

# **INTERIM FINANCIAL REPORT**

## **4th Quarter 2012**

**NAVAMEDIC ASA 14 February 2013**



## Highlights

- ▶ All time high quarter and full year
    - 29 per cent sales growth in Q4
    - 24 per cent full year sales growth
  - ▶ Product portfolio further expanded
    - 85 products in the market at year-end
  - ▶ Generics roll-out continues
    - New products launched in 2012 and beginning of 2013
    - Platform established for additional rollouts during 2013 and 2014
- 

## Financial results

### Key financial indicators 2012 vs. 2011

(in MNOK)	Group		Group	
	Q4 2012	Q4 2011	FY 2012	FY 2011
Revenues	24,8	19,3	88,7	71,3
Gross Profit	11,1	8,3	37,5	29,3
Gross margin	45 %	43 %	42 %	41 %
EBITDA	0,9	0,3	2,0	-2,6
EBIT	-0,6	-1,3	-4,2	-9,4

Navamedic's sales growth continued also in the fourth quarter of 2012. The quarter saw a sales growth of 29 per cent compared to the same period last year, while revenues grew by 24 per cent for the full year. For the fifth consecutive quarter Navamedic's EBITDA was positive, resulting in the Company's first full year with a positive EBITDA.

The development in the fourth quarter confirms that Navamedic's strategy to grow its distribution business while expanding into selected segments of generic pharmaceuticals, is successful.

For the fourth quarter 2012 Navamedic had revenues of NOK 24.8 million compared to NOK 19.3 million in the same period of 2011. The positive sales development is caused both by volume growth and successful price increases in certain segments.

EBITDA for the fourth quarter reached NOK 0.9 million, compared to NOK -0.3 million in 2011. The results for the fourth quarter include NOK 2.7 million of operating expenses and developing costs in the Generic Business Area. The result included negative currency exchange rate effects of NOK 0.7 million.

For the full year, sales grew from NOK 71.3 million in 2011 to NOK 88.7 million in 2012.

The Company's gross margin ended at 42.3 per cent for the year, which is higher than last year's gross margin of 41.1 per cent. Following increased revenues and higher gross margin, Navamedic's EBITDA improved from NOK -2.6 million in 2011 to NOK 2.0 million in 2012.

The Group's net profit for the year ended at NOK -3.6 million, compared to NOK -7.2 million in 2011.

Net cash flow from operations year to date in 2012 was NOK -6.8 million, against NOK -1.1 million last year. Total change in net cash for the year 2012 was NOK 4.2 million (including a NOK 9.1 million equity issue) compared to NOK -14.7 million last year.

### **Business Areas, Q4 2012 vs Q4 2011**

(in NOK '000)	Group		Generics		Vitaflor Scandinavia	
	Q4 2012	Q4 2011	Q4 2012	Q4 2011	Q4 2012	Q4 2011
Revenues	24 824	19 207	90	100	24 734	19 107
<b>Gross Profit</b>	<b>11 125</b>	<b>8 268</b>	<b>18</b>	<b>20</b>	<b>11 107</b>	<b>8 248</b>
<b>Gross margin</b>	<b>45 %</b>	<b>43 %</b>	<b>0 %</b>	<b>0 %</b>	<b>44,9 %</b>	<b>43 %</b>
Operating costs	10 184	7 966	2 801	1 571	7 383	6 395
<b>EBITDA</b>	<b>940</b>	<b>302</b>	<b>(2 783)</b>	<b>(1 551)</b>	<b>3 724</b>	<b>1 853</b>
Depreciation, amortizations, write offs	(1 558)	(1 629)	-	-	(1 558)	(1 629)
<b>EBIT</b>	<b>(618)</b>	<b>(1 326)</b>	<b>(2 783)</b>	<b>(1 551)</b>	<b>2 166</b>	<b>224</b>

### **Business Areas, year-to-date 2012 vs 2011**

(in NOK '000)	Group		Generics		Vitaflor Scandinavia	
	YTD 2012	YTD 2011	YTD 2012	YTD 2011	YTD 2012	YTD 2011
Revenues	88 684	71 299	370	100	88 314	71 199
<b>Gross Profit</b>	<b>37 515</b>	<b>29 272</b>	<b>74</b>	<b>20</b>	<b>37 441</b>	<b>29 252</b>
<b>Gross margin</b>	<b>42 %</b>	<b>41 %</b>	<b>20 %</b>	<b>0 %</b>	<b>42 %</b>	<b>41 %</b>
Operating costs	35 509	31 911	9 707	9 437	25 802	22 474
<b>EBITDA</b>	<b>2 006</b>	<b>(2 639)</b>	<b>(9 633)</b>	<b>(9 417)</b>	<b>11 639</b>	<b>6 778</b>
Depreciation, amortizations, write offs	(6 232)	(6 719)	-	-	(6 232)	(6 719)
<b>EBIT</b>	<b>(4 226)</b>	<b>(9 359)</b>	<b>(9 633)</b>	<b>(9 417)</b>	<b>5 407</b>	<b>59</b>

## Operational update

### **Introduction**

For 2012, Navamedic provides financial information for its two business areas Generics and Vitaflor.

The Generics area is currently developing a portfolio of generic pharmaceuticals. Products have been launched since 2011 and Navamedic currently has seven generic drugs in the market. Several other drug candidates are being prepared for launch in the coming months.

Navamedic enjoys a broad pipeline of generic drug candidates, sourced from several manufacturers including Aspen of South Africa and Torrent Pharmaceuticals of India. Navamedic's generics business addresses the Nordic and Benelux markets and aims to become one of the leading Nordic suppliers in its segment.

Navamedic's agreement with Aspen has recently been amended. Under the new agreements, Navamedic will become the holder of the Marketing Authorizations for the individual products from Aspen and Torrent, which means a more flexible role for Navamedic and also an improved potential for value creation.

Torrent Pharmaceuticals, with which Navamedic signed a contract during Q4 2012 is a leading Indian manufacturer of a broad range of high quality generics that matches the Companies pipeline of sourced products from Aspen in a good way.

Navamedic is furthermore a distributor of a wide range of patented and non-patented branded consumer drugs as well as nutrition products, with a portfolio of more than 80 products. Vitaflor has over the last

couple of years enjoyed a strong sales growth and improving margins. Vitaflo addresses mainly the Scandinavian and Dutch markets (In 2013 Vitaflo assumed the Navamedic name, and all parts of the company will be using the Navamedic brand).

From the first quarter 2013, Navamedic's financial reporting will display three business segments: Pharma Products (various categories of generics as well as patented and branded drugs), Medical Nutrition and Consumer Care. The new reporting structure will better 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.

Navamedic posts sales of NOK 0.4 million in its Generics Business Area in 2012, however several products fitting the generic drug definition are included in Vitaflo's sales figures.

### **Generics**

Navamedic is entering 2013 with a portfolio of seven new generic products placed in the Generics Business Area. These products were launched in the period October 2011 – December 2012. In order to minimize risk, Navamedic has taken a cautious approach to its generic products roll-out. The Company targets profitable products and will be careful in pursuing volume products which often experience significant price pressure. Navamedic will, as a general approach, prefer to identify niche products with margin potential. Nevertheless, ability to building volumes remains a key success factor in the heavily tender based generics business.

Furthermore, the partnerships with several generics manufacturers, including Aspen and Torrent, provide a strong sourcing platform with access to a large number of generic drugs. Navamedic's sourcing pipeline will be further expanded by the inclusion of additional manufacturers.

Revenues booked in the Generics Business Area were modest (NOK 0.4 million) in 2012, reflecting that the business remains in a build-up phase and that several products are sold through the Vitaflo channel. Vitaflo's sales of branded generics amounted to NOK 15 million in 2012.

The Generics Business Area booked NOK 2.8 million in operating expenses and development costs in the fourth quarter. For the full year the Generic Business Area booked NOK 9.6 million in operating expenses and development cost in addition to NOK 2.1 million in capitalised investments.

The markets for generic pharmaceuticals are growing, as health authorities across Europe encourage a substitution to generics when patents for the original products expire.

Navamedic is determined to take a leading role in parts of the North European generics market. The Company still aims to be one of the five leading generics companies in the Nordic region by 2015. A number of product introductions throughout 2013 and later can be expected.

### **Vitaflo**

The financial reporting for Vitaflo includes revenues and costs related to the sales of products to wholesalers, retail partners and end-users in Scandinavia and the Netherlands.

Vitaflo Scandinavia achieved yet another solid quarter. Sales grew by 29 per cent in the quarter to NOK 24.8 million. Gross margin in the fourth quarter 2012 ended at 44.9 per cent, compared to 43 per cent last year. The fourth quarter sales reflect a successful price increase for several products.

The company further improved its attractive margins from the previous quarters, ending the fourth quarter with a 15 per cent EBITDA margin. The progress was caused by a combination of volume growth, price increases for several existing products and successful introduction of new products. EBITDA margin is not expected to remain at this level in the coming quarters. EBITDA for the full year 2012 shows a margin of 13.2 per cent, a level which is expected to be maintained going forward.

Seven new products have been included in the portfolio over the last year. The new products represent potential revenues of more than NOK 12 million on a yearly basis.

The oncology product area was the single largest pharmaceutical product group in fourth quarter, with sales of NOK 7.4 million.

### Revenues per knowledge area, Vitaflo Scandinavia Business Area

(in MNOK)	Q4 2012	Q4 2011	YTD 2012	YTD 2011	FY 2011
Osteoarthritis	0,0	(0,3)	0,1	0,2	0,2
Medical Nutrition	5,4	4,6	20,2	18,0	18,0
Oral Medicine	1,3	1,3	5,9	6,1	6,1
Female Care	2,9	2,1	10,1	6,6	6,6
Dermatology	1,5	1,5	6,1	5,6	5,6
Abuse	2,3	2,3	9,5	8,4	8,4
Gastro	1,6	0,5	6,0	2,9	2,9
Neurology	2,2	1,7	7,5	6,4	6,4
Oncology (Aspen)	7,4	4,8	21,8	15,1	15,1
Oftalmology	0,0	-	0,1	-	-
Generica	-	0,1	-	0,1	0,1
Pain	0,1	0,3	0,5	0,3	0,3
Other	-	0,5	0,9	1,7	1,7
<b>Total revenues</b>	<b>24,8</b>	<b>19,3</b>	<b>88,7</b>	<b>71,3</b>	<b>71,3</b>

## Balance sheet and cash flow

By the end of December 2012, Navamedic held cash and cash equivalents of NOK 3.6 million. At the end of 2011, total cash and cash equivalents were NOK -0.6 million. Equity issues and the exercise of share options in 2012 have provided a total of NOK 9.2 million of new equity.

Bank credit facilities totalling NOK 30 million remained unused at the end of the quarter.

Net cash flow from operations during 2012 was NOK -6.8 million, compared to NOK -1.1 million in the same period of 2011. Total net change in cash in 2012 was positive NOK 4.2 million, compared to NOK -14.7 in the same period the previous year. The net cash flow reflects the EBITDA for the period and changes in the working capital and payment for marketing authorisations of generic drugs.

In 2012, Navamedic experienced a lower cash burn rate than previously anticipated, with an average burn rate of NOK 0.5 million per month. As the Company accumulates inventory in preparation for increased generics sales, the average monthly burn rate is expected to increase.

The funds currently available are sufficient to secure the development of the company and planned investments in 2013.

## Outlook

- A positive net result targeted for second half 2013.
- Synergies between sales channels
- New Segment reporting in 2013 for maximum transparency

As a result of successful expansion in its main markets and the introduction of new generic products, Navamedic currently has a portfolio more than 80 consumer care, pharmaceutical and nutrition products. The expansion of the product portfolio is expected to continue in 2013.

In the process of developing the generics business area, Navamedic has experienced that distribution synergies between the Company's two business areas are even more attractive than previously anticipated. Navamedic has succeeded in building a broad pipeline of generic drugs as well as

branded original products with expired patents. At the same time, the Company's two separate sales channels (the Vitaflo sales corps and the tender based sales model of the generics business) prove highly complementary.

From the first quarter of 2013, Navamedic's financial reporting will display three business segments: Pharma Products (various categories of generics as well as patented drugs), Medical Nutrition and Consumer Care. The new reporting structure is aimed at achieving maximum transparency and better displaying Navamedic's value creation.

With Navamedic now being the holder of the Marketing Authorization for several products, the Company will also start using the Navamedic brand on a growing number of products.

Navamedic expects continued expansion of its product portfolio, growing revenues and attractive margins going forward. The Group targets a positive run rate by end 2013.

# CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## PROFIT AND LOSS (unaudited)

(In NOK '000)	Note	Q4 2012	Q4 2011	FY 2012	FY 2011
<b>Operating revenues</b>	5	<b>24 824</b>	<b>19 307</b>	<b>88 684</b>	<b>71 299</b>
Cost of goods sold		13 699	11 039	51 169	42 027
<b>Gross profit</b>		<b>11 125</b>	<b>8 268</b>	<b>37 515</b>	<b>29 272</b>
		44,8 %	42,8 %	42,3 %	41,1 %
Payroll expense		4 640	5 190	18 134	17 288
Other operating cost		4 834	2 957	17 278	15 170
Other (losses)/gains - net		711	-182	97	-546
<b>Operating costs</b>		<b>10 184</b>	<b>7 966</b>	<b>35 509</b>	<b>31 911</b>
<b>EBITDA</b>		<b>941</b>	<b>303</b>	<b>2 006</b>	<b>-2 639</b>
				2 103	
Depreciation	9	5	5	19	20
Amortization	8	1 553	1 624	6 213	6 699
Write offs	8	-	-	-	-
<b>OPERATING RESULT (EBIT)</b>		<b>-617</b>	<b>-1 326</b>	<b>-4 226</b>	<b>-9 359</b>
<b>Financial income and expenses</b>					
Financial income		269	-441	697	373
Other financial income		-	-	-	-
Financial expenses		-	-	-4	-4
Other financial expenses		-530	-379	-1 470	-930
<b>Net financial result</b>		<b>-262</b>	<b>-820</b>	<b>-778</b>	<b>-561</b>
<b>ORDINARY RESULT BEFORE TAX</b>		<b>-879</b>	<b>-2 146</b>	<b>-5 004</b>	<b>-9 920</b>
Tax on ordinary result		204	540	1 446	2 761
<b>NET PROFIT</b>		<b>-675</b>	<b>-1 606</b>	<b>-3 558</b>	<b>-7 159</b>

## CONSOLIDATED BALANCE SHEET (unaudited)

<i>(In NOK '000)</i>	Note	31.12.2012	31.12.2011
<b>Fixed and Intangible Assets</b>			
Intangible assets	8	81 202	91 336
Deferred tax assets	10	10 953	9 317
Tangible assets	9	30	50
		-	-
<b>Total fixed and intangible assets</b>		<b>92 185</b>	<b>100 704</b>
<b>Current Assets</b>			
Inventories		13 490	17 427
Short term receivables	7	24 626	11 357
Cash at hand, in banks		3 624	-607
		-	-
<b>Total current assets</b>		<b>41 739</b>	<b>28 177</b>
<b>Total assets</b>		<b>133 924</b>	<b>128 881</b>
<b>Shareholders equity and liabilities</b>			
<b>Shareholders equity</b>			
Paid in capital		137 956	128 853
Other reserves		-41 142	-35 616
<b>Total equity</b>	<b>4,11</b>	<b>96 814</b>	<b>93 237</b>
<b>Debt</b>			
Deferred tax	10	8 616	10 736
Long term debt to financial institutions	12	-	-
<b>Total long term debt</b>		<b>8 616</b>	<b>10 736</b>
Trade debtors		17 392	16 038
Interest-bearing short term debt	12	-	-
Received license fees from customers		-	-
Other short term debt		11 102	8 869
<b>Total short term debt</b>		<b>28 494</b>	<b>24 908</b>
<b>Total debt</b>		<b>37 110</b>	<b>35 644</b>
<b>Total shareholders equity and liabilities</b>		<b>133 924</b>	<b>128 881</b>



## CONSOLIDATED CHANGES IN SHAREHOLDERS EQUITY (unaudited)

<i>(In NOK '000)</i>	Note	Paid in capital	Other paid in capital/ reserves	Translation differences	Retained earnings	Total
Balance at 31 December 2010		128 888	-362	3 881	-32 201	100 206
<b>Balance at 1. January 2011</b>		<b>128 888</b>	<b>-362</b>	<b>3 881</b>	<b>-32 201</b>	<b>100 206</b>
Issue of shares, net of share issue cost		-	-		-	-
Issue of not yet registered shares, net of share issue cost		-	-		-	-
Paid out dividend		-	-		-	-
Share option scheme		233	-	-	-	233
Gains and Losses on Currency Outright Agreements		-	-	-	-	-
Translation difference		-	-	-43	-	-43
Net profit of the period		-	-	-	-7 159	-7 159
<b>Balance at 31 December 2011</b>		<b>129 121</b>	<b>-362</b>	<b>3 838</b>	<b>-39 360</b>	<b>93 237</b>
Balance at 31 December 2011		129 121	-362	3 838	-39 360	93 237
<b>Balance at 1 January 2012</b>		<b>129 121</b>	<b>-362</b>	<b>3 838</b>	<b>-39 360</b>	<b>93 237</b>
Capital increase		9 103	-	-	-	9 103
Share option scheme	11	-	-	-	-	-
Translation difference		-	-	-1 868	-	-1 868
Net profit of the period		-	-	-	-3 558	-3 558
<b>Balance at 31 December 2012</b>		<b>138 224</b>	<b>-362</b>	<b>1 970</b>	<b>-42 918</b>	<b>96 914</b>

## CONSOLIDATED CASH FLOW (unaudited)

<i>(In NOK '000)</i>	YTD 2012	YTD 2011
Profit (loss) before tax	-5 004	-9 920
Taxes paid	-791	262
Depreciation	6 232	6 719
Changes in inventory	3 937	-9 178
Changes in receivables	-13 201	-1 357
Changes in payables	1 430	9 079
Changes in other current items	629	3 331
<b>Net cash flow from operations</b>	<b>-6 767</b>	<b>-1 064</b>
<b>Cash flow from investments</b>		
Purchase/disposal of intangible assets	2 144	-13 910
Purchase of tangible assets	-	-
Investments in shares and acquisition	-	-
<b>Net cash flow from investments</b>	<b>2 144</b>	<b>-13 910</b>
<b>Cash flow from financing</b>		
Proceeds from loan	-	-
Repayment of long term loans	-	-
Share capital	9 103	-
Share options	-	233
<b>Net cash flow from financial activities</b>	<b>9 103</b>	<b>233</b>
Changes in currency	-249	-6
<b>Net change in cash</b>	<b>4 231</b>	<b>-14 747</b>
Cash and cash equivalents start period	-607	14 140
<b>Cash and cash equivalents end period</b>	<b>3 624</b>	<b>-607</b>

## Selected explanatory notes

### 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 Fornebu 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 Navamedic AB (Vitaflo Sandinavia 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 80 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.

Navamedic's partner, Aspen, is Africa's largest pharmaceutical manufacturer and one of the world 6 largest generic pharmaceutical companies with distribution in more than 100 countries. Aspen has an annual turnover of about MNOK 11.000, 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.

Torrent Pharmaceuticals, with which Navamedic signed a contract during Q4 2012 is a leading Indian manufacturer of a broad range of high quality generics that matches the Companies pipeline of sourced products from Aspen in a good way.

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 2011 (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 October 23<sup>rd</sup> 2012. 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 14 February 2013.

## **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 2011.

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

	Q4 2012	Q4 2011	YTD 2012	YTD 2011	FY 2011
Result allocated to shareholders (in NOK '000)	(675)	(1 606)	(3 558)	(7 159)	(7 159)
Weighted average of outstanding shares (in '000)	8 387	7 537	8 387	7 537	7 537
Earnings per share (NOK per share)	-0,08	-0,21	-0,42	-0,95	-0,95

#### Diluted earnings per share:

	Q4 2012	Q4 2011	YTD 2012	YTD 2011	YTD 2011
Result allocated to shareholders (in NOK '000)	(675)	(1 606)	(3 558)	(7 159)	(7 159)
Weighted average of outstanding shares (in '000)	8 587	7 637	8 587	7 762	7 762
Earnings per share (NOK per share)	-0,08	-0,21	-0,41	-0,92	-0,92

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 business area and Generics business area.

##### Vitaflo Scandinavia:

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

##### Generics:

Revenues and costs related to the sale of products registered by Navamedic 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, navamedic registered products from Aspen.

## Operating segments for the fourth quarter 2012 compared with the fourth quarter 2011

(in NOK '000)	Group		Generics		Vitaflo Scandinavia	
	Q4 2012	Q4 2011	Q4 2012	Q4 2011	Q4 2012	Q4 2011
Revenues	24 824	19 207	90	100	24 734	19 107
<b>Gross Profit</b>	<b>11 125</b>	<b>8 268</b>	<b>18</b>	<b>20</b>	<b>11 107</b>	<b>8 248</b>
<b>Gross margin</b>	<b>45 %</b>	<b>43 %</b>	<b>0 %</b>	<b>0 %</b>	<b>44,9 %</b>	<b>43 %</b>
Operating costs	10 184	7 966	2 801	1 571	7 383	6 395
<b>EBITDA</b>	<b>940</b>	<b>302</b>	<b>(2 783)</b>	<b>(1 551)</b>	<b>3 724</b>	<b>1 853</b>
Depreciation, amortizations, write offs	(1 558)	(1 629)	-	-	(1 558)	(1 629)
<b>EBIT</b>	<b>(618)</b>	<b>(1 326)</b>	<b>(2 783)</b>	<b>(1 551)</b>	<b>2 166</b>	<b>224</b>

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

(in NOK '000)	Q4 2012	Q4 2011	FY 2012	FY 2011
Nordic Countries	23 732	18 792	74 833	69 250
Rest of EU/EEA	612	515	9 001	2 049
Other	480	-	4 850	-
<b>Total revenues</b>	<b>24 824</b>	<b>19 307</b>	<b>88 684</b>	<b>71 299</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.

From the first quarter of 2013, Navamedic's financial reporting will display three business segments: Pharma Products (various categories of generics as well as patented and branded drugs), Medical Nutrition and Consumer Care.

## 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 Q4 2012, there is no offset of bad debt.

### Maturity profile on short term receivables as per 31 December 2012:

NOK 1000	Not due	Less than 3 months	3 to 12 months	Total
Trade receivables	20 345	2 100	900	23 345
Other receivables	1 281	-	-	1 281
<b>Total receivables</b>	<b>21 626</b>	<b>2 100</b>	<b>900</b>	<b>24 626</b>

### 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. Intangible assets

	Q4		YTD	
	2012	2011	2012	2011
NOK 1000				
Carrying value at the beginning of the period	87 683	86 798	91 336	84 213
Additions/disposal (-)	-2 949	4 043	-2 144	13 910
Amortization in the period	-1 553	-1 624	-6 213	-6 699
Exchange differences	-1 979	2 119	-1 778	-88
Carrying value at the end of the period	81 202	91 336	81 201	91 336

### 9. Tangible assets

	Q4		YTD	
	2012	2011	2012	2011
NOK 1000				
Carrying value at the beginning of the period	35	54	54	71
Additions	-	-	-	-
Depreciation in the period	-5	-5	-20	-20
Exchange differences	-	1	-4	-1
Carrying value at the end of the period	30	50	30	50

### 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:

	Q4		YTD	
	2012	2011	2012	2011
Carrying value at the beginning of the period	11 615	8 654	9 317	6 585
Income statement charge	-662	663	1 636	2 732
Carrying value at the end of the period	10 953	9 317	10 953	9 317

The gross movement on the deferred tax accounts as follows:

	Q4		YTD	
	2012	2011	2012	2011
Carrying value at the beginning of the period	9 638	10 373	10 736	12 046
Income statement charge	-657	-431	-1 805	-1 723
Deferred tax from acquisition	-	-	-	-
Exchange differences	-366	794	-315	413
Carrying value at the end of the period	8 615	10 736	8 616	10 736

## 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.

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%. The expense related to options was TNOK 706 in 2011.

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

løpetid 3 år Expiry date	Exercise price in NOK per share	Number of shares		
		31.12.2011	30.09.2011	31.12.2010
2013 - 15.02	7,3			50 000
2013 - 05.05	6,9			25 000
2013 - 01.09	6,9			50 000
2014 - 18.01	9,5		30 000	
2014 - 4.02	11,0		20 000	
2014 - 26.02	13,5		12 500	
2015 - 20.06	12,0	12 500		
<b>Total</b>		<b>12 500</b>	<b>62 500</b>	<b>125 000</b>

## 12. Credit facility

Navamedic has received bank approvals for credit facility of a total of NOK 30 million.

## 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 31 December the Company had 488 share owners. The total number of outstanding shares were 8 387 051.

Olof Milveden, CEO of Navamedic ASA, has on 4 April 2012 exercised 100,000 stock options and bought 100 000 new shares. Total proceeds from this transaction were NOK 540.000.

Navamedic ASA has in March 2012 completed a private placement of 750,000 shares just below 10% of total share capital at a subscription price of NOK 12.08 per share. The increase in share capital has been carried out in accordance with the authorization given by the company's annual general meeting 14 April 2011.

The private placement was directed at the company's largest existing shareholders. Total proceeds of the offer was NOK 9.060.000 The net proceeds will be used to further develop the company's generics business area in line with the company's strategy.

## Responsibility statement

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 31 December 2012 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 three 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 nine months of the financial year, and major related parties transactions.

**Fornebu, 14 February 2012**

Johan Reinsli (sign)

Chairman

Benedicte H. Fossum (sign)

Board Member

Grete Hogstad (sign)

Board Member

Kjell Erik Nordby (sign)

Board Member

Halvor Stenstadvold (sign)

Board Member

Masha Strømme (sign)

Board Member

Svein Erik Nicolaysen (sign)

Board Member

Olof Milveden (sign)

CEO