

# **INTERIM FINANCIAL REPORT**

**2nd Quarter  
&  
1 Half Year  
2010**



## NAVAMEDIC ASA 26 August 2010

- Improved profitability in Vitaflo Scandinavia, following improved Gross Margin and reduced operating costs
- Registration of the Aspen portfolio progressing according to plan. Product launches expected from 2H 2011
- Increased cooperation with Aspen with Navamedic taking over sales and marketing responsibility for 8 products from September 1.
- New experienced CFO commence duty on September 1<sup>st</sup> 2010, further strengthening Navamedic in its aim to remain a Nordic specialty pharma company.

## Revenues and results

Summary of key revenue and profit;

- Operating revenues were MNOK 12.7 in the second quarter of 2010, in line with revenues in the second quarter of 2009. Operating revenues first half (1H) 2010 were MNOK 25.8 million compared with MNOK 24.9 million in 1H 2009.
- EBITDA was MNOK -1.5 in the second quarter of 2010, compared with MNOK -2.8 in the second quarter of 2009. EBITDA 1H 2010 were MNOK -2.8 compared with MNOK -2.6 in 1H 2009.
- Net cash from operations was MNOK -1.2 in the second quarter of 2010, compared with MNOK 1.2 in the second quarter of 2009. Net cash from operations in 1H 2010 was MNOK -4.8 compared with MNOK -1.5 in 1H 2009.

Key financial indicators 2010 vs 2009:

(in NOK '000)	Group		Group		Group
	Q2 2010	Q2 2009	YTD 2010	YTD 2009	FY 2009
Revenues	12 669	12 734	25 756	24 905	52 593
<b>Gross Profit</b>	<b>5 680</b>	<b>4 738</b>	<b>10 717</b>	<b>10 005</b>	<b>20 630</b>
<b>Gross margin</b>	<b>45 %</b>	<b>37 %</b>	<b>42 %</b>	<b>40 %</b>	<b>39 %</b>
<b>EBITDA</b>	<b>-1 523</b>	<b>-2 846</b>	<b>-2 767</b>	<b>-2 640</b>	<b>-2 508</b>
<b>EBIT</b>	<b>-3 191</b>	<b>-4 974</b>	<b>-6 093</b>	<b>-6 454</b>	<b>-9 995</b>

### Segment reporting

After a period of repositioning of the Company and recruitment of new management, the Company will from January 1 2010 report two segments, Vitaflo Scandinavia and New business. Comparable figures have been developed for years 2010 and 2009. This change in reporting format reflects the change in business profile of the company after the in-licencing of generics from Aspen.

#### Vitaflo Scandinavia:

Revenues and costs related to the sale of products to wholesalers, retail partners and end-users through Vitaflo Scandinavia AB.

New business:

Revenues and costs related to the sale of products to wholesalers and retail partners based on the distribution agreement with Aspen Healthcare. Currently this segment accounts for the costs associated with obtaining marketing authorisations of the in-licenced products from Aspen. Sales are expected to begin Q4 2011.

Operating segments for the second quarter 2010 compared with the second quarter 2009.

(in MNOK)	Group		New business		Vitaflo Scandinavia	
	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Revenues	12,7	12,7	-	-	12,7	12,7
<b>Gross Profit</b>	<b>5,7</b>	<b>4,7</b>	-	-	<b>5,7</b>	<b>4,7</b>
<b>Gross margin</b>	<b>45 %</b>	<b>37 %</b>			<b>45 %</b>	<b>37 %</b>
Operating costs	5,3	3,8	0,8	-	4,5	3,8
Overhead expenses	1,9	3,8	1,1	-	0,7	3,8
<b>EBITDA</b>	<b>(1,5)</b>	<b>(2,8)</b>	<b>(1,9)</b>	-	<b>0,4</b>	<b>(2,8)</b>
Depreciation, amortizations, write	(1,7)	(2,1)	-	-	(1,7)	(2,1)
<b>EBIT</b>	<b>(3,2)</b>	<b>(5,0)</b>	<b>(1,9)</b>	-	<b>(1,3)</b>	<b>(5,0)</b>

Revenues in Q2 2010 were in line with Q2 2009. Revenues in Q2 were affected by a renegotiated agreement with Vitaflo International regarding The Netherlands, with Vitaflo International taking responsibility for sales and marketing of IEM products (inborn error metabolism) in The Netherlands from April 1 2010. As a compensation, Navamedic will receive a 25% margin on all Vitaflo International's sale of IEM products in The Netherlands. Sales in The Netherlands accounted for MNOK 1.8 of the revenues in Q2 2009.

Gross margin is improved mainly due to higher sales of high margin products and the renegotiated agreement with Vitaflo International.

Total expenses are reduced by 5% due to successful implementation of the cost saving program initiated during 2009.

EBITDA in Vitaflo is improved with more than MNOK 3.2 compared with the same period last year due to the improved Gross Profit and reduction in operating costs.

During the quarter, the Company has invested MNOK 1.9 in new business.

Operating segments for 1H 2010 compared with 1H 2009.

(in MNOK)	Group		New business		Vitaflo Scandinavia	
	YTD 2010	YTD 2009	YTD 2010	YTD 2009	YTD 2010	YTD 2009
Revenues	25,8	24,9	-	-	25,8	24,9
<b>Gross Profit</b>	<b>10,7</b>	<b>10,0</b>	-	-	<b>10,7</b>	<b>10,0</b>
<b>Gross margin</b>	<b>42 %</b>	<b>40 %</b>			<b>42 %</b>	<b>40 %</b>
Operating costs	9,2	7,5	1,1	-	8,1	7,5
Overhead expenses	4,3	5,1	2,6	-	1,7	5,1
<b>EBITDA</b>	<b>(2,8)</b>	<b>(2,6)</b>	<b>(3,7)</b>	-	<b>0,9</b>	<b>(2,6)</b>
amortizations, write	(3,3)	(3,8)	-	-	(3,3)	(3,8)
<b>EBIT</b>	<b>(6,1)</b>	<b>(6,5)</b>	<b>(3,7)</b>	-	<b>(2,4)</b>	<b>(6,5)</b>

Revenues in 1H 2010 were 3.6% higher than in 1H 2009. Adjusted for the changes in The Netherlands (see above), 1H 2010 revenues would have been around MNOK 30. Gross margin is improved mainly due to higher

sales of high margin products. EBITDA in 1H 2010 was MNOK -2.8 compared with MNOK -2.6 in 1H 2009.

EBITDA in Vitaflo is improved with more than MNOK 3.5 compared with the same period last year.

So far in 2010, the Company has invested MNOK 3.7 in new business.

### Revenues per knowledge area:

(in MNOK)	Q2 2010	Q2 2009	YTD 2010	YTD 2009	FY 2009
Osteoarthritis	0,1	0,2	0,2	0,3	0,6
Medical Nutrition	4,2	5,6	10,0	10,6	22,3
Oral Medicine	1,8	2,2	3,4	4,2	7,9
Female Care	0,9	0,7	1,7	1,3	3,3
Dermatology	1,5	1,0	2,7	2,1	4,0
Abuse	1,9	1,9	3,6	3,7	7,2
Gastro	0,6	0,5	1,4	1,1	3,1
Neurology	1,0	0,6	1,8	1,1	2,8
Oftalmology	0,0	0,1	0,1	0,3	0,5
Other	0,8	(0,1)	0,8	0,4	1,0
<b>Total revenues</b>	<b>12,7</b>	<b>12,7</b>	<b>25,8</b>	<b>24,9</b>	<b>52,6</b>

Revenues from Medical Nutrition was affected by the agreement with Vitaflo International regarding The Netherlands, with Vitaflo International taking responsibility for sales and marketing of the IEM products in The Netherlands from 1 April 2010. Sales in The Netherlands accounted for MNOK 1.8 of the revenues in Q2 2009 and MNOK 3.4 in 1H 2009.

### New business:

Following the sale of the Glucomed product and the ongoing turnaround of the Vitaflo operation, Navamedic has repositioned its strategy and will going forward seek to take a leading role in generics in the Nordic countries and in the Benelux countries.

On February 10, 2010, Navamedic signed an exclusive distribution agreement for selected products with the South African pharmaceutical company Aspen Healthcare FZ LLC.

The agreement grants Navamedic the right to sell and market selected Aspen products in the Nordic and Benelux countries. Aspen is a major, high quality supplier of a broad range of new generic pharmaceuticals and the agreement opens a substantial new business opportunity for Navamedic

Aspen is Africa's largest pharmaceutical manufacturer and one of the world's 20 largest generic pharmaceutical companies with distribution in more than 100 countries. Aspen has an annual turnover of about MNOK 7.000, and is listed on the JSE Ltd stock exchange in South Africa.

Aspen has production capabilities and capacity for a wide variety of product types including tablets, capsules, steriles, injectables, antibacterials, liquids and creams. The products are renowned for their quality, efficacy and affordability. Aspen is furthermore one of the leading global players in generic antiretrovirals ("ARVs") and has an outstanding generic pipeline.

The registration process to obtain marketing authorisation for the different products is progressing according to plan, with launch of the first products expected during second half of 2011. To strengthen the regulatory department of the company, Navamedic has employed two experienced regulatory professionals. Their last positions have been with Sandoz pharmaceuticals in Germany.

In June, Aspen Pharma and Navamedic agreed to expand the above cooperation. From September 1 2010, Navamedic will have the responsibility for marketing and sales of 8 products that Aspen recently have purchased from GlaxoSmithKline. These eight pharmaceuticals have a good strategic fit to the already existing focus areas in Vitaflo Scandinavia and will therefore initially be marketed by Vitaflo in Scandinavia. Total annual sales for the 8 products have been between SEK 15 and 20 million.

### **Balance Sheet and Cash Flow**

At end of June 2010, Navamedic held cash and cash equivalents of MNOK 23.7.

Net cash flow from operations during the second quarter 2010 was MNOK -1.2, compared with MNOK 1.2 the second quarter 2009. The cash flow reflects the EBITDA in the period and changes in the working capital. Net change in cash during Q2 2010 was MNOK -8.6. The cash flow was affected by a MNOK 7.5 dividend payment during the quarter. Net cash flow in 1H 2010 was MNOK -12.0 million compared with MNOK -5.7 in 1H 2009. The cash flow reflects the EBITDA in the period, changes in the working capital and the dividend payment.

## Outlook

Navamedic's strategy is to remain a specialty pharma company with a strong foothold in the sales and distribution business through Vitaflo Scandinavia, and develop its New business segment. The company aims at being the partner of choice for companies wishing to enter the Northern European market.

The management of Navamedic continuously reviews new business opportunities and is focused on developing new activities generating a high degree of organic growth and with satisfactory profitability. The company is from time to time involved in discussions with relevant possible partners and aims to sign at least one new agreement during the second half of 2010.

Key activities:

- Further develop and grow the Vitaflo Scandinavia business.
- Maintain a good cooperation with Aspen Healthcare and continue the registration process of new products securing a timely and successful launch during H2 2011.
- Take over the sale and marketing of 8 products from Aspen Healthcare as of September 1 2010 and secure a steady growth in this portfolio going forward
- Search for new products and new business opportunities

# CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## PROFIT AND LOSS

(In NOK '000)	Note	Q2 2010	Q2 2009	YTD 2010	YTD 2009	FY 2009
<b>Operating revenues</b>	5	<b>12 669</b>	<b>12 734</b>	<b>25 756</b>	<b>24 905</b>	<b>52 593</b>
Cost of goods sold		6 988	7 996	15 039	14 900	31 963
<b>Gross profit</b>		<b>5 681</b>	<b>4 738</b>	<b>10 717</b>	<b>10 005</b>	<b>20 630</b>
Payroll expense		3 338	3 384	5 945	5 030	10 541
Other operating cost		4 294	4 325	8 155	7 751	13 312
Other (losses)/gains - net		428	125	616	136	715
<b>Operating costs</b>		<b>7 204</b>	<b>7 584</b>	<b>13 484</b>	<b>12 645</b>	<b>23 138</b>
<b>EBITDA</b>		<b>(1 523)</b>	<b>(2 846)</b>	<b>(2 767)</b>	<b>(2 640)</b>	<b>(2 508)</b>
Depreciation	9	10	39	15	78	172
Amortization	8	1 658	1 664	3 311	3 311	6 623
Write offs	8	-	425	-	425	692
<b>OPERATING RESULT (EBIT)</b>		<b>(3 191)</b>	<b>(4 974)</b>	<b>(6 093)</b>	<b>(6 454)</b>	<b>(9 995)</b>
<b>Financial income and expenses</b>						
Financial income		-	117	-	274	90
Other financial income		18	0	42	0	302
Financial expenses		(3)	(160)	(4)	(463)	(688)
Other financial expenses		(147)	-	(183)	0	(1 626)
<b>Net financial result</b>		<b>(132)</b>	<b>(43)</b>	<b>(145)</b>	<b>(189)</b>	<b>(1 922)</b>
<b>PROFIT BEFORE TAXES</b>		<b>(3 323)</b>	<b>(5 017)</b>	<b>(6 238)</b>	<b>(6 643)</b>	<b>(11 917)</b>
Tax on profit		933	427	1 761	447	8 384
<b>Net income for the period from continuing operations</b>		<b>(2 390)</b>	<b>(4 590)</b>	<b>(4 477)</b>	<b>(6 196)</b>	<b>(3 533)</b>
<b>Profit (loss) after tax for the period from discontinued operations</b>	13	<b>-</b>	<b>682</b>	<b>-</b>	<b>1 276</b>	<b>16 349</b>
<b>Net profit in the period</b>		<b>(2 390)</b>	<b>(3 908)</b>	<b>(4 477)</b>	<b>(4 920)</b>	<b>12 816</b>

Other comprehensive income	Q2 2010	Q2 2009	YTD 2010	YTD 2009	FY 2009
<b>Profit for the year</b>	<b>(2 390)</b>	<b>(3 908)</b>	<b>(4 477)</b>	<b>(4 920)</b>	<b>12 816</b>
Currency translations differences	1 445	2 805	3 182	(8 129)	(11 150)
<b>Total comprehensive income for the period</b>	<b>(945)</b>	<b>(1 103)</b>	<b>(1 295)</b>	<b>(13 049)</b>	<b>1 666</b>



## BALANCE SHEET

<i>(In NOK '000)</i>	Note	30.06.2010	30.06.2009	31.12.2009
<b>Fixed and Intangible Assets</b>				
Intangible assets	8	81 782	88 335	81 889
Deferred tax assets	10	4 946	3 060	3 738
Tangible assets	9	83	117	33
Investments in shares		-	1 438	-
<b>Total fixed and intangible assets</b>		<b>86 811</b>	<b>92 950</b>	<b>85 660</b>
<b>Current Assets</b>				
Inventories		7 581	7 862	7 986
Short term receivables	7	8 289	11 771	7 237
Cash at hand, in banks		23 696	10 703	35 668
Discontinued operations classified as held for sale	13	-	16 993	-
<b>Total current assets</b>		<b>39 566</b>	<b>47 329</b>	<b>50 891</b>
<b>Total assets</b>		<b>126 377</b>	<b>140 279</b>	<b>136 551</b>
<b>Shareholders equity and liabilities</b>				
<b>Shareholders equity</b>				
Paid in capital		128 853	128 476	128 786
Other reserves		-25 834	-31 343	-17 002
<b>Total equity</b>	<b>4,11</b>	<b>103 019</b>	<b>97 133</b>	<b>111 784</b>
<b>Debt</b>				
Deferred tax	10	12 253	14 059	12 563
Long term debt to financial institutions	12	-	4 000	-
<b>Total long term debt</b>		<b>12 253</b>	<b>18 059</b>	<b>12 563</b>
Trade debtors		6 418	8 548	7 391
Interest-bearing short term debt	12	-	8 000	-
Received license fees from customers		-	3 456	-
Other short term debt		4 687	5 083	4 813
<b>Total short term debt</b>		<b>11 105</b>	<b>25 087</b>	<b>12 204</b>
<b>Total debt</b>		<b>23 358</b>	<b>43 146</b>	<b>24 767</b>
<b>Total shareholders equity and liabilities</b>		<b>126 377</b>	<b>140 279</b>	<b>136 551</b>

## CHANGES IN SHAREHOLDERS EQUITY

<i>(In NOK '000)</i>	Note	Paid in capital	Other paid in capital/ reserves	Translation differences	Retained earnings	Total
Balance at 31 December 2008		128 912	-362	7 987	-26 293	110 244
<b>Balance at 1. January 2009</b>		<b>128 912</b>	<b>-362</b>	<b>7 987</b>	<b>-26 293</b>	<b>110 244</b>
Share option scheme		-126	-	-	-	-126
Gains and Losses on Currency Outright Agreements		-	-	-	-	-
Translation difference		-	-	-11 150	-	-11 150
Net profit of the period		-	-	-	12 816	12 816
<b>Balance at 31 December 2009</b>		<b>128 786</b>	<b>-362</b>	<b>-3 163</b>	<b>-13 477</b>	<b>111 784</b>
<b>Balance at 1 January 2010</b>		<b>128 786</b>	<b>-362</b>	<b>-3 163</b>	<b>-13 477</b>	<b>111 784</b>
Paid out dividend		-	-	-	-7 537	-7 537
Share option scheme	11	67	-	-	-	67
Translation difference		-	-	3 182	-	3 182
Net profit of the period		-	-	-	-4 477	-4 477
<b>Balance at 30 June 2010</b>		<b>128 853</b>	<b>-362</b>	<b>19</b>	<b>-25 491</b>	<b>103 019</b>

## CASH FLOW

(In NOK '000)	Q2 2010	Q2 2009	YTD 2010	YTD 2009	FY 2009
Profit before taxes, continued operations	-3 323	-5 017	-6 238	-6 643	-11 917
Profit before tax, discontinued operations (note 13)	-	682	-	1 276	22 707
Net profit from sold assets	-	-	-	-	-29 884
Depreciation, Amortization and Write Off from continued operations	1 669	2 128	3 326	3 814	7 487
Write down of inventory	-	-	-	-	9 500
Share options	34	20	68	-83	126
Net financials	131	43	145	189	1 922
Changes in working capital	990	3 668	-593	723	723
<b>Cash flow from operations</b>	<b>-499</b>	<b>1 524</b>	<b>-3 292</b>	<b>-724</b>	<b>664</b>
Net financials	-131	-43	-145	-189	-1 082
Taxes paid	-575	-233	-1 332	-573	-1 228
<b>Net cash flow from operations</b>	<b>-1 205</b>	<b>1 248</b>	<b>-4 769</b>	<b>-1 486</b>	<b>-1 646</b>
<b>Cash flow from investments</b>					
Net cash from assets sold	-	-	-	-	38 389
Purchase of tangible assets	-62	-83	-62	-83	-17
Purchase of intangible assets	-	-	-	-102	-
Interest paid in	-	-	-	-	89
<b>Net cash flow from investments</b>	<b>-62</b>	<b>-83</b>	<b>-62</b>	<b>-185</b>	<b>38 461</b>
<b>Cash flow from financial activities</b>					
Changes in currency	201	-	396	-	-1 521
Dividend paid out	-7 537	-	-7 537	-	-
Borrowing from financial institutions	-	-4 000	-	-4 000	-16 000
<b>Net cash flow from financial activities</b>	<b>-7 336</b>	<b>-4 000</b>	<b>-7 141</b>	<b>-4 000</b>	<b>-17 521</b>
<b>Net change in cash during the period</b>	<b>-8 603</b>	<b>-2 835</b>	<b>-11 972</b>	<b>-5 671</b>	<b>19 294</b>
Cash and cash equivalents at the beginning of the period	32 299	13 538	35 668	16 374	16 374
<b>Cash and cash equivalents at the end of the period</b>	<b>23 696</b>	<b>10 703</b>	<b>23 696</b>	<b>10 703</b>	<b>35 668</b>

## Selected explanatory notes

### Nature of operation

#### 1. Nature of operation

Navamedic ASA (Navamedic) was established in 2002, and comprises Navamedic ASA and the 100 percent owned subsidiaries Vitaflo Scandinavia AB and Navamedic ehf. The company is headquartered at Lysaker outside of Oslo, Norway and maintains its strategy to remain a specialty pharma player with a strong foothold both in the sales and distribution business currently organised in the subsidiary Vitaflo Scandinavia AB, as well as an increasingly important presence in the generic business. The company aims at being the partner of choice for companies wishing to enter the Northern European market.

Navamedic represents more than 45 products from over 20 foreign companies on the Nordic markets through its subsidiary Vitaflo Scandinavia AB. Navamedic aspires to grow both through increased geographical presence and through a broadened product portfolio within selected therapeutic areas.

The new partner of Navamedic, Aspen, is Africa's largest pharmaceutical manufacturer and one of the world's 20 largest generic pharmaceutical companies with distribution in more than 100 countries. Aspen has an annual turnover of about MNOK 7.000, and is listed on the JSE Ltd stock exchange in South Africa.

Aspen has production capabilities and capacity for a wide variety of product types including tablets, capsules, steriles, injectables, antibacterials, liquids and creams. The products are renowned for their quality, efficacy and affordability. Aspen is furthermore one of the leading global players in generic antiretrovirals ("ARVs") and has an outstanding generic pipeline.

Navamedic shares have been listed on the Oslo Stock Exchange since 31 March 2006 under the ticker NAVA.

#### 2. Basis of presentation

These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2009 (hereafter 'the Annual Financial Statements'), as they provide an update of previously reported information. They were approved for issue by the Board of Directors on 18 March 2010. 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 condensed financial information on 25 August 2010.

#### 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 2009.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

IFRS 3 – Business Combinations (revised)

IAS 27 – Consolidated and Separate Financial Statements (revised)

The amendments to IFRS 3 and IAS 27 did not affect the consolidated accounts for the first-half period for 2010, as no acquisitions were made and no holdings in subsidiaries bought or sold.

#### 4. Earnings per share

Earnings per share continued operations:

	Q2 2010	Q2 2009	YTD 2010	YTD 2009	FY 2009
Result allocated to shareholders (in NOK '000)	(2 390)	(4 590)	(4 477)	(6 196)	(3 533)
Weighted average of outstanding shares (in '000)	7 537	7 537	7 537	7 537	7 537
<b>Earnings per share (NOK per share)</b>	<b>-0,32</b>	<b>-0,61</b>	<b>-0,59</b>	<b>-0,82</b>	<b>-0,47</b>

Diluted earnings per share:

	Q2 2010	Q2 2009	YTD 2010	YTD 2009	FY 2009
Result allocated to shareholders (in NOK '000)	(2 390)	(4 590)	(4 477)	(6 196)	(3 533)
Weighted average of outstanding shares (in '000)	7 637	7 600	7 673	7 569	7 637
<b>Earnings per share (NOK per share)</b>	<b>-0,31</b>	<b>-0,60</b>	<b>-0,58</b>	<b>-0,82</b>	<b>-0,47</b>

Earnings per share discontinued operations:

	Q2 2010	Q2 2009	YTD 2010	YTD 2009	FY 2009
Result allocated to shareholders (in NOK '000)	-	682	-	1 276	16 349
Weighted average of outstanding shares (in '000)	7 537	7 537	7 537	7 537	7 537
<b>Earnings per share (NOK per share)</b>	<b>0,00</b>	<b>0,09</b>	<b>0,00</b>	<b>0,17</b>	<b>2,17</b>

Diluted earnings per share:

	Q2 2010	Q2 2009	YTD 2010	YTD 2009	FY 2009
Result allocated to shareholders (in NOK '000)	-	682	-	1 276	16 349
Weighted average of outstanding shares (in '000)	7 637	7 600	7 673	7 569	7 637
<b>Earnings per share (NOK per share)</b>	<b>0,00</b>	<b>0,09</b>	<b>0,00</b>	<b>0,17</b>	<b>2,14</b>

For more information about discontinued business, see note 13.

Weighted average of outstanding diluted shares is weighted number of average shares adjusted with share options. Earnings per share are not affected by the dilution if negative results in the period.

#### 5. Segment information

From 1 January 2010 Navamedic has two reporting segments; Vitaflo Scandinavia and New business. Comparable figures have been developed for years 2010 and 2009. This change in reporting format reflects the change in business profile of the company such as the in-licencing of generics from Aspen.

##### Vitaflo Scandinavia:

Revenues and costs related to the sale of products to wholesalers, retail partner and end-users through Vitaflo Scandinavia AB.

##### New business:

Revenues and costs related to the sale of products to wholesalers and retail partners based on the distribution agreement with Aspen Healthcare. Currently this segment accounts for the costs associated with the marketing authorisations of the in-licenced products from Aspen. Sales are expected to begin in

2011.

Operating segments for the second quarter 2010 compared with the second quarter 2009.

(in NOK '000)	Group		New business		Vitaflo Scandinavia	
	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Revenues	12 669	12 734	-	-	12 669	12 734
<b>Gross Profit</b>	<b>5 681</b>	<b>4 738</b>	-	-	<b>5 681</b>	<b>4 738</b>
<b>Gross margin</b>	<b>45 %</b>	<b>37 %</b>			<b>45 %</b>	<b>37 %</b>
Operating costs	5 339	3 801	792	-	4 547	3 801
Overhead expenses	1 865	3 783	1 119	-	746	3 783
<b>EBITDA</b>	<b>(1 523)</b>	<b>(2 846)</b>	<b>(1 911)</b>	-	<b>388</b>	<b>(2 846)</b>
Depreciation, amortizations, write offs	(1 669)	(2 128)	-	-	(1 669)	(2 128)
<b>EBIT</b>	<b>(3 191)</b>	<b>(4 974)</b>	<b>(1 911)</b>	-	<b>(1 281)</b>	<b>(4 999)</b>

Operating segments for the first half year 2010 compared with the first half year 2009.

(in NOK '000)	Group		New business		Vitaflo Scandinavia	
	YTD 2010	YTD 2009	YTD 2010	YTD 2009	YTD 2010	YTD 2009
Revenues	25 756	24 905	-	-	25 756	24 905
<b>Gross Profit</b>	<b>10 717</b>	<b>10 005</b>	-	-	<b>10 717</b>	<b>10 005</b>
<b>Gross margin</b>	<b>42 %</b>	<b>40 %</b>			<b>42 %</b>	<b>40 %</b>
Operating costs	9 202	7 500	1 096	-	8 106	7 500
Overhead expenses	4 282	5 145	2 569	-	1 713	5 145
<b>EBITDA</b>	<b>(2 767)</b>	<b>(2 640)</b>	<b>(3 665)</b>	-	<b>898</b>	<b>(2 640)</b>
Depreciation, amortizations, write offs	(3 326)	(3 814)	-	-	(3 326)	(3 814)
<b>EBIT</b>	<b>(6 093)</b>	<b>(6 454)</b>	<b>(3 665)</b>	-	<b>(2 428)</b>	<b>(6 454)</b>

Revenues per knowledge area:

(in NOK '000)	Q2 2010	Q2 2009	YTD 2010	YTD 2009	FY 2009
Osteoarthritis	89	153	237	290	585
Medical Nutrition	4 191	5 575	9 974	10 623	22 286
Oral Medicine	1 762	2 224	3 445	4 159	7 902
Female Care	922	686	1 659	1 275	3 251
Dermatology	1 504	1 022	2 733	2 051	3 975
Abuse	1 864	1 859	3 570	3 675	7 169
Gastro	553	513	1 409	1 140	3 082
Neurology	1 032	638	1 811	1 078	2 839
Ophthalmology	1	130	72	260	477
Other	750	(66)	846	354	1 027
<b>Total revenues</b>	<b>12 669</b>	<b>12 734</b>	<b>25 756</b>	<b>24 905</b>	<b>52 593</b>

Revenues are allocated to the region where the customer is domiciled:

(in NOK '000)	Q2 2010	Q2 2009	YTD 2010	YTD 2009	FY 2009
Nordic Countries	11 717	10 732	22 232	20 853	43 671
Rest of EU/EEA	939	2 002	3 344	4 052	8 819
Other	13	-	180	-	103
<b>Total revenues</b>	<b>12 669</b>	<b>12 734</b>	<b>25 756</b>	<b>24 905</b>	<b>52 593</b>

The Company's revenues are not influenced by any cyclicity of operations. The Company is however dependent on obtaining national marketing authorisations in order to be able to launch and sell the Company's product as pharmaceutical products. Timing of such authorisations may be difficult to assess in the various cases and countries, and may lead to some periodical movements or revenues and profits.

## 6. Related party transactions

Navamedic is relying on services provided by third parties, included related 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 Q2 2010, there is no offset of bad debt.

Maturity profile on receivables as per 30 June 2010:

(in NOK '000)	Not due	Less than 3 months	3 to 12 months	Total
Trade receivables	5 731	314	207	6 252
Other receivables	-	907	1 130	2 037
<b>Total receivables</b>	<b>5 731</b>	<b>1 221</b>	<b>1 337</b>	<b>8 289</b>

### Foreign currency risk

Navamedic has transactional currency exposure arising from sales and purchases in currencies other than the functional currencies (NOK and SEK). A large proportion of sales and cost of goods occurs in currencies other than functional currencies. In relation to normal operations, Navamedic has not implemented any hedging strategy to reduce currency risk other than by transferring a larger portion of cost of goods to EUR.

## 8. Intangible assets

Changes in carrying value:

	Q2		YTD		FY
	2010	2009	2010	2009	2009
Carrying value at the beginning of the period	81 980	87 865	81 889	100 511	100 511
Additions	-	-	-	-	-
Amortization in the period	-1 658	-1 664	-3 311	-3 311	-6 623
Exchange differences	1 460	2 559	3 204	-8 440	-11 307
Write down in the period	-	-425	-	-425	-692
<b>Carrying value at the end of the period</b>	<b>81 782</b>	<b>88 335</b>	<b>81 782</b>	<b>88 335</b>	<b>81 889</b>

A MNOK 0.7 write down was made in 2009 on the intangible assets following the termination of the employment with the former executive chairman and the former CEO of Vitaflo Scandinavia AB.

## 9. Tangible assets

Changes in carrying value:

	Q2		YTD		FY
	2010	2009	2010	2009	2009
Carrying value at the beginning of the period	29	155	33	192	192
Additions	62	-	62	-	17
Depreciation in the period	-11	-39	-15	-78	-172
Exchange differences	3	1	3	3	-4
Carrying value at the end of the period	83	117	83	117	33

## 10. Deferred tax and deferred tax assets

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.

The gross movement on the deferred tax assets accounts as follows:

	Q2		YTD		FY
	2010	2009	2010	2009	2009
Carrying value at the beginning of the period	4 358	3 060	3 738	3 060	3 060
Income statement charge	588	-	1 208	-	678
Carrying value at the end of the period	4 946	3 060	4 946	3 060	3 738

The gross movement on the deferred tax accounts as follows:

	Q2		YTD		FY
	2010	2009	2010	2009	2009
Carrying value at the beginning of the period	12 433	14 170	12 563	16 610	16 610
Income statement charge	-431	-552	-862	-980	-2 177
Deferred tax from acquisition			-		-80
Exchange differences	251	441	552	-1 571	-1 790
Carrying value at the end of the period	12 253	14 059	12 253	14 059	12 563

## 11. Share options

Share options are granted to selected employees. 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. 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

The fair value of options granted in Q1 2010 determined using the Black-Sholes valuation model was TNOK 166. The significant inputs into the model were a share price of NOK 7.31 at the grant date, volatility of 70%, dividend yield 0%, an expected option life of 2,75 years and an annual risk free rate of 2.3%.



The fair value of options granted in Q2 2010 determined using the Black-Sholes valuation model was TNOK 78. The significant inputs into the model were a share price of NOK 7.31 at the grant date, volatility of 70%, dividend yield 0%, an expected option life of 2,75 years and an annual risk free rate of 2.3%.

Costs related to the outstanding share options were MNOK 0,1 in Q2 2010 and MNOK 0.1 in the first half year of 2010.

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

Expiry date	Exercise price in NOK per share	Number of shares		
		30.06.2010	30.06.2009	31.12.2009
2010 - 06.03	35,40	-	40 000	20 000
2010 - 18.06	38,80	-	10 000	-
2012 - 04.05	5,40	100 000	-	100 000
2013 - 15.02	7,31	50 000	-	-
2013 - 05.05	6,90	25 000	-	-

## 12. Long term liability

NOK 000	30.06.2010	30.06.2009	31.12.2009
DnB NOR	-	4 000	-
Carrying value at the end of the period	-	4 000	-

During the third quarter 2009, Navamedic repaid the debt to DnB NOR. The company has no interest bearing debt following the repayment.

## 13. Discontinued Operations and sale of Glucomed

On 14 August 2009, Navamedic and Laboratoires Expanscience entered into an Asset Purchase Agreement regarding the pharmaceutical product Glucomed. The sales price was EUR 4.65 million plus a possible earn out given certain achieved sales targets in 2010 to 2013. The earn out will be calculated based on sales of Glucomed from Expanscience to distributors in Europe, outside France and Scandinavia, in 2010 and 2011 and sales of Glucomed from Expanscience to pharmacies in France in 2011, 2012 and 2013. The earn out will be a percentage of achieved sales above certain threshold levels. The possible earn out will be calculated and eventually paid annually.

Assets and operations from the Glucomed business have been classified as Discontinued operations held for sale since 10 November 2008.

All immaterial rights and fixed assets and inventory were transferred to Laboratoires Expanscience with closing date was 3 September 2009.

Profit and loss from Discontinued operations:

<b>PROFIT &amp; LOSS ACCOUNT</b>					
<i>(In NOK '000)</i>					
	<b>Q2 2010</b>	<b>Q2 2009</b>	<b>YTD 2010</b>	<b>YTD 2009</b>	<b>FY 2009</b>
<b>Operating revenues</b>	--	<b>4 192</b>	--	<b>8 272</b>	<b>13 710</b>
Cost of goods sold	--	2 188	--	4 196	14 389
<b>Gross profit</b>	<b>0</b>	<b>2 004</b>	<b>0</b>	<b>4 076</b>	<b>-679</b>
Payroll expense	--	656	--	1 667	4 382
Other operating cost	--	587	--	983	2 559
Other (losses)/gains - net	--	-79	--	(150)	443
<b>Operating costs</b>	<b>0</b>	<b>1 322</b>	<b>0</b>	<b>2 800</b>	<b>6 498</b>
<b>Net profit from sale of assets</b>	--	<b>0</b>	--	-	<b>29 884</b>
<b>EBITDA</b>	<b>0</b>	<b>682</b>	<b>0</b>	<b>1 276</b>	<b>22 707</b>
Depreciation	--	0	--	0	0
Amortization	--	0	--	0	0
Write offs	--	0	--	0	0
<b>OPERATING RESULT (EBIT)</b>	<b>0</b>	<b>682</b>	<b>0</b>	<b>1 276</b>	<b>22 707</b>
<b>Net financial result</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>
<b>ORDINARY PROFIT BEFORE TAXES</b>	<b>0</b>	<b>682</b>	<b>0</b>	<b>1 276</b>	<b>22 707</b>
Tax on ordinary result	--	0	--		-6 358
<b>Net income for the period from discontinuing operations</b>	<b>0</b>	<b>682</b>	<b>0</b>	<b>1 276</b>	<b>16 349</b>

#### 14. 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.

## Responsibility statement

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2010 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 first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Lysaker, 25 August 2010

Johan Reinsli (sign)  
Chairman of the Board

Benedicte H. Fossum (sign)  
Board Member

Grete Hogstad (sign)  
Board Member

Halvor Stenstadvold (sign)  
Board Member

Masha Strømme (sign)  
Board Member

Svein Erik Nicolaysen (sign)  
Board Member

Olof Milveden (sign)  
CEO