



Quarterly report

3rd Quarter 2013



Highlights

- Strong sales growth continues; 78 per cent growth in Q3
- Key product agreements extended
- Product roll-out continues; 14 new pharma products launched YTD
- Inventory build-up period completed

Key figures

(NOK mill)	Q3 2013	Q3 2012	YTD 2013	YTD 2012
Operating revenues	36,7	20,6	108,9	63,9
Gross profit	11,0	8,9	34,4	26,4
EBITDA*	0,8	0,6	5,1	1,1
Net profit	-0,9	-1,5	0,0	-2,9

Gross margin (%)	30,1 %	43,3 %	31,6 %	41,3 %
EBITDA Margin (%)	2,2 %	2,8 %	4,7 %	1,7 %

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

Financial results

Navamedic's strong sales growth continues. Sales in the third quarter 2013 increased by 78 per cent compared to the corresponding quarter last year. The EBITDA remained positive, however margins were under pressure in the third quarter. EBITDA year to date have increased by 4 million compared to the first nine months last year.

Revenues for the third quarter were NOK 36.7 million, compared to NOK 20.6 million in the third 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 Benelux market earlier in the year.

Navamedic's gross margin was 30 per cent in the third quarter 2013, down from 43 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 is therefore in line with expectations. To be a more attractive supplier the company has accepted a reduced gross margin for a period, allowing time to build a broader product line.

Navamedic's operating costs were NOK 10.2 million in the 2013 third quarter, compared to NOK 8.3 million in the corresponding quarter of 2012. The increased operating expenses reflect a growing organisation. However, Navamedic's scalable business model was again demonstrated in the third quarter. Sales grew by 78 per cent, whereas operating expenses increased by 23 per cent. Currency effects account for 0.2 million of the increase in operating costs.

EBITDA for the third quarter 2013 came in at NOK 0.8 million, compared to NOK 0.6 million last year. Navamedic's EBITDA margin in the third quarter 2013 was 2.2 per cent, compared to 2.8 per cent the same period last year.

The Company's net result for the third quarter 2013 ended at NOK -0.9 million, compared to NOK -1.5 million last year.

Navamedic's revenues for the first nine months of 2013 were NOK 108.9 million, up from 63.9 in the first nine months in 2012. This represents a sales growth of 70 per cent.

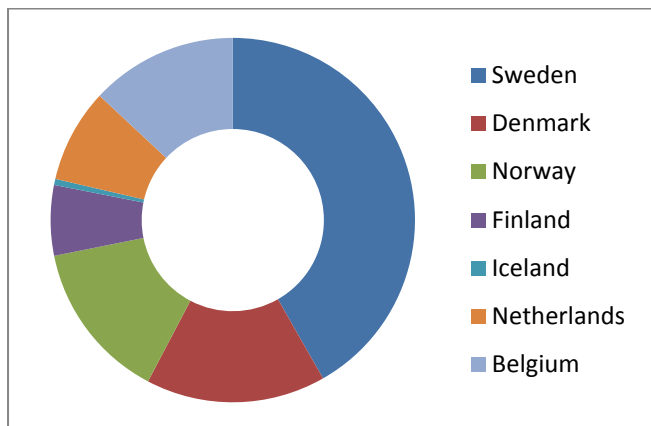
The Company's gross margin ended at 32 per cent for the first nine months of 2013. Last year's gross margin was 41 per cent. Navamedic's EBITDA for the first nine months improved from NOK 1.1 million in 2012 to NOK 5.1 million in 2013, including a NOK 2.6 million payment from the earn-out agreement established when Navamedic sold its Glucomed business in 2009. The Group's net profit for the first nine months ended at NOK 0.0 million, compared to NOK -2.9 million in the corresponding period of 2012.

Navamedic experienced a negative cash flow from operations of NOK -7.2 million in the third quarter, compared to a positive cash flow from operations of NOK 0.3 million in the same quarter last year.

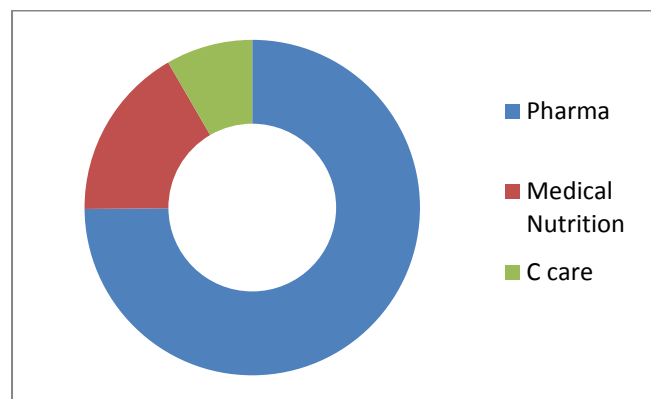
Navamedic's cash flow during 2013 is heavily influenced by the build-up of inventory related to the Company's expanding product portfolio. In the first nine months Navamedic used a total of NOK 32.1 million on inventory build-up and another NOK 1.9 on investments in new products. Exclusive of inventory build-up and investments, Navamedic had a positive cash flow in the first nine months of 2013. The intensive inventory build-up phase is now completed.

Navamedic's cash holdings were reduced in the third quarter and ended at 4.4 million. The company will not need additional capital injection under its current business plan.

Sweden was Navamedic's largest geographical market also in the third quarter 2013, representing 41 per cent of the Company's total sales. Following the successful introduction in the Benelux markets earlier in the year, these markets represented 23 per cent of third quarter sales. Navamedic is now well established in all its defined geographical markets. The wide geographical representation and the broad product range have significantly reduced the operational risk of the company.



The composition of Navamedic's three business segments remained stable in the third quarter, with the Pharma segment remaining the dominant segment.



Operational update

Pharma

Pharmaceutical products and devices are Navamedic's largest business segment, representing 75 per cent of the Company's total sales.

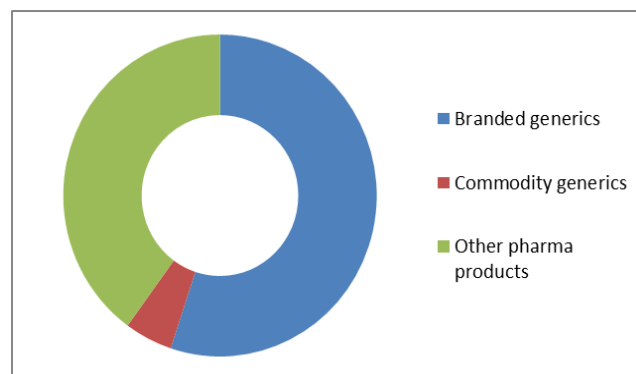
The pharma portfolio includes several categories of generic pharmaceuticals, sold to hospitals as well as through pharmacies, and medical devices. The business segment is exposed to a variety of purchasing regimes, where the market conditions are subject to various product category business practices and different national regulations.

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 pharma product portfolio can be divided into three main categories:

- **Branded generics:** pharmaceuticals marketed under brand names rather than under the name of the molecule. This can also be the original drug re-launched as a generic.
- **Commodity generics:** pharmaceutical products which have been launched after the expiry of the original product patent, often with a generic name.
- **Other pharma products:** a variety of drugs and devices marketed by Navamedic on the basis of an agreement with a manufacturer.



Navamedic's roll-out of pharmaceutical products has gained momentum in 2013. So far this year, a total of 14 new products have had their initial launch. Two of these products were launched in the third quarter. Furthermore, Navamedic has succeeded in maintaining the position established in the Benelux markets earlier this year.

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

Navamedic's product pipeline was further reinforced in the third quarter. The cooperation with the company's main manufacturers continued to develop positively. The distribution agreement for one of the Company's key products, Uracyst, was extended in the third quarter.

Navamedic is preparing the launch of several new products in the coming months. Sufficient cash to support current business plan going forward

The Pharma business segment had revenues of NOK 27.5 million in the third quarter 2013, compared to NOK 11.5 million in the same period of 2012, a growth of almost 140

per cent. EBITDA for the quarter reached NOK 0.2 million, which is at par with the same period last year.

Pharma sales and profit

(NOK mill)	Q3 13	Q3 12	YTD 13	YTD 12
Income	27,5	11,5	81,5	38,2
EBITDA	0,2	0,2	1,5	0,4
EBITDA margin (%)	0,6 %	1,7 %	1,8 %	1,0 %

Medical Nutrition

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 Nestlé) for the Nordic Region.

As stated in the Q2 report Navamedic has in the third quarter extended its agreement with UK based Vitaflo International for a five year period. The agreement secures the supply of products in Navamedic's Medical Nutrition business segment.

Medical Nutrition saw a sales growth in the third quarter, mainly due to the introduction of the medical nutrition product line in Finland and the launch of two new products in the beginning of the year. More products are planned for launch in the beginning of 2014.

Year to date, sales in the business segment grew by 23 per cent. Reimbursement of several medical nutrition products have now been approved in key markets, and this is expected to drive further sales growth.

The business segment had revenues of NOK 5.8 million in the third quarter, compared to NOK 5.6 million in the corresponding quarter of 2012. EBITDA for the third quarter ended at NOK 0.4 million, which is a slight improvement the same quarter the previous year. The Medical Nutrition business segment had an EBITA margin of more than 6 per cent in the third quarter.

Medical Nutrition sales and profit

Q3 13	Q3 13	Q3 12	YTD 13	YTD 12
Income	5,8	5,6	18,2	14,8
EBITDA	0,4	0,3	1,1	0,6
EBITDA margin (%)	6,1 %	5,1 %	5,8 %	3,9 %

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 brands.

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

Revenues for the business segment in the third quarter were NOK 3.4 million, compared to NOK 3.5 million the third quarter of 2012. EBITDA ended at NOK 0.1 million, at par with third quarter 2012.

Consumer care sales and profit

Q3 13	Q3 13	Q3 12	YTD 13	YTD 12
Income	3,4	3,5	9,1	10,9
EBITDA	0,1	0,1	-0,3	0,1
EBITDA margin (%)	3,2 %	2,3 %	-3,2 %	0,7 %

Financial situation

Due to inventory build-up the company experienced a negative cash flow from operations in the third quarter. For the first nine months of 2013 the cash flow from operations was NOK -14.6 million, against NOK -3.2 million in the same period last year.

Overall cash flow is positive with NOK 0.7 for the first nine months of 2013. Navamedic's cash reserve was NOK 4.4 million at the end of the quarter.

Strong sales growth increased Navamedic's short term receivables from NOK 15.8 million at the end of third quarter last year to NOK 36.6 million this year.

Following increased sales volumes, Navamedic's short term debt grew from NOK 24.8 million at the end of third quarter 2012 to NOK 70.8 this year. The short term debt included NOK 16.2 million in bank debt.

In preparation for growing sales volumes, Navamedic has been building up inventory also in the third quarter 2013. At the end of the quarter, inventory stood at NOK 45.6 million, which is NOK 4.9 million more than at the end of the second quarter and NOK 31.1 million more than at the end of last year's third quarter.

Navamedic's total balance has increased from NOK 134.2 million last year to NOK 184.8 at the end of the third quarter 2013. Navamedic's equity ratio at the end of the third quarter was 57 per cent, down from 74 per cent one year earlier, but at par with the previous quarter.

Outlook

Navamedic expects to continue its sales growth of health care products in the time ahead. The markets have responded well to the Company's product introductions, and Navamedic has succeeded in establishing market positions in all of its defined markets.

Navamedic's business model is highly scalable. The current organisation has the capacity to serve considerably larger volumes without significant increases in operating costs. Navamedic's EBITDA margin is expected to improve as the Company's grows further.

The Company's intensive build-up of inventory has had significant impact on the cash flow during recent months. As Navamedic moves forward, less cash is needed on restocking inventory. Short term debt is not expected to grow significantly in the next quarter.

The Company expect to reach a positive net result in the fourth quarter 2013 and thereby restate the annual target of a positive net result.

Consolidated Statement of Profit or Loss

<i>(In NOK '000)</i>	Q3 2013	Q3 2012	YTD 2013	YTD 2012	FY 2012
Operating revenues	36 722	20 571	108 852	63 860	88 684
Cost of goods sold	25 686	11 658	74 404	37 470	51 169
Gross profit	11 035	8 913	34 448	26 391	37 515
	30,1 %	43,3 %	31,6 %	41,3 %	42,3 %
Other revenues	-	-	2 631	-	-
Payroll expense	4 827	4 687	15 669	13 495	18 134
Other operating cost	5 158	4 005	15 683	12 444	17 279
Other (losses)/gains - net	230	-349	603	-614	97
Operating costs	10 215	8 343	31 955	25 325	35 510
EBITDA	821	570	5 124	1 065	2 005
Depreciation	7	5	23	15	19
Amortization	2 035	1 553	5 156	4 660	6 213
Write offs	-	-	-	-	-
OPERATING RESULT (EBIT)	-1 221	-988	-55	-3 609	-4 227
Financial income and expenses					
Financial income	53	11	284	428	697
Other financial income	-	-	-	-	-
Financial expenses	-	-	-4	-4	-4
Other financial expenses	-307	-363	-971	-940	-1 470
Net financial result	-254	-352	-692	-516	-778
ORDINARY RESULT BEFORE TAX	-1 476	-1 340	-747	-4 125	-5 004
Tax on ordinary result	540	-115	716	1 242	1 749
NET PROFIT	-936	-1 455	-31	-2 883	-3 255

Consolidated Statement of Financial Position

<i>(In NOK '000)</i>	30 September 2013	30 September 2012	31 December 2012
Fixed and Intangible Assets			
Fixed Assets			
Intangible assets	85 907	87 684	81 202
Deferred tax assets	12 285	11 615	10 953
Tangible assets	18	35	30
Non-current assets	98 210	99 334	92 185
Inventories	45 593	14 432	13 490
Short term receivables	36 642	15 769	24 452
Cash at hand, in banks	4 373	4 675	3 624
Currant assets	86 608	34 876	41 566
Total assets	184 819	134 210	133 751
Equity and liabilities capital and reserves			
Paid in capital	137 956	137 956	137 956
Other reserves	-32 497	-37 987	-40 839
Total equity	105 459	99 969	97 116
Liabilities			
Deferred tax	8 521	9 485	8 519
Non-currant liabilities	8 521	9 485	8 519
Trade account payables	42 867	12 769	17 392
Short term debt to Financial Instututions	16 264	-	-
Other short term debt	11 708	11 986	10 723
Currant liabilities	70 839	24 755	28 115
Total liabilities	79 360	34 241	36 634
Total shareholders equity and liabilities	184 819	134 210	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	538	-	-	-	538
Translation difference	-	-	7 834	-	7 834
Net profit of the period	-	-	-	-31	-31
Balance at end period	138 762	-362	9 704	-42 646	105 458

Consolidated Statement of Cash Flow

<i>(In NOK '000)</i>	Q3 2013	Q3 2012	YTD 2013	YTD 2012
Profit (loss) before tax	-1 476	-1 340	-747	-4 125
Taxes paid	-456	-217	-2 036	-586
Depreciation	2 042	1 558	5 179	4 674
Changes in inventory	-4 859	408	-32 103	2 994
Changes in receivables	-853	2 174	-10 771	-3 930
Changes in payables	-710	-3 650	25 475	-3 499
Changes in other current items	-856	1 399	385	1 259
Net cash flow from operations	-7 168	332	-14 618	-3 213
Cash flow from investments				
Purchase/disposal of intangible assets	0	-58	-1 900	-772
Net cash flow from investments	0	-58	-1 900	-772
Cash flow from financing				
Short term debt to Financial Institutions	6 018	0	16 264	0
Share capital	173	-147	538	9 103
Net cash flow from financial activities	6 191	-147	16 802	9 103
Changes in currency	239	147	465	163
Net change in cash	-738	274	749	5 281
Cash and cash equivalents start period	5 112	4 400	3 624	-607
Cash and cash equivalents end period	4 373	4 674	4 373	4 674

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

	Q3 2013	Q3 2012	YTD 2013	YTD 2012	FY 2012
Result allocated to shareholders (in NOK '000)	(936)	(1 455)	(31)	(2 883)	(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)	-0,11	-0,18	0,00	-0,35	-0,42
Diluted earnings per share:					
	Q3 2013	Q3 2012	YTD 2013	YTD 2012	FY 2012
Result allocated to shareholders (in NOK '000)	(936)	(1 455)	(31)	(2 883)	(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)	-0,11	-0,17	0,00	-0,34	-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 earnings 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 medicin 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 Q3 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	16 415	10 118	1 501	28 033
Other receivables	2 527		6 083	8 610
Total receivables	18 942	10 118	7 584	36 643

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	Q3 2013	Q3 2012	YTD 2013	YTD 2012
Carrying value at the beginning of the period	21	40	30	54
Depreciation in the period	-7	-5	-23	-15
Exchange differences	4	-	11	-4
Carrying value at the end of the period	18	35	18	35

9. Intangible assets

NOK 1000	Q3 2013	Q3 2012	YTD 2013	YTD 2012
Carrying value at the beginning of the period	83 014	87 613	81 202	91 336
Additions/disposal (-)	-	58	1 909	772
Amortization in the period	-2 035	-1 553	-5 156	-4 660
Exchange differences	4 929	1 566	7 953	236
Carrying value at the end of the period	85 908	87 684	85 907	87 684

10. Deferred tax and deferred tax assets

Defferd Tax Assets

NOK 1000	Q3 2013	Q3 2012	YTD 2013	YTD 2012
Carrying value at the beginning of the period	11 705	11 039	10 953	9 317
Income statement charge	580	576	1 332	2 298
Carrying value at the end of the period	12 285	11 615	12 285	11 615

Defferd Tax

NOK 1000	Q3 2013	Q3 2012	YTD 2013	YTD 2012
Carrying value at the beginning of the period	8 585	9 638	8 519	10 736
Income statement charge	-424	-431	-1 242	-1 292
Exchange differences	360	278	1 244	41
Carrying value at the end of the period	8 521	9 485	8 521	9 485

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 Vitaflo AB was granted 20,000 share options with an exercise price of NOK 7.00 per share. The CFO and the general manager, has on 25 September 2013 exercised these 50,000 stock options and bought 50,000 new shares in Navamedic ASA.

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:

Opsjoner	Price	2 013	2 012
May, 2012	5,4	-	100 000
February, 2013	7,3	-	50 000
May, 2013	6,9		25 000
September, 2013	6,9	50 000	50 000
January, 2013	9,5	30 000	30 000
February, 2014	11,0	20 000	20 000
February, 2014	13,5	12 500	12 500
June, 2014	12,0	12 500	12 500
Total share options outstanding		125 000	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 16.3 million was utilized at the end of the third 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

Håkan Josephsson, interim CEO, has on 25 September 2013 exercised 20 000 stock options at an average price of NOK 7. At the same day CFO Bjørn Lindholt has exercised 30 000 stock options at an average price of NOK 7. Total proceeds from these transaction is NOK 350,000

