



Quarterly report

4th Quarter 2013



Highlights

- Sales increased by 73% from Q4 2012
- EBITDA NOK 2.6 million, up from NOK 0.9 million Q4 2012
- Operating profit NOK 1,3 million, up from NOK -0,6 million Q4 2012
- Net profit positive before currency effects
- Five new products launched in Q4; 21 new products in 2013

Key figures

(NOK mill)	Q4 2013	Q4 2012	2 013	2 012
Operating revenues	42.9	24.8	151.8	88.7
Gross profit	12.9	11.1	47.3	37.5
EBITDA*	2.6	0.9	7.7	2.0
EBIT	1.3	-0.6	1.2	-4.2
Net profit	-1.2	-0.4	-1.3	-3.3
Gross margin (%)	30.0	44.8	31.2	42.3
EBITDA margin (%)	6.1	3.8	5.1	2.3

*) EBITDA FY 2013 includes MNOK 2.6 in other revenues

Financial results

Navamedic's strong sales growth continues. Sales in the fourth quarter 2013 increased by 73 per cent compared to the corresponding quarter last year. The EBITDA improved significantly. Margins remained under pressure in the fourth quarter, especially in the Benelux markets.

Revenues for the fourth quarter were NOK 42.9 million, compared to NOK 24.8 million in the fourth quarter of 2012. Compared to the fourth quarter 2012 the increased sale is achieved by a combination of volume growth in the existing product portfolio, the introduction of new products and the entry into the Benelux markets.

Navamedic's gross margin was 30.0 per cent in the fourth quarter 2013, down from 44.8 per cent last year. Recent product in-licensing/acquisitions and market expansions have left Navamedic with a more fragmented gross margin picture than previously. This has resulted in a reduced 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.

Navamedic's operating costs were NOK 10.3 million in the fourth quarter, at par with the corresponding quarter of 2012. While Q4 2013 sales grew by 73 percent compared to Q4 2012, operating costs increased far less, demonstrating company's operational efficiency.

EBITDA for the fourth quarter 2013 came in at NOK 2.6 million, compared to NOK 0.9 million last year. Navamedic's EBITDA margin in the fourth quarter 2013 was 6.1 per cent, compared to 3.8 per cent the same period last year.

The Company's net result for the fourth quarter 2013 ended at NOK -1.2 million, compared to NOK -0.4 million last year. Currency developments had an adverse effect on financial results in the quarter, including a NOK 1.4 million negative currency effect related to an intercompany loan. This is a non-realized loss with no cash flow effect. Total negative currency effect for the quarter is NOK 1.9 million. The loan is part of Navamedic's normal financial structure.

Save for this prudent account measure, Navamedic's net result for the fourth quarter would be positive, and in keeping with previous communication to the stock market.

For the full year 2013, Navamedic's revenues were NOK 151.8 million, up from NOK 88.7 million the previous year. This represents a sales growth of 71 per cent for the full year.

Navamedic has seen a strong sales growth over several years, the Company's sales have almost tripled since 2010.

The Company's gross margin for 2013 ended at 31 per cent. Last year's gross margin was 42 per cent.

Operating costs were NOK 42.2 million in 2013, compared to NOK 35.5 million the previous year. The increased operating expenses are in line with what is expected of a growing organisation. While sales for the full year increased by more than 70 per cent, operating expenses grew by only 19 per cent, demonstrating Navamedic's scalable business model.

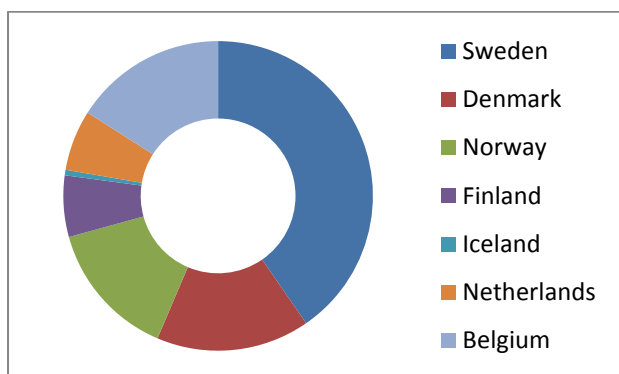
EBITDA for the full year improved from NOK 2.0 million in 2012 to NOK 7.7 million in 2013, including a NOK 2.6 million payment from the earn-out agreement established when Navamedic sold its Glucomed business in 2009.

The Group's net profit for the full year ended at NOK -1.3 million, compared to NOK -3.3 million for 2012 year end. The currency loss referred to above also affects the 2013 year-end result of a total of NOK 2.4 million.

Navamedic experienced a negative cash flow from operations of NOK 1.0 million in the fourth quarter, compared to a negative cash flow from operations of NOK 3.6 million in the same quarter last year.

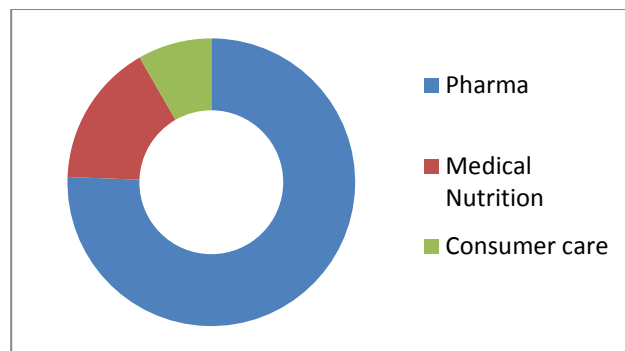
Navamedic's net cash flow during 2013 was as planned influenced by the build-up of inventory related to the Company's expanding product portfolio, and ended at NOK -1.4 million. For the full year Navamedic used a total of NOK 26.8 million on inventory build-up and another NOK 2.2 million on investments in new products. The intensive inventory build-up phase is now completed. Going forward, Navamedic will focus on optimizing its inventory volumes and turnover.

Navamedic's cash holdings were reduced in the fourth quarter and ended at NOK 2.2 million. The company will not need additional capital injection under its current business plan.



The Nordic markets represented 77 per cent of total sales in 2013, while the Benelux markets represented 23 per cent. Sweden was Navamedic's single most important country also in 2013, with 40 per cent of the Company's total sales. Navamedic is now established in all its defined geographical markets. The wide geographical representation and the broad product range have reduced the operational risk of the company.

The composition of Navamedic's three business segments remained stable in the fourth quarter. The Pharma segment is the dominant segment, representing 76 per cent of 2013 sales.



Navamedic's expansion of its product portfolio of pharmaceutical products has continued throughout 2013. Five new products were launched in the fourth quarter, ending the year with a total of 21 product releases.

Operational update

Pharma

The pharma portfolio includes a variety of products, including 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 a focus area. Based on its relationship with several generics manufacturers, including Aspen of South Africa, the Company has developed a portfolio of generic drugs. Generic substitution, as original drug patents expire, is encouraged by health authorities all over Europe.

Such substitution is promoted with an aim to reduce public spending and is regarded as a mega trend in the pharmaceutical industry as a whole.

A total of 16 new pharmaceutical products were released in 2013, two of these in the fourth quarter. The distribution agreement for one of the Company's key products, Uracyst, was extended in the fourth quarter. The successful introduction of Sildenafil for patients suffering from erectile dysfunction further strengthened Navamedic's position in the Urology product group.

The Pharma business segment had revenues of NOK 33.3 million in the fourth quarter 2013, compared to NOK 15.2 million in the same period of 2013, a growth of almost 120 per cent. EBITDA for the quarter reached NOK 1.3 million, which is a significant improvement from the previous year.

For the full year, the Pharma segment had revenues of NOK 114.8 million, up from 53.4 million in 2012. The EBITDA improved significantly and ended at NOK 2.9 million, compared to NOK 0.7 million the previous year.

Pharma sales and profit

(NOK mill)	Q4 13	Q4 12	FY 2013	FY 2012
Income	33,3	15,2	114,8	53,4
EBITDA	1,3	0,3	2,9	0,7
EBITDA margin (%)	3,8 %	2,0 %	2,5 %	1,3 %

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 Vitaflor International (owned by Nestlé) for the Nordic region.

Navamedic extended in 2013 its agreement with Vitaflor International for a new five year period. The agreement secures the supply of products in Navamedic's Medical Nutrition business segment until 2018.

Medical Nutrition saw a sales growth in the fourth quarter, mainly due to the successful 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.

For the full year, sales in the business segment grew by 21 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 6.3 million in the fourth quarter, compared to NOK 5.4 million in the corresponding quarter of 2012. EBITDA for the fourth quarter ended at NOK 1.0 million, compared with 0.3 million in the same quarter the previous year. The Medical Nutrition business segment had an EBITDA margin of 15.6 per cent in the fourth quarter.

Medical Nutrition sales and profit

(NOK mill)	Q4 13	Q4 12	FY 2013	FY 2012
Income	6,3	5,4	24,5	20,2
EBITDA	1,0	0,3	2,1	1,0
EBITDA margin (%)	15,6 %	5,6 %	8,5 %	5,0 %

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 fourth quarter were NOK 3.4 million, compared to NOK 4.2 million in the fourth quarter of 2012. EBITDA ended at NOK 0.4 million, compared to NOK 0.3 in the fourth quarter of 2012.

For the full year, consumer care sales were NOK 12.5 million, which is a NOK 2.6 million decline from the previous year. Also EBITDA saw a minor decline.

Consumer care sales and profit

(NOK mill)	Q4 13	Q4 12	FY 2013	FY 2012
Income	3,4	4,2	12,5	15,1
EBITDA	0,4	0,3	0,2	0,3
EBITDA margin (%)	10,6 %	7,2 %	1,3 %	2,0 %

Financial situation

Due to inventory build-up the company experienced a negative cash flow from operations in 2013 of NOK 15.6 million. Overall net change in cash was NOK -1.4 million. Navamedic's cash reserve was NOK 2.2 million at the end of the quarter.

The strong sales growth increased Navamedic's short term receivables from NOK 24.5 million at the end of fourth quarter last year to NOK 40.0 million this year.

Following increased sales volumes, Navamedic's short term debt grew from NOK 28.1 million at the end of fourth quarter 2013 to NOK 64.2 this year. The short term debt included NOK 12.5 million in bank debt.

Inventories saw a peak in the third quarter, and during the fourth quarter capital employed for inventory was reduced by NOK 5.3 million to NOK 40.3 million. Inventories remain higher than at the end of 2012, reflecting Navamedic's growing business. Going forward, the Company will seek to optimize the inventory volumes. Within the current business plan and with current contracts, the company has reached its peak in inventory volume.

Navamedic's total balance has increased from NOK 133.8 million last year to NOK 179.5 at the end of the fourth quarter 2013. The Company's equity ratio at the end of the fourth quarter was 60 per cent, down from 73 per cent one year earlier, but slightly up from the previous quarter.

2013 achievements

At the beginning of 2013, Navamedic announced three priorities for 2013.

- 1. Continue roll-out of new products.** The record shows that a total of 21 new products were launched in 2013. Introduction of several new products will follow in 2014.
- 2. Pursue opportunities for margin improvements.** While the gross margin fell from 42 per cent to 31 per cent in 2013, the EBITDA margin increased from 2 per cent to 5 per cent.
- 3. Improve operational efficiency.** While Navamedic's sales grew by 71 per cent, operating costs increased by 19 per cent. Cost cutting measures during the year have resulted in a lower cost base at the end of the year than in previous quarters.

A drive for improved profitability

Navamedic is operating in fiercely competitive markets, where some of the Company's product groups face extreme price pressure. Furthermore, the differentiation between patented and generic pharmaceuticals has become less distinct than only a short while ago. Navamedic has concluded that mainly larger pharmaceutical companies, controlling the entire value chain, seem to be sufficiently profitable in the commodity generics field. However, it is the Company's opinion that several market niches not being fully served by industry majors remain attractive and available.

Navamedic has been through a period with extremely strong top line growth. Sales have almost tripled over the last three years. The Company has pursued top line growth, in order to establish a significant presence in its key markets.

Going forward, Navamedic will continue to build profitable growth particularly in the Nordic markets, while pursuing opportunities for improved profitability.

Outlook

Navamedic expects a continued sales growth also in 2014, however not at the extreme rate seen in the last two years.

Navamedic expects the EBITDA margin to further improve throughout 2014. The Company's target is to deliver positive earnings before taxes in every quarter from Q1 2014.

The Company will launch a number of new products also in the coming quarters, with main emphasis on improving profitability.

Consolidated Statement of Profit or Loss

<i>(In NOK '000)</i>	Q4 2013	Q4 2012	2013	2012
Operating revenues	42 921	24 824	151 773	88 684
Cost of goods sold	30 046	13 699	104 450	51 169
Gross profit	12 875	11 125	47 323	37 515
	30,0 %	44,8 %	31,2 %	42,3 %
Other revenues	-0	-	2 631	-
Payroll expense	4 520	4 640	20 189	18 134
Other operating cost	5 433	4 834	21 116	17 279
Other (losses)/gains - net	304	711	908	97
Operating costs	10 258	10 185	42 213	35 510
EBITDA	2 616	940	7 741	2 005
Depreciation	7	5	30	19
Amortization	1 307	1 553	6 463	6 213
Write offs	-	-	-	-
OPERATING RESULT (EBIT)	1 303	-618	1 248	-4 227
Financial income and expenses				
Financial income	836	269	1 120	697
Other financial income	-	-	-	-
Financial expenses	-	-	-4	-4
Other financial expenses	-3 062	-530	-4 033	-1 470
Net financial result	-2 226	-262	-2 918	-778
ORDINARY RESULT BEFORE TAX	-922	-880	-1 669	-5 004
Tax on ordinary result	-314	508	401	1 749
NET PROFIT	-1 237	-372	-1 268	-3 255

Consolidated Statement of Financial Position

<i>(In NOK '000)</i>	31 December 2013	31 December 2012
Fixed and Intangible Assets		
Fixed Assets		
Intangible assets	85 773	81 202
Deferred tax assets	11 154	10 953
Tangible assets	14	30
Non-current assets	96 941	92 185
Inventories	40 314	13 490
Short term receivables	39 978	24 452
Cash at hand, in banks	2 245	3 624
Currant assets	82 537	41 566
Total assets	179 478	133 751
Equity and liabilities capital and reserves		
Paid in capital	138 879	137 991
Other equity	-31 622	-40 875
Total equity	107 257	97 116
Liabilities		
Deferred tax	8 026	8 519
Non-currant liabilities	8 026	8 519
Trade account payables	38 140	17 392
Short term debt to Financial Instututions	12 483	-
Other short term debt	13 572	10 723
Currant liabilities	64 194	28 115
Total liabilities	72 220	36 634
Total shareholders equity and liabilities	179 478	133 750

Consolidated Statement of Changes in Equity

	Paid in capital	Other paid in capital/ reserves	Translation differences	Retained earnings	Total
<i>NOK 1000</i>					
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
Translation difference	-	-	-1 968	-	-1 968
Net profit of the period	-	-	-	-3 255	-3 255
Balance at 1 January 2013	138 224	-362	1 870	-42 615	97 117
Issue of shares, net of share issue cost	125	763	-	-	888
Share option scheme	-	206	-	-	206
Translation difference	-	-	10 315	-	10 315
Net profit of the period	-	-	-	-1 268	-1 268
Balance at end period	138 349	607	12 185	-43 883	107 257

Consolidated Statement of Cash Flow

<i>(In NOK '000)</i>	Q4 2013	Q4 2012	2 013	2012
Profit (loss) before tax	-922	-879	-1 669	-5 004
Taxes paid	-875	-205	-2 911	-791
Depreciation	1 313	1 558	6 493	6 232
Changes in inventory	5 279	943	-26 824	3 937
Changes in receivables	-3 027	-9 271	-13 798	-13 201
Changes in payables	-4 728	4 929	20 747	1 430
Changes in other current items	1 924	-629	2 308	630
Net cash flow from operations	-1 036	-3 554	-15 654	-6 767
Cash flow from investments				
Purchase/disposal of intangible assets	-341	2 916	-2 241	2 144
Net cash flow from investments	-341	2 916	-2 241	2 144
Cash flow from financing				
Short term debt to Financial Institutions	-3 781	0	12 483	0
Share capital	350	0	888	9 103
Net cash flow from financial activities	-3 431	-	13 371	9 103
Changes in currency	2 681	-412	3 146	-249
Net change in cash	-2 128	-1 050	-1 379	4 231
Cash and cash equivalents start period	4 373	4 674	3 624	-607
Cash and cash equivalents end period	2 245	3 624	2 245	3 624

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 2013 (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 25 February 2014.

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 2013.

A number of new standards, amendments to standards and interpretations are not effective for the company for the period ending 31 December 2013, and have not been applied in preparing these consolidated financial statements:

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 9 Financial Instruments and related amendments to IFRS 7 regarding transition

IAS 27 (Amended) Separate Financial Statements

IAS 28 (Amended) Investments in Associates and Joint Ventures

IAS 32 (Amended) Offsetting Financial Assets and Financial Liabilities

We do not expect any material effects in our financial statement of the new standards.

4. Earnings per share

	Q4 2013	Q4 2012	2013	2012	FY 2012
Result allocated to shareholders (in NOK '000)	(1 237)	(372)	(1 268)	(3 255)	(3 255)
Weighted average of outstanding shares (in '000)	8 512	8 168	8 512	8 168	8 168
Earnings per share (NOK per share)	-0,15	-0,05	-0,15	-0,40	-0,40

Diluted earnings per share:

	Q4 2013	Q4 2012	2013	2012	FY 2012
Result allocated to shareholders (in NOK '000)	(1 237)	(372)	(1 268)	(3 255)	(3 255)
Weighted average of outstanding shares (in '000)	8 587	8 368	8 587	8 368	8 368
Earnings per share (NOK per share)	-0,14	-0,04	-0,15	-0,39	-0,39

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 2013 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, genericised medicines cost far less than the original, patented brands, thereby creating affordable, high quality medicines for national healthcare systems and patients. With the growing use of and increased reliance on generic medicines, and due to its large number of strategic alliances, Navamedic is well positioned to deliver high quality, cost-effective medicines for the Nordic and Benelux markets in all sub groups described above.

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

Three sub-groups

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

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

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

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

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

- **Branded generics**
Generic medicines as described above but where a drug manufacturing company has attached its brand name and may have invested in its marketing to differentiate it from other generic brands. Often the old original medicine being genericised. 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 fourth parties, as a result of its organisational set-up. None of these fourth parties are considered as related parties.

7. Credit risk and foreign currency risk

Credit risk

Navamedic trades only with recognised, creditworthy fourth 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 2013, there is no offset of bad debt.

Maturity profile on short term receivables as per 31 December 2013:

NOK 1000	Not due	Less than 3 months	3 to 12 months	Total
Trade receivables	12 711	16 401	7 685	36 797
Other receivables	3 181	-	-	3 181
Total receivables	15 892	16 401	7 685	39 978

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 positions to reduce currency risk.

8. Tangible assets

NOK 1000	Q4 2013	Q4 2012	YTD 2013	YTD 2012
Carrying value at the beginning of the period	18	35	30	54
Additions	-	-	10	-
Depreciation in the period	-7	-5	-30	-20
Exchange differences	3	-	4	-4
Carrying value at the end of the period	14	30	14	30

9. Intangible assets

NOK 1000	Q4 2013	Q4 2012	YTD 2013	YTD 2012
Carrying value at the beginning of the period	85 907	87 684	81 202	91 336
Additions/disposal (-)	332	-2 949	2 241	-2 144
Amortization in the period	-1 307	-1 553	-6 463	-6 213
Exchange differences	841	-1 980	8 793	-1 777
Carrying value at the end of the period	85 773	81 202	85 773	81 202

11. Deferred tax and deferred tax assets

Defferd Tax Assets

NOK 1000	Q4 2013	Q4 2012	2013	2012
Carrying value at the beginning of the period	12 285	11 615	10 953	9 317
Income statement charge	-1 131	-662	201	1 636
Carrying value at the end of the period	11 154	10 953	11 154	10 953

Defferd Tax

NOK 1000	Q4 2013	Q4 2012	2013	2012
Carrying value at the beginning of the period	8 521	9 638	8 519	10 736
Income statement charge	-572	-530	-1 814	-1 822
Exchange differences	77	-589	1 321	-395
Carrying value at the end of the period	8 026	8 519	8 026	8 519

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.

12. 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 2013 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 Navamedic 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 11.00 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 2013 TNOK 400. 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:

Share options	Price	2013	2012
May, 2012	5,4		
February, 2013	7,3		50 000
May, 2013	6,9		25 000
September, 2013	6,9		50 000
January, 2013	9,5	30 000	30 000
February, 2013	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		75 000	200 000

13. 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 12.4 million was utilized at the end of the fourth 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.

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.

15. Shareholders Information

As of 31 December the Company had 551 share owners. The total numbers of outstanding shares were 8,512,051.

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

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 2013 has been prepared in accordance with IAS 34 'Interim Financial Reporting' and gives a true and fair view of the Group's assets, liabilities, financial position and profit and loss as a whole. We also confirm, to the best of our knowledge, that the interim report includes a fair review of important events that have occurred during the 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, 26 February 2014

Johan Reinsli (sign)
Chairman

Masha Strømme (sign)
Board Member

Halvor Stenstadvold (sign)
Board Member

Wenche Rolfsen (sign)
Board Member

Svein Erik Nicolaysen (sign)
Board Member

Håkan Josephsson (sign)
CEO