

INTERIM FINANCIAL REPORT

3rd Quarter

2010

NAVAMEDIC ASA 27 October 2010



- **On track in developing the Generics Business Area**
 - MNOK 6.4 invested in 2010
 - Regulatory expertise strengthened
 - Moving towards first product launch end of 2011
- **Improved performance in the Vitaflo Scandinavia Business Area**
 - Sales at par with last year
 - Operating costs reduced by 21% in 2010
 - EBITDA improved in Q3; however, reduced gross margin.
 - Product base expanded

Financial results

Navamedic experienced a positive development in the third quarter. While revenues were relatively stable, the Vitaflo Scandinavia Business Area benefitted from a reduced operating costs and ended the quarter with a improvement in EBITDA. The result for the quarter as well as for the first nine months of the year was partly offset by the costs related to the ongoing build-up of Navamedic's new Generics Business Area.

Navamedic's third quarter revenues ended at MNOK 13.7 compared with MNOK 13.9 in the same period of 2009. Revenue year to date ended at MNOK 39. 4 compared to MNOK 38.8 year to date in 2009.

EBITDA reached MNOK -1.7 compared with MNOK 0,4 in the same period of 2009. EBITDA for the first nine months of the year ended at MNOK - 4.5 compared to MNOK -2.2 year to date in 2009.

Net cash derived from operations was MNOK - 3.2 in the third quarter of 2010, compared to MNOK 36.6 in the third quarter of 2009 (Last year cash flow included a NOK 40 million sale of the Company's Glucomed business). Net cash from operations year to date 2010 was MNOK - 6.5 against MNOK 38.7 year to date 2009.

Key financial indicators 2010 vs. 2009

(in NOK '000)	Group		Group		Group
	Q3 2010	Q3 2009	YTD 2010	YTD 2009	FY 2009
Revenues	13 654	13 883	39 410	38 789	52 593
Gross Profit	5 248	5 803	15 965	15 809	20 630
Gross margin	38 %	42 %	41 %	41 %	39 %
EBITDA	-1 722	389	-4 489	-2 231	-2 508
EBIT	-3 389	-1 309	-9 482	-7 977	-9 995

Reporting two business areas

From January 2010 the company provides financial information on two business areas; the Vitaflo Scandinavia Business Area and the Generics Business Area (New business), which is in the process of building up a generic drugs portfolio for the Nordic, Netherland and Belgium markets based on in-licensing of generics from Aspen.

Comparable figures have been developed for 2010 and 2009. The change in reporting format reflects the change in business profile of the company.

Generics Business Area (New business)

Reporting will include revenues and costs related to the sale of products to wholesalers and retail partners based on the distribution agreement with Aspen. Currently this segment accounts for the costs associated with obtaining the marketing authorisations of the in-licence products from Aspen. Sales are expected to commence end of 2011.

Vitaflo Scandinavia Business Area

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

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

(in NOK '000)	Group		New business		Vitaflo Scandinavia	
	Q3 2010	Q3 2009	Q3 2010	Q3 2009	Q3 2010	Q3 2009
Revenues	13 654	13 884	-	-	13 654	13 884
Gross Profit	5 248	5 804	-	-	5 248	5 804
Gross margin	38,4 %	41,8 %			38,4 %	41,8 %
Operating costs	4 716	4 482	466	-	4 250	4 482
Overhead expenses	2 255	933	2 231	-	24	933
EBITDA	(1 722)	389	(2 697)	-	974	389
Depreciation, amortizations, write offs	(1 666)	(1 698)	-	-	(1 666)	(1 698)
EBIT	(3 389)	(1 309)	(2 697)	-	(692)	(1 309)

Revenues in Q3 2010 were in line with Q3 2009. In Q3 2009 IEM revenue in the Netherlands accounted for MNOK 1.5. Due to an agreement with Vitaflo International the corresponding figure Q3 2010 is zero. From September Vitaflo Scandinavia has started sales and marketing of GlaxoSmithKline products from Aspen with a total of MNOK 1.5 in Q3 2010.

Gross margin in the third quarter 2010 was 38% compared to 42% in the third quarter of 2009. The margin decline reflects the composition of products sold in the quarter. Until the portfolio has become larger such fluctuations might occur also in the coming quarters.

EBITDA declined from MNOK 0.4 in the third Quarter of 2009 to –1.7 in the same period in 2010. Factors which should be considered are the ramp-up of activities and costs in the New Business area for anticipated growth. EBITDA in Vitaflo Scandinavia has improved with MNOK 0.6 compared with the same period in 2009.

During the quarter, the company has invested MNOK 2.7 in the Generic Business (New business).

Operating segments for year to date 2010 compared with year to date 2009.

(in NOK '000)	Group		New business		Vitaflo Scandinavia	
	YTD 2010	YTD 2009	YTD 2010	YTD 2009	YTD 2010	YTD 2009
Revenues	39 410	38 789	-	-	39 410	38 789
Gross Profit	15 965	15 809	-	-	15 965	15 809
Gross margin	41 %	41 %			41 %	41 %
Operating costs	13 918	11 962	1 562	-	12 356	11 962
Overhead expenses	6 537	6 078	4 800	-	1 737	6 078
EBITDA	(4 489)	(2 231)	(6 362)	-	1 872	(2 231)
Depreciation, amortizations, write offs	(4 992)	(5 745)	-	(98)	(4 992)	(5 647)
EBIT	(9 482)	(7 976)	(6 362)	(98)	(3 120)	(7 878)

Revenues year to date 2010 were MNOK 39.4 which is 1.6% higher than in year to date 2009. Adjusted for the changes in the Netherlands (see above), year to date revenues in 2010 would have been approximately MNOK 45.

Gross margin is on the same level year to date 2010 as in year to date 2009.

Following increased activities in the new business area the total year to date EBITDA declined from MNOK -2,2 to MNOK -4,5. Due to reduced overhead expenses in Vitaflo Scandinavia year to date EBITDA in Vitaflo Scandinavia improved with more than MNOK 4.1 compared with the same period last year.

So far in 2010 the company has invested MNOK 6.4 in new business.

Operational update; Generics Business Area

Following the sale of the Glucomed product and the ongoing turnaround of the Vitaflo operations, Navamedic has reviewed its strategy and has decided to go forward seeking a leading role in the North European generics market. The Company aims to be among the five leading generics companies in the Nordic region by 2015.

The generics market is still developing, fuelled by regulatory drives for generic substitution. A great number of attractive volume drugs will become available for generic substitution in the next few years. This development represents a high growth market with attractive margins. Navamedic is particularly well suited to take a leading role in this market, the combined generics expertise of Navamedic's executives is unrivalled in Scandinavia.

In February 2010 Navamedic signed an exclusive distribution agreement with the South African pharmaceutical company Aspen Healthcare. The agreement grants Navamedic the right to sell and market selected Aspen products in the Nordic region, Belgium and Netherlands. Aspen is among the global top 20 producers of generic pharmaceuticals and the agreement opens a substantial first mover potential for Navamedic.

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, efficiency 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 at the end of 2011. To strengthen the

regulatory department of the company, Navamedic has employed two experienced regulatory professionals, recruited from Sandoz pharmaceuticals in Germany.

Operational update; Vitaflo Scandinavia Business Area

In the third quarter Vitaflo Scandinavia saw a decline in revenue from medical nutrition as a result of the previously announced agreement with Vitaflo International regarding the Netherlands, with Vitaflo International taking over sales and marketing of the IEM products in the Netherlands from April 2010.

However, the product base was expanded in the third quarter with Vitaflo Scandinavia taking over Scandinavian distribution of eight former GlaxoSmithKline products representing a potential of MNOK 15 million in sales annually.

The product base was further expanded through an agreement with Smartfish for the distribution of nutraceutical drinks in Sweden, Denmark and Finland effective from September. Also, an agreement for the distribution of the KidNaps melatonin drug for children became effective from October.

Revenues per knowledge area:

(in MNOK)	Q3 2010	Q3 2009	YTD 2010	YTD 2009	FY 2009
Osteoarthritis	0,1	0,2	0,4	0,5	0,6
Medical Nutrition	3,8	5,6	13,8	16,2	22,3
Oral Medicine	1,8	2,0	5,2	6,2	7,9
Female Care	0,8	1,3	2,5	2,6	3,3
Dermatology	0,8	1,0	3,5	3,1	4,0
Abuse	2,1	1,7	5,7	5,4	7,2
Gastro	0,8	0,9	2,2	2,0	3,1
Oncology (Glaxo)	1,5	-	1,5	-	-
Neurology	1,0	0,8	2,9	1,9	2,8
Oftalmology	-	0,1	0,1	0,3	0,5
Other	0,9	0,3	1,7	0,7	1,0
Total revenues	13,7	13,9	39,4	38,8	52,6

Balance Sheet and Cash Flow

At end of September 2010, Navamedic held cash and cash equivalents of MNOK 21.0.

Net cash flow from operations during the third quarter 2010 was MNOK -3,2, compared with MNOK 36.6 the third quarter 2009. Net change in cash during Q3 2010 was MNOK -2.7. Net cash flow year to date 2010 was MNOK -14.7 million. The cash flow reflects the EBITDA in the period, changes in the working capital and the dividend payment (MNOK 7.5 dividend payment during the first quarter).

Outlook

The positive results development in the Vitaflo Scandinavia Business Area is expected to be upheld going forward. The business area will benefit from a reduced cost base, while the expansion of the company's product line is expected to increase sales volumes. The management will continue to focus on growing volumes.

Navamedic will move forward in developing its new Generics Business Area. The company has an attractive pipeline of generic product candidates and will seek to prepare and launch these products as

patents for the original drugs expire. The company's target is to have more than 15 generic products in the market by the end of 2013, with the first product expected to be launched towards the end of 2011.

The combined business model enables Navamedic to partly finance the development of its generics business from the positive cash flow of the Vitaflo Scandinavia business.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

PROFIT AND LOSS

(In NOK '000)	Note	Q3 2010	Q3 2009	YTD 2010	YTD 2009	FY 2009
Operating revenues	5	13 654	13 883	39 410	38 789	52 593
Cost of goods sold		8 406	8 080	23 445	22 980	31 963
Gross profit		5 248	5 803	15 965	15 809	20 630
Payroll expense		2 755	2 042	8 700	7 072	10 541
Other operating cost		4 862	3 522	13 017	11 253	13 312
Other (losses)/gains - net		-646	-150	-1 262	-285	-715
Operating costs		6 970	5 414	20 454	18 040	23 138
EBITDA		-1 722	389	-4 489	-2 231	-2 508
Depreciation	9	7	40	22	118	172
Amortization	8	1 659	1 658	4 970	5 203	6 623
Write offs	8	-	-	-	425	692
OPERATING RESULT (EBIT)		-3 389	-1 309	-9 482	-7 977	-9 995
Financial income and expenses						
Financial income		-	-	-	274	90
Other financial income		8	-	50	-	302
Financial expenses		-	-389	-4	-852	-688
Other financial expenses		-180	-1 438	-363	-1 438	-1 626
Net financial result		-173	-1 827	-318	-2 016	-1 922
PROFIT BEFORE TAXES		-3 561	-3 136	-9 799	-9 993	-11 917
Tax on profit		996	149	2 757	661	8 384
continuing operations		-2 566	-2 987	-7 043	-9 332	-3 533
from discontinued operations	13	-	18 371	-	19 647	16 349
Net profit in the period		-2 566	15 384	-7 043	10 315	12 816
Other comprehensive income		Q3 2010	Q3 2009	YTD 2010	YTD 2009	FY 2009
Profit for the year		-2 566	15 384	-7 043	10 315	12 816
Currency translations differences		4 128	2 805	7 310	-8 129	-11 150
Total comprehensive income for the period		1 563	18 189	268	2 186	1 666

BALANCE SHEET

<i>(In NOK '000)</i>	Note	30.09.2010	30.09.2009	31.12.2009
Fixed and Intangible Assets				
Intangible assets	8	84 234	85 587	81 889
Deferred tax assets	10	5 553	0	3 738
Tangible assets	9	79	88	33
Investments in shares		-	-	-
Total fixed and intangible assets		89 865	85 675	85 660
Current Assets				
Inventories		9 766	7 665	7 986
Short term receivables	7	9 186	9 721	7 237
Cash at hand, in banks		21 010	37 382	35 668
Discontinued operations classified as held for sale	13	-	-	-
Total current assets		39 962	54 768	50 891
Total assets		129 827	140 443	136 551
Shareholders equity and liabilities				
Shareholders equity				
Paid in capital		128 853	128 476	128 786
Other reserves		-24 271	-16 943	-17 002
Total equity	4,11	104 582	111 533	111 784
Debt				
Deferred tax	10	12 531	13 415	12 563
Long term debt to financial institutions	12	-	-	-
Total long term debt		12 531	13 415	12 563
Trade debtors		10 933	8 023	7 391
Interest-bearing short term debt	12	-	-	-
Received license fees from customers		-	-	-
Other short term debt		1 781	7 472	4 813
Total short term debt		12 714	15 495	12 204
Total debt		25 245	28 910	24 767
Total shareholders equity and liabilities		129 827	140 443	136 551

CHANGES IN SHAREHOLDERS EQUITY

<i>(In NOK '000)</i>	Note	Paid in capital	Other paid in capital/ reserves	Translation differences	Retained earnings
Balance at 31 December 2008		128 912	-362	7 987	-26 293
Balance at 1. January 2009		128 912	-362	7 987	-26 293
Issue of shares, net of share issue cost		-	-		-
Issue of not yet registered shares, net of share issue cost		-			
Conversion of debt		-			
Share option scheme		-126	-	-	-
Gains and Losses on Currency Outright Agreements		-	-	-	-
Translation difference		-	-	-11 150	-
Net profit of the period		-	-		12 816
Balance at 31 December 2009		128 786	-362	-3 163	-13 477
Balance at 31 December 2008		128 786	-362	-3 163	-13 477
Balance at 1 January 2010		128 786	-362	-3 163	-13 477
Paid out dividend		-	-		-7 537
Share option scheme	11	67	-	-	-
Translation difference		-	-	7 310	-
Net profit of the period		-	-	-	-7 043
Balance at 30 September 2010		128 853	-362	4 147	-28 057

CASH FLOW

(In NOK '000)	Q3 2010	Q3 2009	YTD 2010	YTD 2009	FY 2009
Profit before taxes, continued operations	-3 562	-3 136	-9 800	-9 993	-11 917
Profit before tax, discontinued operations (note 13)	-	21 431	-	22 707	22 707
Net profit from sold assets	-	-29 884	-	-29 884	-29 884
Depreciation, Amortization and Write Off from continued operations	1 666	1 698	4 992	5 746	7 487
Depreciation, Amortization and Write Off from discontinued operations (note 13)	-	-	-	-	-
Write down of inventory	-	9 500	-	9 500	9 500
Net cash from assets sold	-	40 083	-	40 083	-
Share options	-	20	68	-63	126
Net financials	28	1 827	173	2 016	1 922
Changes in working capital	-1 322	-4 948	-1 915	-1 420	723
Net changes from assets sold	-	-	-	-	-
Cash flow from operations	-3 189	36 591	-6 481	38 692	664
Net financials	-28	-1 827	-173	-2 016	-1 082
Taxes paid	21	-348	-1 311	-921	-1 228
Net cash flow from operations	-3 196	34 416	-7 965	35 755	-1 646
Cash flow from investments					
Net cash from assets sold	-	-	-	-	38 389
Purchase of tangible assets	-	-11	-62	-83	-17
Purchase of intangible assets	-	-	-	-102	-
Purchase of tangible assets, discontinued operations	-	-	-	-	-
Purchase of intangible assets, discontinued operations	-	-	-	-	-
Interest paid in	-	-	-	-	89
Net cash flow from investments	-	-11	-62	-185	38 461
Cash flow from financial activities					
Changes in currency	511	-	907	-	-1 521
Write off financial assets	-	1 438	-	1 438	-
Dividend paid out	-	-	-7 537	-	-
Borrowing from financial institutions	-	-12 000	-	-16 000	-16 000
Net cash flow from financial activities	511	-10 562	-6 630	-14 562	-17 521
Net change in cash during the period	-2 685	23 844	-14 657	21 008	19 294
Cash and cash equivalents at the beginning of the period	23 696	13 538	35 668	16 374	16 374
Cash and cash equivalents at the end of the period	21 011	37 382	21 011	37 382	35 668

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:

	Q3 2010	Q3 2009	YTD 2010	YTD 2009	FY 2009
Result allocated to shareholders (in NOK '000)	(2 566)	(2 987)	(7 043)	(9 332)	(3 533)
Weighted average of outstanding shares (in '000)	7 537	7 537	7 537	7 537	7 537
Earnings per share (NOK per share)	-0,34	-0,40	-0,93	-1,24	-0,47
Diluted earnings per share:					
	Q3 2010	Q3 2009	YTD 2010	YTD 2009	FY 2009
Result allocated to shareholders (in NOK '000)	(2 566)	(2 987)	(7 043)	(9 332)	(3 533)
Weighted average of outstanding shares (in '000)	7 637	7 637	7 673	7 592	7 637
Earnings per share (NOK per share)	-0,34	-0,39	-0,92	-1,23	-0,47

Earnings per share discontinued operations:

Discontinued operations					
	Q3 2010	Q3 2009	YTD 2010	YTD 2009	FY 2009
Result allocated to shareholders (in NOK '000)	-	18 371		19 647	16 349
Weighted average of outstanding shares (in '000)	7 537	7 537	7 537	7 537	7 537
Earnings per share (NOK per share)	0,00	2,44	0,00	2,61	2,17
Diluted earnings per share:					
	Q3 2010	Q3 2009	YTD 2010	YTD 2009	FY 2009
Result allocated to shareholders (in NOK '000)	-	18 371	-	19 647	16 349
Weighted average of outstanding shares (in '000)	7 637	7 637	7 673	7 592	7 637
Earnings per share (NOK per share)	0,00	2,41	0,00	2,59	2,14

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-licensing 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-licence products from Aspen. Sales are expected to begin in 2011.

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

(in NOK '000)	Group		New business		Vitaflo Scandinavia	
	Q3 2010	Q3 2009	Q3 2010	Q3 2009	Q3 2010	Q3 2009
Revenues	13 654	13 884	-	-	13 654	13 884
Gross Profit	5 248	5 804	-	-	5 248	5 804
Gross margin	38 %	42 %			38 %	42 %
Operating costs	4 716	4 482	466	-	4 250	4 482
Overhead expenses	2 255	933	2 231	-	24	933
EBITDA	(1 722)	389	(2 697)	-	974	389
Depreciation, amortizations, write offs	(1 666)	(1 698)	-	-	(1 666)	(1 698)
EBIT	(3 389)	(1 309)	(2 697)	-	(692)	(1 309)

Operating segments year to date 2010 compared with the year to date 2009.

(in MNOK)	Group		New business		Vitaflo Scandinavia	
	YTD 2010	YTD 2009	YTD 2010	YTD 2009	YTD 2010	YTD 2009
Revenues	39,4	38,8	-	-	39,4	38,8
Gross Profit	16,0	15,8	-	-	16,0	15,8
Gross margin	41 %	41 %			41 %	41 %
Operating costs	13,9	12,0	1,6	-	12,4	12,0
Overhead expenses	6,5	6,1	4,8	-	1,7	6,1
EBITDA	(4,5)	(2,2)	(6,4)	-	1,9	(2,2)
Depreciation, amortizations, write offs	(5,0)	(5,7)	-	-	(5,0)	(5,6)
EBIT	(9,5)	(8,0)	(6,4)	(0,1)	(3,1)	(7,9)

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

(in NOK '000)	Q3 2010	Q3 2009	YTD 2010	YTD 2009	FY 2009
Nordic Countries	12 632	11 577	34 864	32 431	43 671
Rest of EU/EEA	1 023	2 252	4 367	6 304	8 819
Other		54	180	54	103
Total revenues	13 655	13 883	39 411	38 789	52 593

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 September 2010:

NOK 1000	Not due	Less than 3 months	3 to 12 months	Total
Trade receivables	5 577	1 338	828	7 743
Other receivables	1 443	-	-	1 443
Total receivables	7 020	1 338	828	9 186

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:

NOK 1000	2010	2009	2010	2009	2009
Carrying value at the beginning of the period	81 782	88 335	81 889	100 511	100 511
Additions	-	-	-	-	-
Amortization in the period	-1 659	-1 658	-4 970	-5 203	-6 623
Exchange differences	4 111	-1 090	7 315	-9 296	-11 307
Write down in the period	-	-	-	-425	-692
Transfer to discontinued business	-	-	-	-	-
Carrying value at the end of the period	84 234	85 587	84 234	85 587	81 889

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:

NOK 1000	Q3		YTD		FY
	2010	2009	2010	2009	2009
Carrying value at the beginning of the period	83	117	33	192	192
Additions	-	11	62	11	17
Assets sold	-	-	-	-	-
Transfer to discontinued operations (note 15)	-	-	-	-	-
Depreciation in the period	-7	-40	-22	-118	-172
Exchange differences	3	-	6	3	-4
Write off in the period	-	-	-	-	-
Carrying value at the end of the period	79	88	79	88	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:

	Q3		YTD		FY
	2010	2009	2010	2009	2009
Carrying value at the beginning of the period	4 976	3 060	3 738	3 060	3 060
Income statement charge	577	-3 060	1 815	-3 060	678
Exchange differences	-	-	-	-	-
Asset sold	-	-	-	-	-
Carrying value at the end of the period	5 553	-	5 553	-	3 738

The gross movement on the deferred tax accounts as follows:

	Q3		YTD		FY
	2010	2009	2010	2009	2009
Carrying value at the beginning of the period	12 253	14 170	12 563	16 610	16 610
Income statement charge	-430	-430	-1 292	-1 476	-2 167
Deferred tax from acquisition			-		
Exchange differences	708	-325	1 260	-1 719	-1 790
Carrying value at the end of the period	12 531	13 415	12 531	13 415	12 653

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		
		30.09.2010	30.09.2009	31.12.2009
2010 - 06.03	35,40	-	20 000	20 000
2010 - 18.06	38,80	-	-	-
2012 - 04.05	5,40	100 000	100 000	100 000
2013 - 15.02	7,31	50 000	-	-
2013 - 05.05	6,90	25 000	-	-

12. Long term liability

NOK 000	30.09.2010	30.09.2010	31.12.2009
DnB NOR	-	-	-
Carrying value at the end of the period	-	-	-

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:

PROFIT & LOSS ACCOUNT								
<i>(In NOK '000)</i>			Q3	Q3	YTD	YTD	YTD	FY
			2010	2009	2010		2009	2009
Operating revenues			--	5 438	--		13 710	13 710
Cost of goods sold			--	10 193	--		14 389	14 389
Gross profit			0	-4 755	0		-679	-679
Payroll expense			--	2 715	--		4 382	4 382
Other operating cost			--	1 576	--		2 559	2 559
Other (losses)/gains - net			--	593	--		443	443
Operating costs			0	3 698	0		6 498	6 498
Net profit from sale of assets			--	29 884	--		29 884	29 884
EBITDA			0	21 431	0		22 707	22 707
Depreciation			--	0	--		0	0
Amortization			--	0	--		0	0
Write offs			--	0	--		0	0
OPERATING RESULT (EBIT)			0	21 431	0		22 707	22 707
Net financial result			0	0	0			0
ORDINARY PROFIT BEFORE TAXES			0	21 431	0		22 707	22 707
Tax on ordinary result			--	-3 060	--		-3 060	-6 358
Net income for the period from discontinuing operations			0	18 371	0		19 647	16 349

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, 27 October 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