

Annual Report 2004



Contents:	Page:
Directors' Report	4
Income Statement	7
Balance Sheet	8
Cash Flow Statement	10
Accounting Principles	11
Notes to Financial Statements	12
Auditors' Report	21
Shareholder Information	22



Directors' Report 2004

Nutri Pharma's main focus is now on direct sales of the Company's soy based health and weight management product (Nutrilett®) in various new markets; initially in certain countries in Eastern Europe and Asia with a planned launch in the first half of 2005.

Nutri Pharma ASA has its business address in Oslo.

Annual accounts

Nutri Pharma ASA and subsidiaries had total revenues of NOK 5.0 million in 2004, down from NOK 11.0 million the previous year. The significant reduction in revenues is mainly due to a one-off payment in 2003 related to a new license agreement with Collett Pharma (formerly Nycomed Pharma) and lower sales and discontinuation of Scan Diet™ in the US and Nutriplan™ in Australia/New Zealand. Royalty revenues declined from NOK 6.4 million in 2003 to NOK 4.6 million in 2004.

Operating expenses were reduced from NOK 31.9 million in 2003, including a NOK 8.6 million write off of intangible fixed assets, to NOK 16.0 million in 2004. 2004 operating expenses consist of payroll expenses amounting to NOK 5.9 million, amortization of intangible assets of NOK 3.2 million and other operating expenses of NOK 6.9 million. The operating loss improved from NOK 20.9 million in 2003 to NOK 11.0 million in 2004. Net financial items declined from NOK 10.3 million in 2003 to NOK 0.3 million in 2004, mainly as a result of the repayment of NOK 197.6 million to shareholders in December 2003. Net loss was NOK 10.7 million in 2004 compared to a net loss of NOK 10.5 million in 2003. Operating cash flow was NOK -7.6 million in 2004.

Nutri Pharma's total assets were NOK 27.1 million as of December 31 2004 compared to NOK 38.2 million as of December 31 2003. Cash and liquid short term investments were NOK 17.7 million as of December 31 2004, down from NOK 25.2 mill. as of December 31 2003. The liquid assets are invested in short term instruments with low risk profile. The company has after year-end ordered raw materials and engaged a third party to produce finished goods for the launch of the Company's soy based health and weight reduction product (Nutrilett®) in certain countries in Eastern Europe and Asia and thereby used USD 150.000 of the liquid assets since December 31 2004. Further commitments in finished goods will be made in February and March 2005.

As of December 31 2004, Nutri Pharma had intangible fixed assets of NOK 8.4 million. The intangible fixed assets rep-

resent 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. The value of the patent rights for "Nutrilett®" outside the Nordic countries, which have a book value of NOK 3.5 million, is dependent on the outcome of the launch of "Nutrilett®" in certain countries in Eastern Europe and Asia.

As of December 31 2004 the company's total equity was NOK 24.9 million or 92% of total assets. Nutri Pharma has no interest bearing debt.

The total amount of treasury shares was 6,501,625 at year-end 2004. This is a reduction of 300,000 shares from year-end 2003 as 300,000 shares were transferred free of charge to an employee in 2004 as part of an incentive plan for the years 2007, 2008 and 2009. Nutri Pharma did not invest in treasury shares during 2004. The treasury shares have been bought at an average price of NOK 10.76.

The net loss for Nutri Pharma ASA, the parent company, was NOK 10.9 million in 2004. The board proposes that this loss be brought forward against other paid in capital. Distributable equity as of December 31 2004 was NOK 3.5 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.

From January 1 2005, publicly listed companies in the EEA area are required to submit group accounts in accordance with IFRS - International Financial Reporting Standards. Nutri Pharma has initiated a study aimed at investigating the impact the transition from Norwegian generally accepted accounting practice to IFRS will have on the company's financial statements. This work has yet to be finalized and no conclusions can be drawn at this point, but the company assumes the consequences to be limited. The existing financial statements will be revised due to the requirement of comparable financial statements for 2004 and as a result of potential differences between Norwegian generally accepted accounting practice and IFRS. In the beginning of April 2005 and well in advance of the presentation of the interim accounts, Nutri Pharma will submit an announcement to Oslo Stock Exchange with specific information on the impact the transition to IFRS will have on net income and equity.



Commercial Update

Nordic - Nutrilett®

Sales to wholesalers of Nutrilett® in the Nordic countries during 2004 amounted to NOK 88.7 million compared to NOK 68.8 million in 2003, an increase of 29%. The retail value of Nutrilett® sales is approximately twice as high. In January 2005, Collett Pharma launched a new range of products under the Nutrilett brand.

Norway - Vita Hjertego

In September 2003 the Norwegian consumer goods company Mills DA launched two new patés 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. The launch is limited to Norway and will generate limited royalty revenue for Nutri Pharma.

UK - Burgen Cholesterol

In January 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 Burgen Cholesterol bread. Since the launch of this product at the end of January, retail distribution has been significantly below forecast. The revenue impact for Nutri Pharma will be limited.

US - Scan Diet™

The agreement with GNC regarding Scan Diet™ was terminated in December 2004, although GNC will continue to sell residual stock. Alternative channels of distribution for Scan Diet in the US have not been established.

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. Nutri Pharma's IP position internationally is founded on a broad portfolio of patents covering compositions of soy ingredients, improved soy proteins, process technologies and methods of use claims. During 2003 and 2004, Nutri Pharma has significantly scaled back its investment in R&D and changed its focus towards commercialization.

In November 2001, Protein Technologies International Inc. (later Solae LLC), a subsidiary of DuPont, filed an opposition against one of Nutri Pharma's patents regarding Nutri Pharma's proprietary technology of combining isolated soy proteins and soy fibres granted by the European Patent Office (EPO). An Oral Hearing at the EPO took place on January 21 2005 in Munich. The EPO announced that this patent is valid under the European Patent Convention and

has both novelty and inventive merit. The opposition was therefore dismissed, although Solae LLC has the right to appeal. This patent can now be kept in force until 2017, with only minor amendments to the form of a few dependent claims.

In August 2004, NUT was informed by the EPO that the EPO has received notice of opposition concerning a patent that has been granted to NUT for the European territory regarding NUT's proprietary technology for combining soy protein, dietary fibres and a phytoestrogen compound and use thereof in the prevention of and/or treatment of cardiovascular diseases. In light of the significant interest in the field of soy and cardiovascular health and given the opposition filed in November 2001, this opposition was not unexpected. NUT will carefully review the new opposition case. The proceedings of the new opposition case are expected to be lengthy.

Organization, Governance and Operations

Nutri Pharma finalized its restructuring in 2004. Head count was reduced further from 6 at year-end 2003 to 3 at year-end 2004. All 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. The direct sales activities which are under development, will be managed by a 51% owned company headquartered in Malta with operating activities in various local markets. The total number of employees in these operations is still being evaluated.

At the company's AGM in March 2004 Nicolas Brun-Lie, Per-Morthen Johannessen and Lars Martin Haugen withdrew from the Board of Directors. Ole Jacob Molland, chairman and Anne Ombye were elected members of the Board of Directors. At the company's extraordinary AGM in November 2004 Anne Ombye withdrew from the Board of Directors. Knut Skabo was elected member of the Board of Directors.

In November 2004, Trond Syvertsen, co-founder and board member was appointed CEO.

On October 14 2004, Lars H. Høie, co-founder of Nutri Pharma offered to acquire all outstanding shares in NUT at an offer price of NOK 2.25 per share. The offer price represented a premium of approximately 50% over the average trading price for the previous three month period. The reason for the offer was that Høie wished to offer shareholders who do not wish to participate in the new strategic direction of Nutri Pharma, with a focus on direct sales, an opportu-



nity to sell their shares. At the expiry of the offer period on November 3, shareholders owning a total of 4,689,759 shares had accepted the offer. This increased Lars H. Høies ownership from 49,421,756 shares (62.8% of all outstanding shares) to 54,111,515 shares (68.8%).

The internal work environment is considered good. Nutri Pharma ASA, the parent company recorded 6 days of employee absence due to illness, corresponding to less than 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 three employees as of December 31 2004 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.

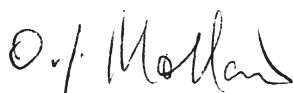
As of December 31 2004 there were no women on the board of directors.

Outlook


During the last 2 years Nutri Pharma has explored alternative distribution channels whereby the company will be able to take a larger part of the value chain. As a result, the company has decided to focus its resources on the development of a direct sales business. Nutri Pharma will be 51% owner in a new direct sales company together with an experienced partner in this field. The new entity will focus on direct sales of Nutri Pharma's soy based health and weight management product (Nutrilett®) in various new markets; initially in certain countries in Eastern Europe and Asia, with a planned launch in the first half of 2005. This company will distribute the products through a direct sales channel which was established in July 2003 and has at present more than 90,000 distributors, out of which approximately 10-15% are active. The distributors currently sell art and skin care products.

A launch of Nutri Pharma's soy based health and weight management product (Nutrilett®) is subject to the necessary product approval being obtained. Nutri Pharma has contributed substantial financial resources to the business development phase and will invest a considerable part of its remaining capital in finished goods for this venture. While the return potential could be very attractive, this is a new venture with high risk.

Oslo, February 2, 2005



Ole Jacob Molland, Chairman



Lars Høie



Knut Skabo



Trond Syvertsen, CEO



Income Statement Jan 1 - Dec 31

Amount in NOK '000	Note	Nutri Pharma ASA			Group		
		2004	2003	2002	2004	2003	2002
REVENUE							
Net sales revenues	1	-	-	-	-	-	38 915
Royalty income	1	4 634	6 357	3 989	4 634	6 357	10 845
Other operating income	1	350	4 405	391	350	4 642	1 502
Total revenue		4 984	10 762	4 380	4 984	10 999	51 262
OPERATING EXPENSES							
Cost of goods sold		-	-	-	-	-	24 413
Payroll expenses etc.	2	5 921	3 955	4 883	5 921	9 949	21 370
Depreciation intangible and tangible fixed assets	5,6	3 182	11 822	5 482	3 182	11 822	8 489
Other operating expenses	3	6 943	20 356	109 647	6 943	10 096	77 883
Total operating expenses		16 046	36 133	120 012	16 046	31 867	132 155
RESULT FROM OPERATIONS		-11 062	-25 371	-115 632	-11 062	-20 868	-80 893
FINANCIAL INCOME AND EXPENSES							
Net financial income and expenses	4	144	3 638	8 153	335	10 348	14 307
ORDINARY PROFIT BEFORE TAXES		-10 918	-21 733	-107 479	-10 727	-10 520	-66 586
Tax on ordinary result	15	-	-	-	-	-	-
RESULT FOR THE YEAR		-10 918	-21 733	-107 479	-10 727	-10 520	-66 586
Earnings per share	17				-0,15	-0,15	-0,93
Allocation of profit:							
Share premium reserve	12			-49 531			
Other paid in equity	12	-10 918	-21 733	-57 948			
Total allocation of profits		-10 918	-21 733	-107 479			

Balance Sheet

Assets Dec 31

Amount in NOK '000	Note	Nutri Pharma ASA			Group		
		2004	2003	2002	2004	2003	2002
FIXED ASSETS							
Intangible fixed assets							
Patent and royalty assets	5	8 378	11 560	14 742	8 378	11 560	14 744
Commission	5	-	-	8 640	-	-	8 640
Total intangible fixed assets		8 378	11 560	23 382	8 378	11 560	23 384
Tangible fixed assets							
Machinery and equipment	6	-	-	-	-	-	215
Total tangible fixed assets		-	-	-	-	-	215
Financial fixed assets							
Investments in subsidiaries	7	9 756	49 701	49 701	-	-	-
Shares and other investments		-	6	506	-	6	6
Other long-term receivables	8	-	303	12 288	-	3	2 446
Total financial fixed assets		9 756	50 010	62 495	-	9	2 452
Total long-term assets		18 134	61 570	85 877	8 378	11 569	26 051
CURRENT ASSETS							
Debtors							
Accounts receivable		645	438	2 341	645	339	3 721
Other short term receivables	8	379	778	1 211	379	951	7 559
Total debtors		1 024	1 216	3 552	1 024	1 290	11 280
Investments							
Accrued interest on short-term investments	9, 11	-	104	1 956	-	104	1 956
Short-term investments	9, 11	16 423	14 006	210 770	16 423	14 006	210 770
Total bonds and certificates		16 423	14 110	212 726	16 423	14 110	212 726
Cash and bank deposits							
Cash and bank deposits	10	1 311	10 659	6 436	1 311	11 235	10 245
Total current assets		18 758	25 985	222 714	18 758	26 635	234 251
TOTAL ASSETS		36 892	87 555	308 591	27 136	38 204	260 302



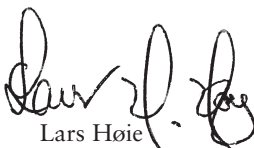
Balance Sheet

Equity and Liabilities Dec 31

Amount in NOK '000	Note	Nutri Pharma ASA			Group		
		2004	2003	2002	2004	2003	2002
EQUITY							
Paid in capital							
Share capital	12, 13, 14	19 668	19 668	19 668	19 668	19 668	19 668
Repurchase of own shares	12, 16	-1 625	-1 700	-1 700	-1 625	-1 700	-1 700
Share premium reserve	12	-	-	234 883	-	-	224 204
Other paid in capital	12	5 129	15 507	-	6 853	16 667	-
Total paid in capital		23 171	33 475	252 851	24 896	34 635	242 172
Total equity		23 171	33 475	252 851	24 896	34 635	242 172
LIABILITIES							
Current liabilities							
Accounts payable		27	26	463	27	26	4 515
Public duties payable		300	82	150	300	370	359
Other short-term liabilities	8	13 393	53 972	55 127	1 913	3 173	13 256
Total liabilities		13 721	54 080	55 740	2 241	3 569	18 130
TOTAL EQUITY AND LIABILITIES		36 892	87 555	308 591	27 136	38 204	260 302

Oslo, February 2, 2005


Ole Jacob Molland, Chairman


Lars Høie


Knut Skabo


Trond Syvertsen, CEO

Cash Flow Statement Jan 1 - Dec 31

Amount in NOK '000	Nutri Pharma ASA			Group		
	2004	2003	2002	2004	2003	2002
Cash flow from operations						
Result before tax	-10 918	-21 733	-107 479	-10 727	-10 520	-66 586
Loss on sale of tangible fixed assets	-	-	-	-	219	63
Depreciation and amortization	3 182	11 822	5 482	3 182	11 822	8 489
Re-issue of own shares as part of employee incentive plan	615	-	-	615	-	-
Provision against loan to subsidiary company	-	-	39 505	-	-	-
Effect of currency changes	-	-	1	373	626	-1 323
Change in accounts receivables	192	2 336	-1 932	266	9 990	-317
Change in accounts payable	219	-505	-1 652	-69	-4 478	-10 296
Change in other provisions	-634	-1 155	13 292	-1 260	-10 085	13 710
Net cash flow from operations	-7 344	-9 235	-52 783	-7 620	-2 426	-56 260
Cash flow from investments						
Investment in tangible fixed assets	-	-	-20	-	-	-998
Write-off of investment in joint venture	-	500	-	-	-	-
Changes in bonds and certificates	-2 313	198 616	57 711	-2 313	198 616	58 579
Changes in long-term receivables	309	11 985	-4 303	9	2 443	-5 236
Net cash flow from investments	-2 004	211 101	53 388	-2 304	201 059	52 345
Cash flow from financing						
Refund of capital to shareholders	-	-197 643	-	-	-197 643	-
Net cash flow from financing	-	-197 643	-	-	-197 643	-
Net cash flow	-9 348	4 223	605	-9 924	990	-3 915
Cash 01.01	10 659	6 436	5 831	11 235	10 245	14 160
Cash 31.12	1 311	10 659	6 436	1 311	11 235	10 245



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.

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 dif-



ferences 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.

Contingencies

Contingencies are recorded in the balance sheet if it is believed to be more than 50% probability that the occurrence will take place and the amount can be estimated with a certain degree of accuracy.

Foreign currency transactions

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

Notes

Note 1 - Revenues

The company's royalty revenues are related to the soy based meal replacement products Nutrilett®, ScanDiet™ and Nutriplan™. Organisationally these products belong to the same area of operations.

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 January 1 to December 31, 2002. After this, the joint venture was dissolved.

Geographic areas	Nutri Pharma ASA			Group		
	2004	2003	2002	2004	2003	2002
Sales revenue, Nordic countries	-	-	-	-	-	38 915
Royalty revenue, Nordic countries	3 932	2 852	3 080	3 932	2 852	1 545
Royalty revenue, USA and other countries	702	3 505	909	702	3 505	9 300
Other revenue	350	4 405	391	350	4 642	1 502
Total	4 984	10 762	4 380	4 984	10 999	51 262

Note 2 - Payroll expenses, number of employees and remuneration

Staff cost	Nutri Pharma ASA			Group		
	2004	2003	2002	2004	2003	2002
Wages and salaries	5 417	3 622	4 183	5 417	7 824	16 627
Payroll tax	412	158	211	412	498	1 447
Pension costs	-	-	-	-	140	387
Other	92	175	489	92	1 487	2 909
Total	5 921	3 955	4 883	5 921	9 949	21 370

The average number of employees during 2004 was 3 in the parent company and 3 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	Former CEO
Wage and salary	85	1 300
Pension costs	-	-
Other remuneration	-	1 161
Total	85	2 461

Trond Syvertsen was appointed CEO on November 4 2004. He owns 4.000.000 shares in the Company. In 2004 a total of NOK 250.000 was paid as directors fee. Lars Høie and Trond Syvertsen do not receive directors' fee. Of the total compensation paid to the former CEO, a final payment of NOK 1.161 has been made in 2005 after completion of his contractual obligations.

Shares and options held by leading personnel and board members		Shares
Ole Jacob Molland	Chairman of the board	220 000
Lars Høie	Board member	54 111 515
Trond Syvertsen	Board member and CEO	4 000 000
Knut Skabo	Board member	2 000 000

Auditors' remuneration

	Nutri Pharma ASA	Group
PriceWaterhouseCoopers:		
Audit services	240	240
Accounting and advisory services	45	45

Ernst & Young:

Audit services		99
Accounting and advisory services		184

Total	285	567
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Note 3 - Other operating expenses

	Nutri Pharma ASA			Group		
Other operating expenses	2004	2003	2002	2004	2003	2002
Advertising and marketing	-	3 892	11 575	-	670	32 921
Research and development	219	830	1 241	219	1 842	16 428
Administration and offices	2 515	5 867	9 115	2 515	7 584	21 531
Business development	2 385	-	-	2 385	-	4 785
Fees to subsidiaries	-	9 767	48 211	-	-	-
Provision against loan to subsidiary company	-	-	39 505	-	-	-
Other operating costs	1 824	-	-	1 824	-	2 218
Total other operating expenses	6 943	20 356	109 647	6 943	10 096	77 883

2002 group figures includes other operating expenses pro rata consolidated from the former joint venture Nutrition Partners AS, NOK 17.886.

Note 4 - Net financial items

	Nutri Pharma ASA			Group		
	2004	2003	2002	2004	2003	2002
Financial income:						
Interest received from companies within group	-	-	2 874	-	0	-
Other interest received	268	10 584	15 151	268	10 584	15 387
Other financial income	-	-	-	169	0	22
Total financial income	268	10 584	18 025	437	10 584	15 409
Financial costs:						
Interest cost to companies within group	-	-6 334	-9 510	-	-	-
Fluctuation in market value of financial assets	70	-106	83	70	-106	83
Other interest paid	-2	-6	-37	-2	-6	-37
Other financial costs	-192	-500	-408	-170	-124	-1 148
Total financial costs	-124	-6 946	-9 872	-102	-236	-1 102
Net financial items	144	3 638	8 153	335	10 348	14 307

Note 5 - Intangible fixed assets and research and development

Nutri Pharma ASA and Group	Total	Patent rights	Royalty rights	Capitalized commission
Acquisition cost Dec 31, 2003	39 073	10 653	16 900	11 520
Additions	-	-	-	-
Disposals	-	-	-	-11 520
Acquisition cost Dec 31, 2004	27 553	10 653	16 900	-
Accumulated amortization Dec 31 2004	19 175	7 113	12 062	-
Book value Dec 31, 2004	8 378	3 540	4 838	
Amortization this period	3 182	1 180	2 002	
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 Collett Pharma. Nutri Pharma ASA receives royalty revenues from Collett Pharma's sale of Nutrilett® in the Nordic countries.

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			2004	Group	
	2004	2003	2002		2003	2002
R&D costs classified as other operating costs (note 3)	219	830	1 241	219	1 842	16 428
Share R&D debited the accounts through fees to subsidiary companies	-	1 012	15 187	-	-	-
Total	219	1 842	16 428	219	1 842	16 428

A part 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
Acquisition costs Dec 31, 2003	2 204	5 417
Disposals	-	3 213
Acquisition costs Dec 31, 2004	2 204	2 204
Accumulated depreciation Dec 31, 2004	2 204	2 204
Book value Dec 31, 2004	-	-

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 GmbH	Germany	100 %	100 %
Sub-subsidiaries	Office	Ownership	Voting rights
Nutri Pharma Danmark AS	Denmark	100 %	100 %

Nutri Pharma GmbH is not consolidated in the Group accounts as this company does not have any activity nor any material balance sheets items. The intention is to liquidate Nutri Pharma GmbH in 2005. Nutri Pharma UK Limited was dissolved in 2004.

Note 8 - Accounts receivable and short term liabilities

	Nutri Pharma ASA			Group		
	2004	2003	2002	2004	2003	2002
Specification of long-term accounts receivable						
Loans to companies in the same group	-	300	12 285	-	-	-
Deposits	-	3	3	-	3	2 446
Total	-	303	12 288	-	3	2 446
Specification of other short-term receivables						
Amounts owed by companies in the same group	-	-	788	-	-	-
Prepaid expenses	286	659	301	286	758	301
Value added tax to be reimbursed	93	119	-	93	69	3 573
Other receivables	-	-	122	-	124	3 685
Total	379	778	1 211	379	951	7 559
Specification of other short-term liabilities						
Liabilities to companies in the same group	11 480	51 482	47 282	-	-	-
Provision for business cessation costs	-	2 179	3 000	-	1 730	3 000
Provision for unoccupied property costs	-	-	-	-	-	1 734
Other short-term liabilities	1 913	311	4 845	1 913	1 443	8 522
Total	13 393	53 972	55 127	1 913	3 173	13 256

Note 9 - Short-term investments

The company's liquid assets are invested in a short term money market fund managed by SEB.

Category of debtor	Cost price	Market value	Unrealized profits	Accrued interest	Effective interest rate
Certificates:					
Money Market fund	16 301	16 423	122	-	1,23 %
Total short-term investments	16 301	16 423	122	-	-

Reconciliation of unrealized profits:

Unrealized profit December 31, 2003	52
Unrealized profit December 31, 2004	122
Change in unrealized profits	70



Note 10 - Restricted bank account

Restricted bank account	Nutri Pharma ASA			Group		
	2004	2003	2002	2004	2003	2002
Withholding tax deposit	282	369	1 914	282	369	1 914

Note 11 - Financial market risk

Approximately 48 % of the parent company's assets (group 65%) are invested in short-term money market fund or in bank deposits. The money market fund 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 licencees bear the risk of fluctuation in the price of raw materials such as soy proteins.

Note 12 - Equity

Nutri Pharma ASA

The change in equity for 2004	Share capital	Own shares at face value	Premium	Other paid in equity	Total
Equity Dec 31, 2003	19 668	-1 700	-	15 507	33 475
Re-issue of own shares	-	75	-	540	615
Annual result	-	-	-	-10 918	-10 918
Equity Dec 31, 2004	19 668	-1 625	-	5 129	23 171

Group

The change in equity for 2004	Share capital	Own shares at face value	Premium	Other paid in equity	Total
Equity Dec 31, 2003	19 668	-1 700	-	16 667	34 635
Re-issue of own shares	-	75	-	540	615
Annual result	-	-	-	-10 727	-10 727
Currency exchange difference	-	-	-	373	373
Equity Dec 31, 2004	19 668	-1 625	-	6 853	24 896



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 Dec 31, 2004

	Shares	%
Lars Henrik Høie	54 111 515	68,8 %
Nutri Pharma ASA	6 501 625	8,3 %
Trond Syvertsen	4 000 000	5,1 %
Knut Skabo	2 000 000	2,5 %
Pershing Securities Clients account	1 205 450	1,5 %
Nordnet Securities Bank AB	846 000	1,1 %
Clearstream Banking CID Dept.	725 782	0,9 %
Truls Sørhagen	437 000	0,6 %
Delta Invest AS	390 000	0,5 %
Ton That Thu	312 000	0,4 %
Michael Ian Clenshaw	300 000	0,4 %
Aksjespareklubben TA v/ Eva Karin Haugen	300 000	0,4 %
Leif Rahmqvist	285 000	0,4 %
Euroclear bank SA	283 508	0,4 %
Bernt Tore Rognlien	280 000	0,4 %
SIS Segaintersettle	262 750	0,3 %
Danske Bank AS	257 788	0,3 %
Odd Roar Haug	255 000	0,3 %
Ole Jacob Molland	220 000	0,3 %
Inge Sørensen	200 000	0,3 %
Total	73 173 418	93,0 %
Others	5 498 211	7,0 %
Total amount of shares	78 671 629	100,0 %

Note 14 - Options

There are no outstanding options in Nutri Pharma.



Note 15 - Tax

	Nutri Pharma ASA			Group		
	2004	2003	2002	2004	2003	2002
Recognised tax expense	-	-	-	-	-	-
Explanation of the tax:						
Result before tax	(10 918)	(21 733)	(107 479)	(10 727)	(10 520)	(66 586)
Nominal tax (28%)	(3 057)	(6 085)	(30 094)	(3 004)	(2 946)	(18 644)
Adjusted for tax effects of:						
Differences in tax rates	-	-	-	-	63	(430)
Permanent differences	103	2 251	431	626	2 539	1 354
Non-capitalized deferred tax asset	2 954	3 834	29 663	2 378	344	17 720
Recognized tax expense	-	-	-	-	-	-
Impact of equity transactions on deferred tax asset not capitalized	-	-	-	-	-	-
Tax effect from temporary differences and tax loss carry forward:						
Deferred tax liability:						
Intangible fixed assets	860	861	759	860	861	862
Bonds and certificates	34	15	44	34	15	45
Total deferred tax liability	894	876	803	894	876	907
Deferred tax asset:						
Tax loss carry forward	97 259	93 759	78 592	97 281	94 358	93 347
Short term debt	143	610	840	143	610	934
Tangible fixed assets	143	204	172	143	204	274
Short term receivables	-	-	11 062	-	-	303
Total deferred tax asset	97 545	94 573	90 666	97 567	95 172	94 858
Net deferred tax asset	96 651	93 697	89 863	96 673	94 296	93 951
Valuation allowance	96 650	93 697	89 863	96 673	94 296	93 951
Deferred tax liability (asset) recognized	-	-	-	-	-	-
Deferred tax asset is not recognised in accordance with generally accepted accounting principles.						
Tax loss carry forward:						
Last year for utilization:						
Within four years	15 099	681	54	15 099	681	56
After four years	332 256	334 174	280 633	332 328	336 421	323 765
Total tax loss carry forward	347 355	334 855	280 687	347 427	337 102	323 821



Note 16 - Treasury shares

On Dec 31, 2004, the company had a total of 6.501.625 treasury shares acquired at an average price of NOK 10,76 per share. This is a reduction of 300.000 shares from Dec 31, 2003. These shares were transferred to Mike Clenshaw, Development Director of Nutri Pharma, free of charge in December 2004 as part of an incentive agreement for the years 2007, 2008 and 2009.

Note 17 - Earnings per share

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.

	2004	2003	2002
Annual result	-10 727 000	-10 520 000	-66 586 000
Average number of outstanding shares	71 870 004	71 870 004	71 870 004
Fully diluted average number of shares outstanding	71 870 004	71 870 004	71 870 004
Ordinary result per share	-0,15	-0,15	-0,93
Result per share fully diluted	-0,15	-0,15	-0,93

Note 18 - Contingent events

In November 2001, Protein Technologies International Inc. (later Solae LLC), a subsidiary of DuPont, filed an opposition against one of Nutri Pharma's patents regarding Nutri Pharma's proprietary technology of combining isolated soy proteins and soy fibres granted by the European Patent Office (EPO). An Oral Hearing at the EPO took place on January 21 2005 in Munich. The EPO announced that this patent is valid under the European Patent Convention and has both novelty and inventive merit. The opposition was therefore dismissed, although they have the right to appeal. This patent can now be kept in force until 2017, with only minor amendments to the form of a few dependent claims.

In August 2004, NUT was informed by the EPO that the EPO has received notice of opposition concerning a patent that has been granted to NUT for the European territory regarding NUT's proprietary technology for combining soy protein, dietary fibres and a phyto-estrogen compound and use thereof in the prevention of and/or treatment of cardiovascular diseases. The proceedings of the new opposition case are expected to be lengthy.



Auditors' Report



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To the Annual Shareholders' Meeting of Nutri Pharma ASA

Auditor's report for 2004

We have audited the annual financial statements of Nutri Pharma ASA as of December 31, 2004, showing a loss of NOK 10 918 000 for the parent company and a loss NOK 10 727 000 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, 2004, 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 2, 2005

PricewaterhouseCoopers AS

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.

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.ose.no) when significant events take place. Information is also distributed through the company's website 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 the 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 2004 Nutri Pharma had 1.238 shareholders.

The company's 20 largest shareholders own 93% of the outstanding shares. This includes 8.26% owned by Nutri Pharma ASA. During 2004 the founder of the Company, Lars Høie, increased his ownership from 62.6% to 68.8% of the outstanding shares. Further shareholder information can be found in note 13 to the consolidated accounts.

Share price

Nutri Pharma's share price was NOK 2.09 at the year-end and the total market capitalization of the company was NOK 164 million including shares owned by Nutri Pharma ASA.

"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 1 January each year. The RISK adjustment for shares in Nutri Pharma is zero.



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