Prepaid expenses	659	301	7 759	758	301	7 979
Value added tax to be reimbursed	119	-	362	69	3 573	363
Loans to former employees	-	-	-	-	-	7 722
Other receivables	-	122	8	124	3 685	3 337
<b>Total</b>	<b>778</b>	<b>1 211</b>	<b>8 129</b>	<b>951</b>	<b>7 559</b>	<b>19 401</b>
<b>Specification of other short-term liabilities</b>						
Liabilities to companies in the same group	51 482	47 282	48 810	-	-	-
Provision for business cessation costs	2 179	3 000	-	1 730	3 000	-
Provision for unoccupied property costs	-	-	-	-	1 734	-
Other short-term liabilities	311	4 845	896	1 443	8 522	14 275
<b>Total</b>	<b>53 972</b>	<b>55 127</b>	<b>49 706</b>	<b>3 173</b>	<b>13 256</b>	<b>14 275</b>

## Note 9 - Short-term investments

SEB manages the company's trading portfolio. Classification according to category of debtor has been made in accordance with the investment manager's internal classifications. The company has no bonds with interest rate regulations except for bonds with floating rate interest.

Category of debtor	Cost price	Market value	Unrealized profits	Accrued interest	Effective interest rate
<b>Certificates:</b>					
Government securities	1 950	1 981	31	-	5.34%
Financial institutions	12 004	12 025	21	104	5.46%
<b>Total short-term investments</b>	<b>13 954</b>	<b>14 006</b>	<b>52</b>	<b>104</b>	<b>5.45 %</b>
<b>Reconciliation of unrealized profits:</b>					
Unrealized profit 31 December 2002					159
Unrealized profit 31 December 2003					52
Change in unrealized profits					-107



## Note 10 - Restricted bank account

Restricted bank account	Nutri Pharma ASA			Group		
	2003	2002	2001	2003	2002	2001
Withholding tax deposit	369	1 914	1 229	369	1 914	1 229

## Note 11 - Financial market risk

Approximately 28% of the parent company's assets (group 66% ) are invested in short-term interest-bearing securities or in bank deposits. The securities are managed in co-operation with SEB.

The investment portfolio is managed conservatively and is predominantly invested in short-term interest bearing securities with low credit risk and a high degree of liquidity. The company does not have any interest bearing debt.

Changes in exchange rates may impact future results. The company does not have currency hedging agreements for the time being, but will consider such arrangements as a result of possible further international expansion.

The company enters into licence agreements with external parties concerning the use of Nutri Pharma's patents. The licensees bear the risk of fluctuations in the price of raw materials such as soy proteins.

## Note 12 - Equity

### Nutri Pharma ASA

The change in equity for 2003	Share capital	Own shares at face value	Premium	Other paid in equity	Total
Equity 31 December 2002	19 668	-1 700	234 883	-	252 851
Refund of capital to shareholders	-	-	-197 643	-	-197 643
Transferred to other paid in equity	-	-	-37 240	37 240	-
Annual result	-	-	-	-21 733	-21 733
<b>Equity 31 December 2003</b>	<b>19 668</b>	<b>-1 700</b>	<b>-</b>	<b>15 507</b>	<b>33 475</b>

### Group

The change in equity for 2003	Share capital	Own shares at face value	Premium	Other paid in equity	Total
Equity 31 December 2002	19 668	-1 700	224 204	-	242 172
Refund of capital to shareholders	-	-	-197 643	-	-197 643
Transferred to other paid in equity	-	-	-26 561	26 561	-
Annual result	-	-	-	-10 520	-10 520
Currency exchange difference	-	-	-	626	626
<b>Equity 31 December 2003</b>	<b>19 668</b>	<b>-1 700</b>	<b>-</b>	<b>16 667</b>	<b>34 635</b>



## Note 13 - Share capital and shareholder information

The share capital of NOK 19 667 907 consists of 78 671 629 shares with a face value of NOK 0.25 each. All shares belong to the same class of shares.

"RISK" per share is estimated to NOK 0.

### Overview of the largest shareholders 31 December 2003

	Shares	%
Blenheim AS (100% owned by Lars Høie)	49 221 756	62.6 %
Nutri Pharma ASA	6 801 625	8.6 %
Trond Syvertsen	4 000 000	5.1 %
Pershing Securities Limited	1 205 450	1.5 %
Nordea Bank Sweden AB (Publ)	890 000	1.1 %
Clearstream Banking S.A.	836 492	1.1 %
Dexia Sec.Services Custody N.V.	500 000	0.6 %
SEB Private Bank S.A.	456 500	0.6 %
Nordnet Securities Bank AB	428 000	0.5 %
Standard Chartered Grindlays	360 000	0.5 %
Euroclear Bank S.A./N.V.	330 383	0.4 %
Norskanvest LLC	300 000	0.4 %
Total	65 330 206	83.0 %
Others (Ownership < 1%)	13 341 423	17.0 %
<b>Total amount of shares</b>	<b>78 671 629</b>	<b>100,0 %</b>

## Note 14 - Options

The options outstanding at 31 December 2003 are summarised as follows:

Strike price	Latest exercise date	Number
14	31 March 2004	2 400 000
14	1 June 2007	165 000
15	22 December 2009	150 000
20	30 June 2004	90 000
20	31 October 2004	310 000
<b>Total</b>		<b>3 115 000</b>

All the outstanding options have been granted to employees and board members. In the year 2003, no options have been granted.

As the share price during the year has been substantially below the strike prices, it is considered unlikely that any of the above options will be exercised in the foreseeable future.



## Note 15 - Tax

	Nutri Pharma ASA			Group		
	2003	2002	2001	2003	2002	2001
Recognised tax expense	-	-	-	-	-	233
<b>Explanation of the tax:</b>						
Result before tax	-21 733	-107 479	-106 181	-10 520	-66 586	-133 149
Nominal tax (28%)	-6 085	-30 094	-29 731	-2 946	-18 644	-37 282
<b>Adjusted for tax effects of:</b>						
Differences in tax rates	-	-	-	63	-430	-1 404
Permanent differences	2 251	431	437	2 539	1 354	1 432
Non-capitalized deferred tax asset	3 834	29 663	29 294	344	17 720	37 487
<b>Recognized tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>233</b>
<b>Impact of equity transactions on deferred tax asset not capitalized</b>						
	-	-	124	-	-	124
<b>Tax effect from temporary differences and tax loss carry forward:</b>						
Deferred tax liability:						
Intangible fixed assets	861	759	863	861	862	863
Bonds and certificates	15	44	46	15	45	45
Tangible fixed assets	-	-	-	-	-	58
<b>Total deferred tax liability</b>	<b>876</b>	<b>803</b>	<b>909</b>	<b>876</b>	<b>907</b>	<b>966</b>
<b>Deferred tax asset:</b>						
Tax loss carry forward	93 759	78 592	61 077	94 358	93 347	76 083
Short term debt	610	840	-	610	934	826
Tangible fixed assets	204	172	32	204	274	32
Short term receivables	-	11 062	-	-	303	257
<b>Total deferred tax asset</b>	<b>94 573</b>	<b>90 666</b>	<b>61 109</b>	<b>95 172</b>	<b>94 858</b>	<b>77 198</b>
Net deferred tax asset	93 697	89 863	60 200	94 296	93 951	76 232
Valuation allowance	93 697	89 863	60 200	94 296	93 951	76 232
<b>Deferred tax liability (asset) recognized</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Deferred tax asset is not recognised in accordance with generally accepted accounting principles.						
<b>Tax loss carry forward:</b>						
Last year for utilization:						
Within four years	681	54	54	681	56	240
After four years	334 174	280 633	218 078	336 421	323 765	260 792
<b>Total tax loss carry forward</b>	<b>334 855</b>	<b>280 687</b>	<b>218 132</b>	<b>337 102</b>	<b>323 821</b>	<b>261 032</b>



## Note 16 - Treasury shares

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On 31 December 2003, the company had a total of 6 801 625 treasury shares acquired at an average price of NOK 10.76 per share. This is unchanged from 31 December 2002.

## Note 17 - Earnings per share

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The calculation of ordinary result per share is made in accordance with NRS 7 (Norwegian Accounting Standard 7) "Earnings Per Share".

In the calculation of average number of outstanding shares, correction has been made for treasury shares.

Since the company has a negative annual result, the dilution as a result of options granted will lead to an improved result per share. In accordance with the principle of maximum dilution, no "dilution" effect is therefore calculated.

	2003	2002	2001
Annual result	-10 520 000	-66 586 000	-133 149 145
Average number of outstanding shares	71 870 004	71 870 004	75 303 941
Fully diluted average number of shares outstanding	71 870 004	71 870 004	75 303 941
Ordinary result per share	-0.15	-0.93	-1.77
Result per share fully diluted	-0.15	-0.93	-1.77

There is no dilution effect from options outstanding as of 31 December 2003, as no options have an exercise price below the market value of NOK 1.70 on 31 December 2003.

## Note 18 - Contingent events

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In November 2001 the European Patent Office (EPO) received a notice of opposition concerning a patent that has been granted to Nutri Pharma for the European territory regarding Nutri Pharma's proprietary technology for combining soy proteins, fibres and lipids. In September 2002 the Company filed a response to the opposition. An oral hearing has been scheduled for May 2004. The timing of a final decision on this opposition is uncertain. The company is of the opinion that it is unlikely that the opposition will be successful.



# Auditors' Report



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To the Annual Shareholders' Meeting of Nutri Pharma ASA

## Auditor's report for 2003

We have audited the annual financial statements of Nutri Pharma ASA as of December 31, 2003, showing a loss of NOK 21 733 000 for the parent company and a loss NOK 10 520 000 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with the law and regulations and present the financial position of the Company and of the Group as of December 31, 2003, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information given in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss are consistent with the financial statements and comply with the law and regulations.

Oslo, February 3, 2004

**PricewaterhouseCoopers DA**

Rita Granlund  
Partner

Mats Silbo  
Partner

Note: This translation from Norwegian has been prepared for information purposes only.

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## Shareholder Information

### Shareholder policy

The Company's objective is to generate a competitive long-term return on investment in the Nutri Pharma shares. The aim is to actively develop the company and manage its assets and technology in order to maximize shareholder value. Nutri Pharma focuses its resources on the commercialization of products related to its core technology and know-how.

In 2003 the Company repaid the majority of its cash to its shareholders. The reason for this was that a significant cash reserve is not required in order for the Company to pursue its main commercial objectives. The Company will consider the possibility of paying dividends in the future on the basis of its financial performance, financial position and anticipated investment needs.

Nutri Pharma's shareholder and information policy aims at on-going contact with the financial markets. Emphasis is placed on keeping shareholders and the capital markets continuously updated about events such that investors can value the company. Nutri Pharma intends to achieve this by presenting results on a quarterly basis, publishing quarterly and annual reports in addition to news releases distributed through the Oslo Stock Exchange ([www.oslobors.no](http://www.oslobors.no)) when significant events take place. Information is also distributed through the company's website [www.nutripharma.com](http://www.nutripharma.com). Additional information, including the calendar of quarterly presentations, can also be found on this website.

### Share capital and shareholders

The company had share capital of NOK 19 667 907 at year-end, divided into a single class of 78 671 629 shares each with a par value of NOK 0.25. The shares are quoted on the Oslo Stock Exchange's main list under the ticker code NUT and are freely transferable. On 31 December 2003 Nutri Pharma had 1 858 shareholders.

The company's 12 largest shareholders own 83% of the outstanding shares. This includes 8.6% owned by Nutri Pharma ASA. During 2003 the founder of the Company, Lars Høie, increased his ownership from 40.9% to 62.6% of the outstanding shares. Further shareholder information can be found in note 13 to the consolidated accounts.

Employees and board members of Nutri Pharma have been granted options to subscribe for shares in the company. Further information relating to share ownership and options held by leading personnel and board members can be found in note 2 and 14 to the consolidated accounts.

### Share price development

Nutri Pharma's share price was NOK 1.70 at the year-end and the total market capitalization of the company was NOK 134 million including shares owned by Nutri Pharma ASA. A total of 39.9 million Nutri Pharma shares were traded on the Oslo Stock Exchange during the year and total turnover for the year was NOK 89.7 million.

#### Key Share Figures

Key Share Figures	2003
Share price 31-12 (NOK)	1.70
Market value 31-12 (MNOK)	134
Share Turnover (MNOK)	89.7
Share Turnover (1.000 shares)	39.9
Number of transactions	4206
Turnover velocity	50.7%

### "RISK" adjustments for Norwegian taxpayers

To prevent double taxation, the RISK scheme allows Norwegian taxpayers to adjust the historical cost of the shares for the changes in taxed capital in the company when calculating the gain from the sale of shares. The annual RISK adjustment applies only to those investors who hold the shares on January 1 each year. The RISK adjustment for shares in Nutri Pharma is zero.





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