



Quarterly report

2nd Quarter and 1st Half 2013



Highlights

- Strong sales, 68 percent sales growth compared to Q2 2012
- Further strengthened position in the Benelux markets

Key figures

(NOK mill.)	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Operating revenues	38.1	22.7	72.1	43.3
Gross profit	12.5	9.2	23.4	17.5
EBITDA*	0.8	0.4	4.3	0.5
Net profit	-0.5	-0.4	0.9	-1.4
Gross margin (%)	32,7%	40,6%	32,5%	40,4%
EBITDA margin (%)	2.1%	1.9%	6.0%	1.1%

**) EBITDA for the first half 2013 includes other income of MNOK 2.6 in the first quarter.*

Financial results

Navamedic's sales in the second quarter 2013 were strong, and increased by 68 per cent compared to the corresponding quarter last year. Navamedic has now posted seven consecutive quarters with positive EBITDA results.

Revenues for the second quarter were NOK 38.1 million, compared to NOK 22.7 million in the second quarter of 2012. The sales growth was caused by a combination of volume growth in the existing product portfolio, the introduction of new products and the successful entry into the Belgian market.

Navamedic's gross margin was 32.7 per cent in the second quarter 2013, down from 40.6 per cent last year. Over the last year Navamedic's product portfolio has been significantly expanded. The portfolio now includes high margin products as well as drugs with limited margins, hence the reduced overall gross margin. The expanded portfolio enables Navamedic to build a broader presence with key customer groups, and also expand forcefully into new markets. A reduced gross margin was therefore expected.

Navamedic's operating costs were NOK 11.7 million in the 2013 second quarter, compared to NOK 8.8 million in the corresponding quarter of 2012. The increased operating expenses reflect a growing organisation. Exchange rate differences SEK/EUR accounts for 0.8 million of the increase in operating costs.

EBITDA for the second quarter 2013 came in at NOK 0.8 million, compared to NOK 0.4 million last year. Navamedic's EBITDA margin in the second quarter 2013 was 2.1 per cent, compared to 1.9 per cent the same period last year.

Navamedic's net result for the second quarter 2013 ended at NOK -0.5 million, compared to NOK -0.4 million last year.

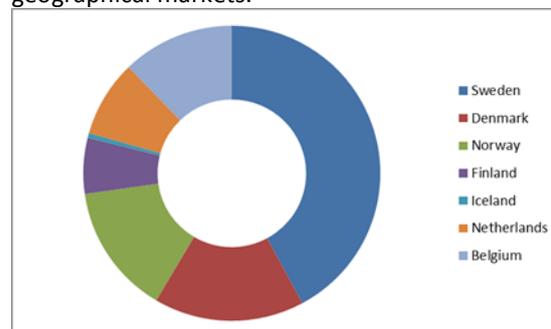
Navamedic's revenues for the first half of 2013 were NOK 72.1 million, up from 43.3 in the first half in 2012. This represents a sales growth of 67 per cent.

The Company's gross margin ended at 32.5 per cent for the first half of 2013. Last year's gross margin was 40.4 per cent. Navamedic's EBITDA for the first half improved from NOK 0.5 million in 2012 to NOK 4.3 million in 2013, including a NOK 2.6 million payment from the earn-out agreement established when Navamedic sold its Glucomed business in 2009. The Group's net profit for the first half ended at NOK 0.9 million, compared to NOK -1.4 million in the first half of 2012.

Navamedic experienced a positive cash flow from operations of NOK 2.2 million in the second quarter, compared to a negative cash flow from operations of NOK 2.0 in the same quarter last year. Cash flow from operations in the first half was influenced by a significant build-up of inventory in the first quarter.

Navamedic's cash holdings improved by NOK 0.2 million during the second quarter 2013.

Sweden was Navamedic's largest geographical market also in the second quarter 2013, representing 44 per cent of Navamedic's total sales. Following the successful introduction in the Belgian market in the first quarter, Belgium represented 18 per cent of second quarter sales. Navamedic is now well established in all its defined geographical markets.

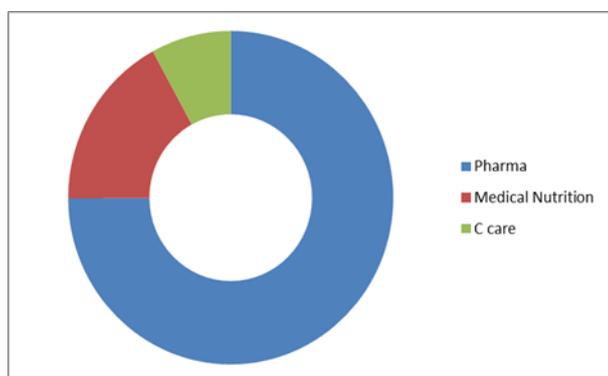


Operational update

In June, Olof Milveden requested a change in his duties and was released from his position as CEO of Navamedic. Mr. Milveden has been the Company's CEO for the last four years. He will remain with Navamedic as a strategic advisor.

The Board of Directors appointed Håkan Josephsson as interim CEO of Navamedic until a permanent Chief Executive takes office. Mr Josephsson is the Managing Director of the Swedish subsidiary Navamedic AB and head of the group's Nordic operations. He has been with Navamedic for the past four years, and has over 25 years of pharma industry experience.

In the second quarter Navamedic extended its agreement with the UK based Vitaflo International for a five year period. The agreement secures the supply of products in Navamedic's Medical Nutrition business segment.



Pharma

12 new pharma products have had their initial launch so far this year. The Company has a pipeline of additional products expected to be launched in the coming months.

Navamedic's Pharma product segment includes the generics business established in 2011 and the former Vitaflo products, excluding the Medical Nutrition and Consumer Care products. The product segment covers prescription pharmaceuticals sold in pharmacies as well as products for hospital use.

The Pharma business segment had revenues of NOK 28.8 million in the second quarter 2013, compared to NOK 14.2 million in the same period of 2012.

EBITDA for the quarter reached NOK 0.6 million, compared to NOK 0.1 million in the same period last year. NOK 1.6 million were invested in the preparation of new product launches in the second quarter, in addition to operating costs related to investments in products.

Pharma sales and profit

(NOK mill)	Q2 13	Q2 12	YTD 13	YTD 12
Income	28,8	14,2	54,0	26,7
EBITDA	0,6	0,1	1,3	0,2
EBITDA margin (%)	2,0 %	0,7 %	2,5 %	0,8 %

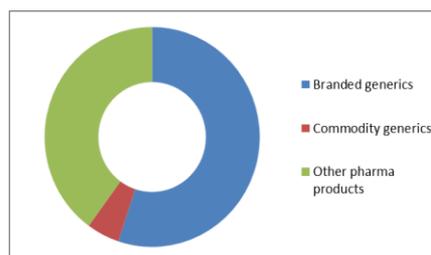
Navamedic's roll-out of new generic pharmaceuticals has gained momentum in 2013. Seven new products have had their initial launch so far this year and Navamedic made a successful entry into Belgium in the first quarter. A total of ten branded generic products were introduced on the Belgian market, and two generic products were launched on the Dutch market.

Navamedic's margins in these markets are fairly slim, explaining why Navamedic's gross margin has been reduced in the quarter despite strong sales growth. However, the company has succeeded in establishing a bridgehead in the attractive Benelux markets and is now aiming for a growing presence and improved margins in these markets.

Generic products of various categories have since 2011 been Navamedic's main focus area. Based on its relationship with Aspen of South Africa and other generics manufacturers, the Company has over the last two years developed a significant portfolio of generic drugs. Generic substitution, as original drug patents expire, is encouraged by health authorities all over Europe. Navamedic is addressing the generics markets in the Nordic and Benelux regions.

The fast growing generic market can largely be divided into two major sub groups being pursued by Navamedic:

- **Branded generics** are pharmaceutical products marketed under brand names rather than under the name of the molecule. This can also be the original drug re launched as a generic. The group can offer attractive volumes and prices for the successful products. In addition Navamedic is enjoying a competitive advantage with its well established Nordic and Benelux sales force in this segment.
- **Commodity generics** are pharmaceutical products which are sold via government managed tenders covering a defined period of time. The commodity generics market is fiercely competitive and offers large volumes, but often significant price pressure.



Branded generics is the largest product group in the Pharma segment, with 57 per cent of pharma sales in the second quarter. Other pharma products represented 38 per cent of the sales and commodity generics 5 per cent of second quarter 2013 Pharma sales.

The Pharma business segment operates mainly within seven defined knowledge areas, in which Navamedic possesses particular expertise, market insight and holds attractive market positions. Future growth will seek to further strengthen Navamedic within these areas. Navamedic's product pipeline was further reinforced in the first quarter. The cooperation with the company's main manufacturers continued to develop positively.

Medical Nutrition

The company has post quarter made a five year extension of its partnership with UK based Vitaflo International securing the supply of products in the Medical Nutrition business segment.

The Medical Nutrition business segment is based on the sale of products for the treatment of inborn errors of metabolism (IEM). It includes the distribution agreement with Vitaflo International (owned by Nestle) for the Nordic Region.

Medical Nutrition saw a sales growth in the second quarter, mainly due to the introduction of the medical nutrition product line in Finland and the launch of new products.

The business segment had revenues of NOK 6.6 million in the second quarter, compared to NOK 4.0 million in the corresponding quarter of 2012. EBITDA for the second quarter ended at NOK 0.6 million, which is better than the same quarter the previous year.

Medical Nutrition sales and profit

(NOK mill)	Q2 13	Q2 12	YTD 13	YTD 12
Income	6,6	4,0	12,4	9,2
EBITDA	0,6	0,2	0,7	0,3
EBITDA margin (%)	8,5 %	5,0 %	5,9 %	3,3 %

Consumer Care

The consumer care product portfolio includes a variety of non-prescription drugs and health care products, mainly sold through pharmacies and drugstores. The portfolio includes both Navamedic owned and in-licensed brand names.

Consumer Care sales decreased in the second quarter, mainly due to stock out situation with two main suppliers.

Future sales are secured through pharmacy chain agreements in all four Nordic countries.

Consumer care sales and profit

(NOK mill)	Q2 13	Q2 12	YTD 13	YTD 12
Income	2,7	4,5	5,7	7,4
EBITDA	-0,4	0,1	-0,4	0,0
EBITDA margin (%)	-16,6 %	2,2 %	-6,7 %	-0,6 %

Revenues for the business segment in the second quarter were NOK 2.7 million, compared to NOK 4.5 million the second quarter of 2012. EBITDA ended at NOK -0.4 million, down from NOK 0.1 in the second quarter 2012.

Financial situation

A first quarter negative cash flow from operations influenced by inventory build-up was turned to a positive cash flow from operations of NOK 2.2 million in the second quarter. For the first six months of 2013 the cash flow from operations was NOK -7.5 million, against NOK -3.5 million last year.

Overall cash flow in the quarter was positive, adding NOK 0.2 million to Navamedic's cash reserve, which ended at NOK 5.1 million at the end of the quarter. For the first half of the year, Navamedic had an overall net cash flow of NOK 1.5 million.

Strong sales growth increased Navamedic's short term receivables from NOK 18.3 million at the end of second quarter last year to NOK 38.5 million this year.

Following the increased volumes, Navamedic's short term debt grew from NOK 26.9 million at the end of second quarter 2012 to NOK 68.4 this year. The short term debt included NOK 10.2 million in bank debt.

In preparation for growing sales volumes, Navamedic has been building up inventory also in the second quarter 2013. At the end of the quarter, inventory stood at NOK 40.7 million, which is NOK 5.3 million more than at the end of the first quarter and NOK 25.9 million more than at the end of last year's second quarter.

Navamedic's total balance has increased from NOK 136.2 million last year to NOK 181.1 at the end of the second quarter 2013. Navamedic's equity ratio at the end of the second quarter was 57 per cent, down from 73 per cent one year earlier.

In the Company's opinion, the balance sheet reflects a sound financial platform for Navamedic and the funds currently available are sufficient to secure the development of the Company and planned investments in 2013.

No transactions involving related parties, having any significance for the Company's financial position, have occurred in the first half of 2013.

Navamedic is not exposed to any particular risks beyond what is considered normal in the pharmaceutical industry. Several key products are sold through tenders to the public

health care sector in the Nordic and Benelux regions. The Company's success depends on its ability to win tenders. Other products are widely sold, with no particular customers influencing sales volumes. The Company carries a currency risk, in the sense that revenues are in local currencies (SEK, NOK, DKK, EUR) operating costs are mainly in SEK and NOK, while product purchasing costs are mainly in EUR. Operational risk is considered low, as operational costs are moderate and the business model is highly scalable. Customer risk is also considered moderate, as the Company has a large number of customers, many of them in the public sector, and the Company has historically suffered almost no losses on its customers.

Outlook

Navamedic expects to continue growing a broader and even more robust portfolio of health care products during 2013. The markets have in general responded well to the Company's product introductions, and Navamedic has succeeded in establishing market positions in all of its defined markets. More than 100 products are currently on the market, and the number is expected to increase during 2013.

Synergies between the various product groups and segments have been identified and are exploited. Hence, Navamedic expects to further improve operational efficiency throughout 2013.

The Company expect to reach a positive net result in 2013.

Board statement

The Board of Directors of Navamedic ASA and the Company's Chief Executive Officer confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2013 has been prepared in accordance with IAS 34 'Interim Financial Reporting' and gives a true and fair view of the Group's assets, liabilities, financial position and profit and loss as a whole. We also confirm, to the best of our knowledge, that the interim report includes a fair review of important events that have occurred during the six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties that the Company is exposed to.

Fornebu, 29 August 2013

Johan Reinsli (sign)
Chairman

Halvor Stenstadvold (sign)
Board member

Wenche Rolfsen (sign)
Board member

Svein Erik Nicolaysen (sign)
Board member

Masha Strømme (sign)
Board member

Håkan Josephsson (sign)
Acting CEO

Consolidated Statement of Profit or Loss

<i>(In NOK '000)</i>	Q2 2013	Q2 2012	YTD 2013	YTD 2012	FY 2012
Operating revenues	38 126	22 701	72 130	43 289	88 684
Cost of goods sold	25 648	13 489	48 717	25 812	51 169
Gross profit	12 478	9 212	23 413	17 477	37 515
	32,7 %	40,6 %	32,5 %	40,4 %	42,3 %
Other revenues	-	-	2 631	-	-
Payroll expense	5 522	4 470	10 842	8 808	18 134
Other operating cost	5 399	4 336	10 525	8 439	17 279
Other (losses)/gains - net	750	-31	373	-265	97
Operating costs	11 670	8 775	21 740	16 982	35 510
EBITDA	808	437	4 304	495	2 005
Depreciation	8	5	16	10	19
Amortization	1 672	1 553	3 121	3 106	6 213
Write offs	-	-	-	-	-
OPERATING RESULT (EBIT)	-872	-1 121	1 166	-2 621	-4 227
Financial income and expenses					
Financial income	163	68	231	417	697
Other financial income	-	-	-	-	-
Financial expenses	-	-	-4	-4	-4
Other financial expenses	-437	-134	-664	-577	-1 470
Net financial result	-274	-66	-437	-164	-778
ORDINARY RESULT BEFORE TAX	-1 147	-1 187	729	-2 785	-5 004
Tax on ordinary result	650	798	176	1 357	1 749
NET PROFIT	-496	-389	905	-1 428	-3 255

Consolidated Statement of Financial Position

<i>(In NOK '000)</i>	30 June 2013	30 June 2012	31 December 2012
Fixed and Intangible Assets			
Fixed Assets			
Intangible assets	85 049	87 613	81 202
Deferred tax assets	11 706	11 039	10 953
Tangible assets	21	40	30
Non-current assets	96 776	98 691	92 185
Inventories	40 734	14 840	13 490
Short term receivables	38 496	18 314	24 452
Cash at hand, in banks	5 112	4 400	3 624
Currant assets	84 342	37 554	41 566
Total assets	181 118	136 246	133 751
Equity and liabilities capital and reserves			
Paid in capital	138 321	138 103	137 956
Other reserves	-34 199	-38 402	-40 839
Total equity	104 123	99 701	97 116
Liabilities			
Deferred tax	8 585	9 638	8 519
Non-currant liabilities	8 585	9 638	8 519
Trade account payables	43 577	16 194	17 392
Short term debt to Financial Instututions	10 246	0 -	
Other short term debt	14 587	10 712	10 723
Currant liabilities	68 411	26 906	28 115
Total liabilities	76 995	36 544	36 634
Total shareholders equity and liabilities	181 118	136 246	133 751

Consolidated Statement of Changes in Equity

<i>(In NOK '000)</i>	Paid in capital	Other paid in capital/ reserves	Translation differences	Retained earnings	Total
Balance at 31 December 2011	129 121	-362	3 838	-39 360	93 237
Balance at 1. January 2012	129 121	-362	3 838	-39 360	93 237
Issue of shares, net of share issue cost	9 103	-	-	-	9 103
Share option scheme	-	-	-	-	-
Translation difference	-	-	-1 968	-	-1 968
Net profit of the period	-	-	-	-3 255	-3 255
Balance at 31 December 2012	138 224	-362	1 870	-42 615	97 117
Balance at 31 December 2012	138 224	-362	1 870	-42 615	97 117
Balance at 1 January 2013	138 224	-362	1 870	-42 615	97 117
Issue of shares, net of share issue cost	-	-	-	-	-
Share option scheme	365	-	-	-	365
Translation difference	-	-	5 735	-	5 735
Net profit of the period	-	-	-	905	905
Balance at end period	138 589	-362	7 605	-41 710	104 123

Consolidated Statement of Cash Flow

<i>(In NOK '000)</i>	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Profit (loss) before tax	-1 147	-1 187	729	-2 785
Taxes paid	-367	-182	-1 580	-369
Depreciation	1 680	1 558	3 137	3 116
Changes in inventory	-5 356	-342	-27 244	2 586
Changes in receivables	410	-5 629	-9 918	-6 104
Changes in payables	5 575	4 146	26 185	151
Changes in other current items	1 392	-361	1 241	-140
Net cash flow from operations	2 187	-1 997	-7 450	-3 545
Cash flow from investments				
Purchase/disposal of intangible assets	-1 617	-714	-1 900	-714
Net cash flow from investments	-1 617	-714	-1 900	-714
Cash flow from financing				
Short term debt to Financial Institutions	123	0	10 246	0
Share capital	365	340	365	9 250
Net cash flow from financial activities	489	340	10 612	9 250
Changes in currency	-833	138	226	16
Net change in cash	226	-2 233	1 488	5 007
Cash and cash equivalents start period	4 886	6 633	3 624	-607
Cash and cash equivalents end period	5 112	4 400	5 112	4 400

Selected explanatory notes

General information

Navamedic ASA is a public limited company domiciled in Norway. The business of the Group is associated with development, distribution, marketing and sales of pharmaceutical products and related technical medical equipment. The Company's shares are listed on the Oslo Stock Exchange. The Company's registered office is Fornebuveien 44, 1366 Lysaker, Norway. Navamedic comprises Navamedic ASA and the wholly owned subsidiary Navamedic AB in Sweden. Navamedic shares are listed on the Oslo Stock Exchange under the ticker NAVA.

1. Nature of operation

Navamedic's strategy is to be a specialty pharma company with a focus on sales and distribution in the Nordic and Benelux regions. The company does not develop new pharmaceuticals, but collaborates with a number of manufacturers in bringing their products within selected therapeutic areas to the market.

Navamedic aims at being the partner of choice for pharma manufacturers looking to enter the Northern European market. An increasing number of products are being sold under the Navamedic brand. The company is in the process of taking a major position on the growing market for generic pharmaceuticals in the Nordic and Benelux regions.

Navamedic currently represents more than 100 products from over 20 manufacturers.

Navamedic's largest partner is Aspen, Africa's largest pharmaceutical manufacturer and one of the five largest generics pharmaceutical companies in the world, with distribution in more than 100 countries.

A key partner is also Torrent Pharmaceuticals, one of India's leading generics manufacturers.

2. Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2012 (the Annual Financial Statements) as they provide an update of previously reported information. The accounting policies used are consistent with those used in the Annual Financial Statements. The presentation of the interim financial statements is consistent with the Annual Financial Statements. The interim report has not been subject to an audit. The Board of Directors approved the interim financial statements on 24 April 2013.

Navamedic has NOK as its functional currency and presentation currency. In the absence of any statement to the contrary, all financial information is reported in whole thousands. As a result of rounding adjustments, the figures in the financial statements may not add up to the totals.

3. Summary of significant accounting policies

The accounting policies applied and the presentation of the interim condensed consolidated financial information are consistent with the consolidated financial statements for the year ended 31 December 2012.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective, provided that the amendments are EU endorsed before publication of the annual report.

Neither IFRS 9 Financial Instruments with an expected effective date 1 January 2015, nor IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements both with an effective date 1 January 2013, will not, based on our initial assessment in terms of the operations that the company has as of today, have a significant effect on the consolidated financial statements.

IFRS 13 Fair Value Measurement with an effective date 1 January 2013 will not, based on our initial assessment in terms of the operations that the company has as of today, have no significant effect on the consolidated financial statements

The amended IAS 19 Employee Benefits with an effective date 1 January 2013 will not, based on our assessment in terms of the operations that the company has as of today, have a significant effect on the consolidated financial statements

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive Income (OCI). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

IAS 28 Investments in Associates and Joint Ventures. As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013. The standard will not have significant effect on the consolidated financial statements.

IAS 32 Offsetting financial Assets and Financial Liabilities - Amendments to IAS 32. These amendments clarify the meaning of "currently has a legally enforceable right to set-off". These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 1 Government Loans - Amendments to IFRS 1. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Group.

Further amendments in standards and interpretations, will not, based on our initial assessment in terms of the operations that the company has as of today, have a significant effect on the consolidated financial statements

4. Earnings per share

	Q2 2013	Q2 2012	YTD 2013	YTD 2012	FY 2012
Result allocated to shareholders (in NOK '000)	(496)	(389)	905	(1 428)	(3 255)
Weighted average of outstanding shares (in '000)	8 437	8 287	8 387	8 287	8 387
Earnings per share (NOK per share)	-0,06	-0,05	0,11	-0,17	-0,42
Diluted earnings per share:					
	Q2 2013	Q2 2012	YTD 2013	YTD 2012	FY 2012
Result allocated to shareholders (in NOK '000)	(496)	(389)	905	(1 428)	(3 255)
Weighted average of outstanding shares (in '000)	8 637	8 512	8 637	8 512	8 587
Earnings per share (NOK per share)	-0,06	-0,05	0,10	-0,17	-0,41

Earnings per share (EPS) are calculated on the basis of the profit/loss for the year after tax but excluding other comprehensive items. The result is divided by a weighted average number of outstanding shares over the year, reduced by acquisition of treasury shares. The diluted earning per share is calculated by adjusting the average number of outstanding shares by the number of employee options that can be exercised. Anti-dilution effects are not taken into consideration.

5. Segment information

For 2013, Navamedic's financial reporting will display three business segments: Pharma Products, Medical Nutrition and Consumer Care. Previously Navamedic has provided financial information for two business areas; Generics and Vitaflo. The new reporting structure will reflect the Company's business and product composition. Several of the products which in 2012 were placed in the Vitaflo portfolio, are products compliant with Navamedic's definition of generic drugs. The new Pharma segment will consist of various categories of generics as well as patented and branded drugs.

Within the three business areas the company operates in 11 core knowledge areas. Starting in 2013 all companies in the group will rally behind the Navamedic brand name.

Consumer care

The business area consists of a large variety of non-prescription drugs, pharmaceuticals, and health care products mainly sold via pharmacies and drugstores. It consist of several strong own and in-licensed brand names in our respective knowledge areas.

Some important Consumer product brands are:

- Selsun and NYDA (Dermatologi)
- Vitakalk and EcoVag, (Female Care)
- Bifolac and Importal, (Gastroenterology)
- Aftamed and Dentofix, (Oral Medicin)

Medical Nutrition

The Medical Nutrition business area is a traditional market segment. Navamedic is the Nordic distributor for the UK based Company Vitaflo International ltd with more than 30 years of experience in producing specialist nutritional products for inborn errors of metabolism (IEM). Navamedic can offer a complete range of products for over 8 different metabolic disorders (for example Phenylketonuria, Tyrosinemia, Maple Sirup Urine Disease, Homocystinuria, Methylmalonic Acidemia (MMA), Propionic Acidemia (PA), Glutaric Aciduria Type 1 (GA1). The product range also includes products within carbohydrate metabolism, fat metabolism (MCT products) and renal disease.

Vitaflo International Ltd. has a research and development team that constantly endeavour to use the latest process technology, raw materials and packaging to guarantee that we offer the most nutritionally up-to-date and acceptable consumer-friendly products. Vitaflo conduct clinical trials on all their products at leading centres around the world.

Our nutrition products treat different disorders in connection with IEM (Inborn errors of metabolism). Many different types of disorders may affects metabolism.

The disorders develops from lack of a certain type of enzyme that is crucial for metabolism of nutrients; disorders of fat metabolism, protein metabolism and carbohydrate metabolism. The food they eat contains minimal amounts of protein. They drink protein substitute to make sure that they get all the essential amino acids that they need. Through established relationships with specialists and patient leaders, nutritionists and doctors Navamedic market protein substitutes.

Pharma Products

Navamedic's Pharma product segment includes Navamedic's newly launched commodity generics business and other pharmaceuticals previously included in the Vitaflo portfolio. The product segment covers subscription pharmaceuticals sold in pharmacies as well as hospital pharmaceuticals. Navamedic aims to become one of Scandinavia's top suppliers of various pharmaceutical products. Navamedic's expertise in this area is unrivalled in the Nordic region. Management has been involved in the generics sector since its beginning and has more than 100 years of combined generics experience.

Generics -definition

Generic medicines, Generics, are medicines that have lost patent protection.

Typically, generised medicines cost far less than the original, patented brands, thereby creating affordable, high quality medicines for national healthcare systems and patients. With the growing use of and increased reliance on generic medicines, and due to its large number of strategic alliances, Navamedic is well positioned to deliver high quality, cost-effective medicines for the Nordic and Benelux markets in all sub groups described above.

In other words, a traditional generic medicine is essentially the same as the original medicine, incorporating the active pharmaceutical ingredient (API) for which the patent protection has expired. The generic is typically sold under a common, rather than brand, name. In a typical generics market scenario, a medicine goes off patent and competitors rapidly penetrate the market within weeks. This results in a significant price decrease, the product becomes a commodity, and the market share and revenues shift from the innovator medicine to the generic competitors.

Three sub-groups

Generic drugs can typically be divided in three sub-groups, all known as generics.

- **Commodity generics**
Generic medicines as described above. Generally sold via government managed monthly, bi-monthly or quarterly tenders. This sub-group is characterized by high competition, high volumes and rapidly decreasing prizes. Drugs in this category can be fully and freely substituted against similar drugs purely based on price.

These medicines are often also referred to as unbranded formulations and are sold under their chemical names as both over the counter and prescription forms. Examples of commodity generics are; candesartan, donepezil, montelukast and olanzapine.

- **Hospital generics**
Hospital generics consist of fluids and injectables and generally sold via time limited tenders direct to hospitals. This sub-group is characterized by less competition and somewhat higher market prizes than commodity generics due to a relative more difficult in manufacturing process.

While price competition in the sub-group of commodity generics tend to be fierce from expiration of innovators patent protection, the hospital generics segment tend to be less exposed to rapid price erosion. Typical examples of hospital generics are; ciprofloxacin solution for infusion, fluconazole infusion, furosemide solution for injection and propofol infusion.

- **Branded generics**
Generic medicines as described above but where a drug manufacturing company has attached its brand name and may have invested in its marketing to differentiate it from other generic brands. Often the old original medicine being genericized. Examples of branded generics; Zyloric (allopurinol), Lanoxin (digoxin), Imuran (azathioprine) and Eusaprim (trimetoprim+sulfa).

6. Related party transactions

Navamedic is relying on services provided by third parties, as a result of its organisational set-up. None of these third parties are considered as related parties.

7. Credit risk and foreign currency risk

Credit risk

Navamedic trades only with recognised, creditworthy third parties, of whom most companies are large, profitable pharmaceutical companies and wholesalers. Receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant. As per Q1 2013, there is no offset of bad debt.

Maturity profile on short term receivables as per 30 June 2013:

NOK 1000	Not due	Less than 3 months	3 to 12 months	Total
Trade receivables	13 953	13 772		27 725
Other receivables	5 233		5 538	10 771
Total receivables	19 186	13 772	5 538	38 496

Foreign currency risk

Navamedic has transactional currency exposure arising from sales and purchases in currencies other than the functional currencies (NOK and SEK). The major portion of sales is currently in SEK. In relation to normal operations, Navamedic has not implemented any hedging strategy to reduce currency risk.

8. Tangible assets

NOK 1000	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Carrying value at the beginning of the period	26	45	30	54
Depreciation in the period	-8	-5	-16	-10
Exchange differences	3	-	7	-4
Carrying value at the end of the period	21	40	21	40

9. Intangible assets

NOK 1000	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Carrying value at the beginning of the period	85 091	88 606	81 202	91 336
Additions/disposal (-)	1 617	714	1 909	714
Amortization in the period	-1 672	-1 553	-3 121	-3 106
Exchange differences	13	-154	5 060	-1 331
Carrying value at the end of the period	85 049	87 613	85 050	87 613

10. Deferred tax and deferred tax assets

Defferd Tax Assets

NOK 1000	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Carrying value at the beginning of the period	11 081	9 980	10 953	9 317
Income statement charge	625	1 059	752	1 722
Carrying value at the end of the period	11 706	11 039	11 705	11 039

Defferd Tax

NOK 1000	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Carrying value at the beginning of the period	9 002	10 096	8 519	10 736
Income statement charge	-412	-431	-818	-862
Exchange differences	-5	-27	884	-236
Carrying value at the end of the period	8 585	9 638	8 585	9 638

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority.

11. Share options

All options are equity settled and valued at the date of award. The value is expensed over the vesting period, which is usually three years. The exercise price of the granted options is equal to the market price on the date of the grant.

During 2009, 100 000 share options were granted to Navamedics CEO with an exercise price set at the market share price on the 4 May 2009 of NOK 5.40 per share. Olof Milveden, CEO of Navamedic ASA, has on 4 April 2012 exercised these 100,000 stock options and bought 100,000 new shares in Navamedic ASA. Additional share options were granted 15 February 2010 with a total of 50,000 share options to Navamedics CEO. The exercise price was NOK 7.31 per share. In May 2010 the CEO was granted additional 25,000 share options with an exercise price of NOK 6.90 per share. In September 2010 the CFO was granted 30,000 options and the general manager of Vitaflor AB was granted 20,000 share options with an exercise price of NOK 7.00 per share.

In July 2011 the Head of Regulatory Affairs was granted 30,000 share options with an exercise price of NOK 9.50 per share. In August 2011 the CFO was granted 20,000 share options with an exercise price of NOK 10.50 per share. In July 2011 the CEO was granted 12 500 share options with an exercise price of NOK 13.50 per share. In November 2011 the CEO was granted 12,500 share options with an exercise price of NOK 12.00 per share.

A fair value of the options using the Black-Sholes valuation model is by year end 2012 TNOK 700. The significant inputs into the model were a volatility of 65% and annual risk free rate of 4.0%.

Share options outstanding at the end of the period have the following expiry date and exercise prices:

	Price	2013	2012
May, 2012	5,4	-	100 000
February, 2013	7,3	-	50 000
May, 2013	6,9	25 000	25 000
September, 2013	6,9	50 000	50 000
January, 2013	9,5	30 000	30 000
February, 2013	11	20 000	20 000
February, 2014	13,5	12 500	12 500
June, 2014	12,0	12 500	12 500
Total share options outstanding		150 000	300 000

12. Bank arrangement and credit facility

The Company has access to bank agreements and credit facilities totalling NOK 35 million to cover credits and guarantees. Of the credit facility NOK 10.2 million was utilized at the end of the second quarter. Towards a selective group of suppliers the company has issued letter of credit of a total NOK 15 million. This standby letter of credit is issued as security for the applicant's payment obligations under distribution agreement.

13. Material events subsequent to the end of the reporting period

To the best of Navamedic's knowledge, there have been no events subsequent to the end of the reported interim period that would influence on the financial statements included in this report.

14. Shareholders Information

As of 30 June Company had 475 share owners. The total numbers of outstanding shares were 8,437,051.

Olof Milveden, former CEO of Navamedic ASA, exercised on 27 May 2013 25,000 stock options at an average price of NOK 6.90 per share. Total proceeds from this transaction was NOK 172,500