



# **Navamedic**

## **Interim Financial Report**

**3<sup>rd</sup> Quarter 2009**

**Navamedic ASA**

18 November 2009

## **Highlights**

- ◆ *Continued revenue growth in the segment Direct Sales and Marketing, revenues in the third quarter 2009 25% higher than the third quarter 2008.*
- ◆ *The sale of Glucomed to Laboratoires Expanscience was completed on September 3, 2009.*
- ◆ *The net profit from the sale of the Glucomed business amounted to NOK 29.9 million affecting pro forma EBIT for the third quarter 2009. Net cash contribution from the sale amounted to NOK 40.3 million.*
- ◆ *The API inventory, discontinued business, have been written down with NOK 9.8 million per September 30<sup>th</sup>, 2009 .*
- ◆ *Navamedic had no interest bearing debt and held NOK 37.4 million in cash at the end of the third quarter 2009.*

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## **Revenues and results**

Profit and Loss from the Glucomed business is classified as Discontinued Operations according to IFRS rules. The Profit and Loss is prepared as if the sales process were not initiated in order to show the actual operations in the third quarter 2009 and the first nine months 2009. Similarly, all comments are related to the Profit and Loss for the entire group, without the classification of Discontinued Operations.

- Operating revenues were NOK 19.3 million in the third quarter 2009, compared to NOK 20.2 million in the third quarter 2008.
- Operating revenues for the first nine months 2009 were NOK 52.5 million, compared to NOK 47.1 million for the first nine months in 2008.
- EBITDA was NOK 21.8 million in the third quarter 2009, compared to NOK 7.8 million in the third quarter 2008.
- EBITDA for the first nine months 2009 was NOK 20.5 million, compared to NOK 8.8 million for the first nine months in 2008.
- If the EBITDA is adjusted for the net profit from the sale of the Glucomed business (NOK 29.9 million) and for the write down of the API inventory (NOK 9.8 million), then the EBITDA for the third quarter 2009 would amount to NOK 1.7 million.
- If the EBITDA is adjusted for one-off cost for termination of the employment contract for the former chairman of Vitaflo (NOK 1.9 million), the net profit from the sale of the Glucomed business (NOK 29.9 million) and for the write down of the API inventory (NOK 9.8 million), then the EBITDA for the first nine months 2009 would amount to NOK 2.3 million.

Key figures below:

(in NOK '000)	Q3 2009	Q3 2008	YTD 2009	YTD 2008	FY 2008
Revenues	19 321	20 246	52 499	47 118	64 949
Gross Profit	748	12 739	15 130	25 866	35 034
Gross margin	4%	63%	29%	55%	54%
Net profit from sale of Glucomed	29 884	-	29 884	-	-
EBITDA	21 819	7 772	20 475	8 841	11 554
EBIT	20 121	5 766	14 731	(521)	(494)
Profit before tax	18 296	5 639	12 714	(2 117)	(2 470)

### Segment reporting

#### Direct Sales and Marketing:

Revenues and costs related to sales of products to wholesalers and retail partners, as well as the marketing of the products to the buyers. The company is responsible for the sales and marketing of the products in this segment. The sale of products through Vitaflo Scandinavia AB is the main activity in this operating segment.

#### Indirect Sales:

Revenues and costs related to sales of Glucomed product to marketing and distribution partners outside the group. The sale of Glucomed is the main activity in this segment. Vitaflo Scandinavia is the sales channel for Glucomed in the Nordic region. The sale of Glucomed through Vitaflo is reported in the segment Direct Sales and Marketing.

After the third quarter 2009, Navamedic will not have any more business in this segment.

#### Business Development and Overhead cost:

Costs related to the ongoing search for new products and companies to support the company's business strategy and secure future growth and overhead costs not directly connected to Direct Sales and Marketing and Indirect Sales and Marketing.

The segment reporting will from 2010 be changed due to changes of Navamedic's business. The new segment reporting will be effective as of for the first quarter 2010.

Operating segments the third quarter 2009 compared to the third quarter 2008:

(in NOK '000)	Q3 2009			Q3 2008				
	Group	Indirect sales	Direct Sales and Marketing	Business dev and Overhead	Group	Indirect sales	Direct Sales and Marketing	Business dev and Overhead
Revenues	19 321	5 438	13 883	-	20 246	9 145	11 101	
Gross Profit	748	(5 055)	5 803	-	12 739	7 999	4 740	-
Gross margin	4%	-93%	41,8 %	0%	63%	87%	43%	
Net profit from sale of Glucomed	29 884	29 884	-	-	-	-	-	-
EBITDA	21 819	21 431	1 793	(1 405)	7 772	6 922	2 352	(1 502)
EBIT	20 121	21 431	128	(1 438)	5 766	6 561	626	(1 421)
Profit before tax	18 296	21 431	(259)	(2 876)	5 639	6 561	408	(1 330)

Operating segments the first nine months 2009 compared to first nine months 2008:

(in NOK '000)	01.01 - 30.09 2009			01.01 - 30.09 2008				
	Group	Indirect sales	Direct Sales and Marketing	Business dev and Overhead	Group	Indirect sales	Direct Sales and Marketing	Business dev and Overhead
Revenues	52 499	13 710	38 789	-	47 118	13 871	33 247	
Gross Profit	15 130	(679)	15 809	-	25 866	11 303	14 563	-
Gross margin	29%	-5%	41%	55%	81%	44%		
Net profit from sale of Glucomed	29 884	29 884	-	-	-	-	-	-
EBITDA	20 475	22 707	3 847	(6 078)	8 841	5 706	6 898	(3 763)
EBIT	14 731	22 707	(1 800)	(6 176)	(521)	1 495	1 747	(3 763)
Profit before tax	12 714	22 707	(2 399)	(7 594)	(2 117)	518	572	(3 207)

### Direct Sales and Marketing (Vitaflo)

The management has been reviewing the product portfolio in Vitaflo during the third quarter 2009, leading to changes in sales focus.

Revenues in the third quarter 2009 were NOK 13.9 million, 25% higher, compared to the third quarter 2008. Revenues for the first nine months 2009 were NOK 38.8 million, 17% higher than first nine months 2008.

Compared with the second quarter 2009, the gross margin has improved by approximately 5%, mainly because of a better mix of the products being sold.

The gross margin was 42% in the third quarter 2009, compared to 43% in the third quarter 2008. The gross margin was 41% for the first nine months 2009, compared to 44% the first nine months 2008.

Operating costs in the first nine months of 2009 are NOK 4.3 million higher, compared to the first nine months of 2008. The costs are affected by the introduction of several new products during 2009. Approximately NOK 1.9 million is caused by launching new products and consists mainly of costs of marketing and registration. For some of the new products that have been launched during 2009, the sales will in the reality only start in beginning of 2010.

Initiatives have been taken to reduce the operational costs in the company. Among the initiatives taken is to relocate the operations in all three location (Oslo/Gothenbourg/Copenhagen) to less expensive and more efficient premises. Such relocation will have an effect as of Q1 2010.

Management for the business segment has performed a review of the business potential in sales and forecast a continued growth in the sales for this segment, especially regarding the sale of Glucomed on the Nordic market. The MedicalProductsAgency (MPA) in Sweden considers that Glucomed should be a substitutable against competitive products. A decision against this has been appealed and in November 2009 the Swedish Supreme Court informed that they will make a final decision on the substitutability of Glucomed on the Swedish market in the beginning 2010. If the Supreme Court decides that Glucomed is substitutable, there will be a high sales potential for Glucomed.

### Indirect Sales

Revenues related to Glucomed outside the Nordic region account for all revenues in this segment.

The third quarter 2009 was the last quarter Navamedic had business in this segment; in August 2009 the business was sold to Laboratoires Expanscience.

Revenues in the third quarter 2009 were NOK 5.4 million, compared to NOK 9.1 million in the third quarter 2008. Revenues for the first nine months 2009 were NOK 13.7 million, compared to NOK 13.9 million first nine months 2008.

The new management has been reevaluating the value of the API inventory in light of the sale of the Glucomed business. The inventory was valued at NOK 9.8 million June 30<sup>th</sup>, 2009, and was not a part of the deal when the Glucomed business were sold to Laboratoires Expanscience. A NOK 9.8 million write down is made to the inventory in the third quarter 2009, and the inventory is valued at NOK 0.3 million as per September 30<sup>th</sup>, 2009.

The net profit for the sale of the Glucomed business to Laboratoires Expanscience amounts to NOK 29.9 million.

#### Revenues per knowledge area:

See the table below to find information for revenues in the third quarter 2009 and for the first nine months 2009 for per knowledge area, compared with the third quarter 2008 and with first nine months 2008:

(in NOK '000)	Q3 2009	Q3 2008	YTD 2009	YTD 2008
Osteoarthritis	5 598	9 270	14 170	14 425
Medical Nutrition	5 567	4 842	16 190	13 069
Oral Medicine	2 001	2 111	6 160	6 397
Female Care	1 320	404	2 595	1 268
Dermatology	1 038	763	3 088	2 394
Abuse	1 698	1 649	5 373	4 587
Gastro	903	516	2 042	1 969
Neurology	807	479	1 885	1 296
Oftalmology	73	67	333	334
Other	316	145	663	1 380
Total revenues	19 321	20 246	52 499	47 118

Please note that the figures reflect the revenues for both the Direct and the Indirect sales.

Note that Glucomed sales are only two months in the third quarter 2009, compared with three months for the third quarter 2008.

Key observations:

- Medical nutrition: Continue growth 28%
- Abuse: Continue growth 15,7% and still a huge unexplored market in DK
- Neurology: Growth of 30%, special licensed product not allowed to be marked, sensitive information possible.
- Female Care: 2008 sales of 2,0mSEK prognosis 2009 4,1mSEK. Uracyst (1,2mSEK), and EcoVag Balance (1,2mSEK) lanuched 2009

#### Sale of the Glucomed-rights

On August 14, 2009, Navamedic announced that the Glucomed business was sold to Laboratoires Expanscience and information about the sale was published in the financial report for the second quarter 2009. The closing date for the transaction was September 3, 2009. Please refer to note 15 for more information. For more detailed information regarding the transaction, Navamedic published an information document September 20 2009, the document is available on the Navamedic's homepage ([www.navamedic.com](http://www.navamedic.com))

When signing the sales and purchase agreement of the Glucomed business, Navamedic also signed an 8 year long exclusive Distribution Agreement for the sale of Glucomed in the Nordic countries.

#### Business development and Overhead

Costs in the third quarter 2009 were NOK 1.4 million, compared to NOK 1.5 million in the third quarter 2008. Costs for the first nine months 2009 were NOK 6.1 million, compared to NOK 3.8 million for the first nine months 2008.

For the first nine months 2009, the costs are affected by one-off costs of NOK 1.9 million related to the termination of the employment of the former executive chairman of Vitaflo Scandinavia.

The premises in Oslo: the Company will rent out its present office and move to less costly premises.

## **Market update**

### Direct Sales and Marketing

Navamedic and its subsidiary Vitaflø Scandinavia is constantly seeking for new products, both in the existing knowledge areas and in new areas. The Company is reviewing a wide range of products that fits its strategy to offer cost-effective and medically well motivated products for launch in the Nordic countries. Navamedic's goal is to maintain its position as a leading specialty Pharma Company in the Nordic region by adopting an active product acquisition and in licensing strategy and by organic growth through market-adapted product development within Vitaflø Scandinavia.

### Indirect Sales

After the third quarter 2009, Navamedic will have no more business in this segment.

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

Navamedic held cash and cash equivalents of total NOK 37.4 million as per September 30, 2009.

Cash flow from operations during the third quarter 2009 was NOK 36.6 million and NOK 38.7 million for the first nine months 2009, including net cash from the sale of the Glucomed business, NOK 40.1 million.

In conjunction with the sale of the Glucomed business, Navamedic repaid a loan to DnB NOR of total NOK 12.0 million. As per September 30, 2009, Navamedic has no interest bearing loans.

A NOK 1.4 million write down is made of the shares in Seagarden ASA. Following the write down, the shares were valued at 0 NOK as per September 30, 2009. The management will continue to follow Seagarden and make adjustment of the valuation for the shares when applicable.

### **New CFO/IR employed**

Torbjörn Sannerstedt was appointed as the new CFO of Navamedic in September 2009.

Before Navamedic Torbjörn Sannerstedt held the CFO position for Sweden's largest private education company AcadeMedia AB (listed at OMX Stockholm Small Cap).

### **Summary and Outlook**

Navamedic maintains its strategy to remain a specialty pharma player and to be the partner of choice for pharma life sciences company wishing to enter the Northern European market with selected products.

The sale in Vitaflø is expected to continue to increase going forward.

The management of Navamedic is continuously reviewing new business opportunities and is focused on developing new businesses with a high degree of organic growth and with satisfactory profitability.

Future key actions:

- Continue to improve profitability in Vitaflø
- Continue to restructure the organization, with the goal to create a cost efficient and market adapted organization
- Present new business opportunities for implementation during 2010

### Financial situation

Cash flow from the ongoing operations is expected to be positive going forward.

After the sales of the Glucomed-business, Navamedic has a very strong financial situation. With liquidity of total NOK 37.4 million and no interest bearing debt after September 30<sup>th</sup>, 2009, Navamedic has the strength to make investments in its business with the focus to create significant shareholder value.

# CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## PROFIT AND LOSS

(In NOK '000)	Note	Q3 2009	Q3 2008	01.01-30.09 2009	01.01-30.09 2008	01.01-31.12 2008
<b>Operating revenues</b>		<b>13 883</b>	<b>11 101</b>	<b>38 789</b>	<b>33 247</b>	<b>46 105</b>
Cost of goods sold		8 080	6 361	22 980	18 684	25 322
<b>Gross profit</b>		<b>5 803</b>	<b>4 740</b>	<b>15 809</b>	<b>14 563</b>	<b>20 783</b>
Payroll expense		2 042	1 456	7 072	4 307	5 235
Other operating cost		3 522	2 414	11 253	7 481	9 575
Other (losses)/gains - net		150	61	285	360	338
<b>Operating costs</b>		<b>5 414</b>	<b>3 809</b>	<b>18 040</b>	<b>11 428</b>	<b>14 472</b>
<b>EBITDA</b>		<b>389</b>	<b>931</b>	<b>-2 231</b>	<b>3 135</b>	<b>6 311</b>
Depreciation	9	40	8	118	24	34
Amortization	8	1 658	1 718	5 203	5 127	6 690
Write offs	8,14	0	0	425	0	888
<b>OPERATING RESULT (EBIT)</b>		<b>-1 309</b>	<b>-795</b>	<b>-7 977</b>	<b>-2 016</b>	<b>-1 301</b>
<b>Financial income and expenses</b>						
Financial income		0	289	274	900	1 043
Other financial income		0	0	0	0	0
Financial expenses		-389	-416	-852	-1 519	-2 085
Other financial expenses		-1 438	0	-1 438	0	-862
<b>Net financial result</b>		<b>-1 827</b>	<b>-127</b>	<b>-2 016</b>	<b>-619</b>	<b>-1 904</b>
<b>PROFIT BEFORE TAXES</b>		<b>-3 136</b>	<b>-922</b>	<b>-9 993</b>	<b>-2 635</b>	<b>-3 205</b>
Tax on profit		149	258	661	727	1 169
<b>Net income for the period from continuing operations</b>		<b>-2 987</b>	<b>-664</b>	<b>-9 332</b>	<b>-1 908</b>	<b>-2 036</b>
<b>Profit (loss) after tax for the period from discontinued operations</b>	14,15	<b>18 371</b>	<b>4 724</b>	<b>19 647</b>	<b>519</b>	<b>-6 041</b>
<b>Net profit in the period</b>		<b>15 384</b>	<b>4 060</b>	<b>10 315</b>	<b>-1 389</b>	<b>-8 077</b>

## BALANCE SHEET

(In NOK '000)	Note	30-09-2009	30-09-2008	31-12-2008
<b>Fixed and Intangible Assets</b>				
Intangible assets	8	85 587	104 135	100 511
Deferred tax assets	10	0	8 395	3 060
Operating assets	9	88	517	192
Investments in shares	14	0	2 300	1 438
<b>Total fixed and intangible assets</b>		<b>85 675</b>	<b>115 347</b>	<b>105 201</b>
<b>Current Assets</b>				
Inventories		7 665	17 580	9 969
Short term receivables	7	9 721	9 601	11 298
Cash at hand, in banks		37 382	15 787	16 374
Discontinued operations classified as held for sale	15	0	0	16 804
<b>Total current assets</b>		<b>54 768</b>	<b>42 968</b>	<b>54 445</b>
<b>Total assets</b>		<b>140 443</b>	<b>158 315</b>	<b>159 646</b>
<b>Shareholders equity and liabilities</b>				
<b>Shareholders equity</b>				
Paid in capital		128 476	128 183	128 476
Other reserves		-16 943	-17 752	-18 232
<b>Total equity</b>	4,11	<b>111 533</b>	<b>110 431</b>	<b>110 244</b>
<b>Debt</b>				
Deferred tax	10	13 415	15 530	16 610
Long term debt to financial institutions	12	0	12 000	8 000
<b>Total long term debt</b>		<b>13 415</b>	<b>27 530</b>	<b>24 610</b>
Trade debtors		8 023	3 975	7 817
Interest-bearing short term debt	12	0	8 000	8 000
Received license fees from customers	13	0	3 866	3 856
Other short term debt		7 472	4 513	5 119
<b>Total short term debt</b>		<b>15 495</b>	<b>20 354</b>	<b>24 792</b>
<b>Total debt</b>		<b>28 910</b>	<b>47 884</b>	<b>49 402</b>
<b>Total shareholders equity and liabilities</b>		<b>140 443</b>	<b>158 315</b>	<b>159 646</b>

## CHANGES IN SHAREHOLDERS EQUITY

(In NOK '000)	Note	Paid in capital	Other paid in capital/ reserves	Translation differences	Retained earnings	Total
Balance at 31 December 2006		60 866	-	64	-15 005	45 925
Changes in accounting principles		-	-		-	-
Balance at 1. January 2008		<b>128 476</b>	<b>157</b>	<b>169</b>	<b>-18 217</b>	<b>110 585</b>
Share option scheme		-	-83		-	-83
Gains and Losses on Currency Outright Agreements	8	-	-		-	-
Translation difference		-	-	7 819		7 819
Net profit of the period		-	-		-8 077	-8 077
Balance at 31 December 2008		<b>128 476</b>	<b>74</b>	<b>7 988</b>	<b>-26 294</b>	<b>110 244</b>
Balance at 31 December 2008		128 476	74	7 988	-26 294	110 244
Changes in accounting principles		-	-		-	-
Balance at 1 January 2009		<b>128 476</b>	<b>74</b>	<b>7 988</b>	<b>-26 294</b>	<b>110 244</b>
Issue of shares, net of share issue cost	11	-	-		-	-
Share option scheme		-	-43			-43
Translation difference		-	-	-8 983		-8 983
Net profit of the period		-	-		10 315	10 315
Balance at 30 September 2009		<b>128 476</b>	<b>31</b>	<b>-995</b>	<b>-15 979</b>	<b>111 533</b>

## CASH FLOW

(In NOK '000)	Q3 2009	Q3 2008	01.01-30.09 2009	01.01-30.09 2008	01.01-31.12 2008
Profit before taxes, continued operations	-3 136	-922	-9 993	-2 635	-3 205
Profit before tax, discontinued operations (note 15)	21 431	6 561	22 707	1 574	735
Net profit from sold assets	-29 884	-	-29 884		-
Depreciation, Amortization and Write Off from continued operations	1 698	1 726	5 746	5 151	7 612
Depreciation, Amortization and Write Off from discontinued operations (note 15)	-	360	-	4 211	4 436
Write down of inventory	9 500	-	9 500	-	-
Net cash from assets sold	40 083	-	40 083	-	-
Share options	20	-235	-63	-85	-83
Net financials	1 827	127	2 016	541	1 904
Changes in working capital	-4 948	-8 127	-1 420	-20 532	-17 199
<b>Cash flow from operations</b>	<b>36 591</b>	<b>-510</b>	<b>38 692</b>	<b>-11 775</b>	<b>-5 800</b>
Net financials	-1 827	-127	-2 016	-541	-1 904
Taxes paid	-348	-357	-921	-952	-1 774
<b>Net cash flow from operations</b>	<b>34 416</b>	<b>-994</b>	<b>35 755</b>	<b>-13 268</b>	<b>-9 478</b>
<b>Cash flow from investments</b>					
Purchase of tangible assets	-11	-	-	-	-
Purchase of intangible assets	-	-	-	-	-
Purchase of tangible assets, discontinued operations	-	-	-83	-237	-243
Purchase of intangible assets, discontinued operations	-	-68	-102	-573	-633
Earn Out to POA Consulting	-	-	-	-8 500	-8 500
<b>Net cash flow from investments</b>	<b>-11</b>	<b>-68</b>	<b>-185</b>	<b>-9 310</b>	<b>-9 376</b>
<b>Cash flow from financial activities</b>					
Write off financial assets	1 438	-	1 438	-	863
Borrowing from financial institutions	-12 000	-	-16 000	-	-4 000
<b>Net cash flow from financial activities</b>	<b>-10 562</b>	<b>-</b>	<b>-14 562</b>	<b>-</b>	<b>-3 137</b>
<b>Net change in cash during the period</b>	<b>23 844</b>	<b>-1 062</b>	<b>21 008</b>	<b>-22 578</b>	<b>-21 991</b>
Cash and cash equivalents at the beginning of the period	13 538	16 849	16 374	38 365	38 365
<b>Cash and cash equivalents at the end of the period</b>	<b>37 382</b>	<b>15 787</b>	<b>37 382</b>	<b>15 787</b>	<b>16 374</b>

## **Selected explanatory notes:**

### **Nature of operation**

#### **1. Nature of operation**

Navamedic ASA (Navamedic) was established in 2002, and comprises Navamedic ASA and the 100 percent owned subsidiaries Vitaflo Scandinavia AB and Navamedic ehf. The company is headquartered at Lysaker outside of Oslo, Norway.

Navamedic is a fast-growing specialty pharma company. Navamedic represents more than 45 products from over 20 foreign companies on the Nordic markets through its subsidiary Vitaflo Scandinavia AB. Vitaflo has shown significant revenue growth over the last 5 years. Navamedic aspires to grow both through increased geographical presence and through a broadened product portfolio within selected therapeutic areas.

The company has developed and commercialised a glucosamine based pharmaceutical named Glucomed. Glucomed was the first glucosamine product approved by European authorities for marketing as a drug in all EU countries. Glucomed was sold to Laboratoires Expanscience with effect from 3 September 2009. Profit and loss from the Glucomed business is classified as Discontinued operations

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 2008 (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 6 March 2008. 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. This is the Company's twelfth interim report presented in accordance with IAS 34. The same accounting principles have been applied for all reported periods in this report. The board of directors approved the interim condensed financial information on 18 November 2009.

#### **3. Summary of significant accounting policies**

The accounting policies applied and the presentation of the interim condensed consolidated financial information is consistent with the consolidated financial statements for the year ended 31 December 2008.

##### **New accounting developments**

Management has evaluated the accounting policies according to IFRS and information about new development in IFRS.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The group has elected to present an income statement.
- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors. Goodwill is allocated by management to groups of cash-generating units on a segment level. Goodwill are allocated to the segment Direct Sales and Marketing.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the group:

- IAS 23 (amendment), 'Borrowing costs'.
- IFRS 2 (amendment), 'Share-based payment'.
- IAS 32 (amendment), 'Financial instruments: Presentation'.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, 'Agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures',
- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009.

IFRIC 18, 'Transfers of assets from customers', effective for transfers of assets received on or after 1 July 2009.

#### 4. Earnings per share

Earnings per share continued operations:

	Q3 2009	Q3 2008	YTD 2009	YTD 2008	FY 2008
Result allocated to shareholders (in NOK '000)	(2 987)	(664)	(9 332)	(1 908)	(2 036)
Weighted average of outstanding shares (in '000)	7 537	7 537	7 537	7 537	7 537
Earnings per share (NOK per share)	-0,40	-0,09	-1,24	-0,25	-0,27

Diluted earnings per share:

	Q3 2009	Q3 2008	YTD 2009	1H 2008	FY 2008
Result allocated to shareholders (in NOK '000)	(2 987)	(664)	(9 332)	(1 908)	(2 036)
Weighted average of outstanding shares (in '000)	7 637	7 537	7 592	7 537	7 537
Earnings per share (NOK per share)	-0,40	-0,09	-1,24	-0,25	-0,27

Earnings per share discontinued operations:

	Q3 2009	Q3 2008	YTD 2009	1H 2008	FY 2008
Result allocated to shareholders (in NOK '000)	18 371	4 724	19 647	519	(6 041)
Weighted average of outstanding shares (in '000)	7 537	7 537	7 537	7 537	7 537
Earnings per share (NOK per share)	2,44	0,63	2,61	0,07	-0,27

Diluted earnings per share:

	Q3 2009	Q3 2008	YTD 2009	1H 2008	FY 2008
Result allocated to shareholders (in NOK '000)	18 371	4 724	19 647	519	(6 041)
Weighted average of outstanding shares (in '000)	7 637	7 537	7 592	7 537	7 537
Earnings per share (NOK per share)	2,44	0,63	2,61	0,07	-0,27

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

#### 5. Segment information

Following the decision to search for new owner for the Glucomed rights (note 15), Navamedic reports on two operating segments; Direct Sales and Marketing, and Business Development/Overhead. Comparable figures for 2008 have been developed.

##### Direct Sales and Marketing:

Revenues and costs related to sales of products to wholesalers and retail partners, as well as the marketing of the products to the buyers. The company is responsible for the sales and

marketing of the products in this segment. Sale of products through Vitaflo Scandinavia AB is the main activity in this operating segment.

**Business development/Overhead:**

Costs related to the search for new products and companies to support the company's strategy and secure future growth. Overhead costs not related to Direct Sales and Marketing and expected to continue in the short term.

Profit and loss per operating segment Q3:

(in NOK '000)	Group	Q3 2009		Q3 2008		
		Direct Sales and Marketing	Business dev and Overhead	Group	Direct Sales and Marketing	Business dev and Overhead
Revenues	13 883	13 883	-	11 101	11 101	-
Gross Profit	5 803	5 803	-	4 740	4 740	-
Gross margin	42 %	42 %	-	43 %	43 %	-
Operating costs	5 415	4 010	1 405	3 809	2 388	1 421
EBITDA	388	1 793	(1 405)	931	2 352	(1 421)
Depreciation, amortization	1 698	1 665	33	1 726	1 726	-
EBIT	(1 310)	128	(1 438)	(795)	626	(1 421)
Profit before tax	(3 135)	(259)	(2 876)	(922)	408	(1 330)

Profit and loss per operating segment YTD:

(in NOK '000)	Group	01.01 - 30.09 2009		01.01 - 30.09 2008		
		Direct Sales and Marketing	Business dev and Overhead	Group	Direct Sales and Marketing	Business dev and Overhead
Revenues	38 789	38 789	-	33 247	33 247	-
Gross Profit	15 809	15 809	-	14 563	14 563	-
Gross margin	41 %	41 %	-	44 %	44 %	-
Operating costs	18 040	11 962	6 078	11 428	7 665	3 763
EBITDA	(2 231)	3 847	(6 078)	3 135	6 898	(3 763)
Depreciation, amortization	5 745	5 647	98	5 151	5 151	-
EBIT	(7 976)	(1 800)	(6 176)	(2 016)	1 747	(3 763)
Profit before tax	(9 993)	(2 399)	(7 594)	(2 635)	572	(3 207)

Balance Sheet per operating segment:

(in NOK '000)	Group	30 September 2009		30 September 2008		
		Direct Sales and Marketing	Business Dev, Overhead and Held for sale	Group	Direct Sales and Marketing	Business Dev, Overhead and Held for sale
Total assets	140 443	111 187	29 256	158 316	114 653	43 663
Total liabilities	28 911	22 511	6 400	47 884	41 452	6 432

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

(in NOK '000)	Q3 2009		Q3 2008		01.01 - 30.09 2009		01.01 - 30.06 2009	
	Group	Direct Sales and Marketing	Group	Indirect sales	Group	Direct Sales and Marketing	Group	Indirect sales
Nordic Countries	11 577	11 577	10 237	10 237	32 431	32 431	29 403	29 403
Rest of EU/EEA	2 252	2 252	864	864	6 304	6 304	3 844	3 844
Other	54	54	-	-	54	54	-	-
Total	13 883	13 883	11 101	11 101	38 789	38 789	33 247	33 247

Revenues per knowledge area:

(in NOK '000)	Q3 2009	Q3 2008	YTD 2009	YTD 2008	FY 2008
Osteoarthritis	160	125	450	328	473
Medical Nutrition	5 567	4 842	16 190	13 069	18 432
Oral Medicine	2 001	2 111	6 160	6 397	8 679
Female Care	1 320	404	2 595	1 268	1 672
Dermatology	1 038	763	3 088	2 394	3 377
Abuse	1 698	1 649	5 373	4 587	6 452
Gastro	903	516	2 042	1 969	2 775
Neurology	807	479	1 885	1 296	1 959
Oftalmology	73	67	333	334	473
Other	316	145	673	1 606	1 813
Total revenues	13 883	11 101	38 789	33 247	46 105

The Company's revenues are not influenced by any cyclicalities 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 of revenues and profits.

## 6. Related party transactions

Navamedic is relying on services provided by third parties, included related parties, as a result of its organisational set-up. Non 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 2009, NOK 0,5 million is offset of bad debt.

Maturity profile on receivables as per 30 September:

	Not due	Less than 3 months	3 to 12 months	Total
Trade receivables	7 962	670	180	8 812
Other receivables	909	-	-	909
Total receivables	8 871	670	180	9 721

## Foreign currency risk

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

In relation to the sale of Glucomed, the company entered into a currency outright agreement of EUR 4.65 million with an EUR/NOK of 8.73. A profit of NOK 0.53 million was calculated when the currency outright agreement was terminated 3<sup>rd</sup> September. See note 15 for more information about the sale of Glucomed.

## 8. Intangible assets

Changes in carrying value:

	Third quarter		YTD	
	2009	2008	2009	2008
Carrying value at the beginning of the period	88 335	105 458	100 511	109 635
Additions	-	68	-	573
Amortization in the period	-1 658	-2 033	-5 203	-5 941
Exchange differences	-1 090	642	-9 296	1 343
Write down in the period	-	-	-425	-1 475
Carrying value at the end of the period	85 587	104 135	85 587	104 135

A NOK 0.4 million write down is made in Q2 2009 on the intangible assets following the termination of the employment with the former executive chairman of Vitaflo Scandinavia.

## 9. Tangible assets

Changes in carrying value:

	Third quarter		YTD	
	2009	2008	2009	2008
Carrying value at the beginning of the period	117	570	192	2 941
Additions	11	-	11	237
Assets sold	-	-	-	-848
Depreciation in the period	-40	-53	-118	-159
Exchange differences	-	-	3	-
Write off in the period	-	-	-	-1 654
Carrying value at the end of the period	88	517	88	517

## 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 taxes relates to the same fiscal authority.

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

	Third quarter		YTD	
	2009	2008	2009	2008
Carrying value at the beginning of the period	3 060	9 755	3 060	9 770
Income statement charge	-3 060	-1 349	-3 060	228
Exchange differences		-11	-	-37
Asset sold	-	-	-	-1 566
Carrying value at the end of the period	-	8 395	-	8 395

The gross movement on the deferred tax accounts as follows:

	Third quarter		YTD	
	2009	2008	2009	2008
Carrying value at the beginning of the period	14 170	15 867	16 610	16 650
Income statement charge	-430	-444	-1 476	-888
Deferred tax from acquisition	-	-	-	-
Exchange differences	-325	107	-1 719	105
Carrying value at the end of the period	13 415	15 530	13 415	15 867

## 11. Share options

Share options are granted to selected employees. The exercise price of the granted options is equal to the market price on the date of the grant.

No share options were granted during Q3. During Q2 2009, 100,000 share options were granted to the new CEO with an exercise price set at the market share price on the 4 May of NOK 5,40 per share.

The fair value of options granted in Q2 determined using the Black-Sholes valuation model was NOK 247,566. The significant inputs into the model were a share price of NOK 5,40 at the grant date, volatility of 70%, dividend yield 0%, an expected option life of 2,75 years and an annual risk free rate of 2.6%.

Costs related to the share options were NOK 0.02 million in the third quarter.

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

Expiry date	Exercise price in NOK per share	Number of shares	
		30.09.2009	30.09.2008
2008-01.07	20,00	0	10 000
2008-31.12	20,00	0	10 000
2010 - 06.03	35,40	20 000	80 000
2010 - 18.06	38,80	0	10 000
2010-03.10	43,70	0	10 000
2012-04.05	5,40	100 000	0

## 12. Long term liability

	Third Quarter	
	2009	2008
DnB NOR	-	20 000
Carrying value at the end of the period	-	<b>20 000</b>

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

## 13. Received license fees from Marketing and Distribution Partners

At the end of Q2 2009, NOK 3.5 million in received license fees from Marketing and Distribution partners were booked as short term debt. Following the sale of Glucomed (note 15) the NOK 3.5 million has been stated as income.

## 14. Income from sale of Glucomed to Marketing and Distribution partners

Glucomed was sold through marketing and distribution partners outside the Nordic region. Navamedic's revenues from sales to the individual partner will depend on the actual price for each pack of Glucomed when sold from the partner to the warehouses and/or the pharmacies. A minimum price per pack is regulated in every marketing and distribution agreement, and all sales in Q3 2009 were made to the agreed minimum price.

At every balance day the Company has assessed the risks related to a possible obligation to make repayments to the partners for products sold with prices lower than the invoiced price. Several factors are taken into consideration when assessing the risks, such as:

- The regulatory status for Glucomed in the respective country
- The partners price strategy
- Number of competitors in the individual country
- Number of packs sold to the partner and number of packs on stock at balance day
- Changes in the Glucomed price after the balance day

During Q3 2009, the repayment risk was considered small due to;

- The Glucomed price has been unchanged since product launch in both countries
- Volumes on stock were low
- Risk for price reduction considered low

During Q3 2009, the company has not made any provisions for a possible repayment. As per the end of the third quarter 2009, the maximum potential repayment obligation is NOK 30,000. The prices will have to be reduced with 9 % before Navamedic will have to make any repayment. Navamedic will retain the obligation for all sales of Glucomed to the marketing and distribution partners until the 4 September 2009.

## 15. Discontinued Operations and sale of Glucomed

On 14 August 2009, Navamedic and Laboratoires Expanscience entered into an Asset Purchase Agreement regarding the pharmaceutical product Glucomed. The sales price was

EUR 4.65 million plus a possible earn out given certain achieved sales targets in 2010 to 2013. The earn out will be calculated based on sales of Glucomed from Expanscience to distributors in Europe, outside France and Scandinavia, in 2010 and 2011 and sales of Glucomed from Expanscience to pharmacies in France in 2011, 2012 and 2013. The earn out will be a percentage of achieved sales above certain threshold levels. The possible earn out will be calculated and eventually paid annually.

Simultaneously with the signing of the Asset Purchase Agreement the companies signed a Distribution Agreement for Glucomed in Sweden, Denmark, Norway and Finland. Navamedic will have the right to distribute Glucomed in the four countries through Vitaflor Scandinavia AB. The agreement lasts for 8 years.

Assets and operations from the Glucomed business have been classified as Discontinued operations held for sale since 10 November 2009.

The following assets were classified as Discontinued operations held for sale at closing:

Immaterial rights	TNOK 7,982
Fixed assets	TNOK 257
Inventory	TNOK 10,550
<u>Total assets</u>	<u>TNOK 18,685</u>

All immaterial rights and fixed assets and inventory valued at TNOK 750 were transferred to Laboratoires Expanscience. Closing date was 3 September 2009.

Net profit from the sale:

Sales price (EUR/NOK 8.62)	NOK 40,083
Immaterial rights	NOK 7,982
Fixed assets	NOK 257
Inventory	NOK 750
<u>Direct sales costs</u>	<u>NOK 1,220</u>
<u>Profit</u>	<u>NOK 29,884</u>

The sales process is concluded with this agreement. API inventory valued at NOK 9,800,000 was not part of the deal and Navamedic will seek to find another buyer for this inventory. A NOK 9.8 million write down of the inventory is made as per Q3 2009.

Profit and loss from Discontinued operations:

(In NOK '000)	Q3 2009	Q3 2008	YTD 2009	YTD 2008	01.01-31.12 2008
<b>Operating revenues</b>	<b>5 438</b>	<b>9 145</b>	<b>13 710</b>	<b>13 871</b>	<b>18 843</b>
Cost of goods sold	10 193	1 146	14 389	2 568	4 592
<b>Gross profit</b>	<b>(4 755)</b>	<b>7 999</b>	<b>(679)</b>	<b>11 303</b>	<b>14 251</b>
Payroll expense	2 715	847	4 382	4 281	6 251
Other operating cost	1 576	612	2 559	1 713	3 211
Other (losses)/gains - net	593	382	443	397	453
<b>Operating costs</b>	<b>3 698</b>	<b>1 077</b>	<b>6 498</b>	<b>5 597</b>	<b>9 009</b>
<b>Net profit from sale of assets</b>	<b>29 884</b>	<b>-</b>	<b>29 884</b>	<b>-</b>	<b>-</b>
<b>EBITDA</b>	<b>21 431</b>	<b>6 922</b>	<b>22 707</b>	<b>5 706</b>	<b>5 242</b>
Depreciation	0	61	0	183	201
Amortization	0	300	0	900	1 106
Write offs	0	0	0	3 128	3 128
<b>OPERATING RESULT (EBIT)</b>	<b>21 431</b>	<b>6 561</b>	<b>22 707</b>	<b>1 495</b>	<b>807</b>
<b>Net financial result</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>79</b>	<b>(72)</b>
<b>ORDINARY PROFIT BEFORE TAXES</b>	<b>21 431</b>	<b>6 561</b>	<b>22 707</b>	<b>1 574</b>	<b>735</b>
Tax on ordinary result	(3 060)	389	(3 060)	(1 056)	(6 776)
<b>Net income for the period from continuing operations</b>	<b>18 371</b>	<b>6 950</b>	<b>19 647</b>	<b>518</b>	<b>(6 041)</b>

**16. Material events subsequent to the end of the reporting period**

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.

Lysaker, November 18<sup>th</sup>, 2009

Johan Reinsli (sign)  
Chairman of the Board

Benedicte H. Fossum (sign)  
Board Member

Svein Erik Nicolaysen(sign)  
Board Member

Grete Hogstad (sign)  
Board Member

Halvor Stenstadvold (sign)  
Board Member

Masha Strømme (sign)  
Board Member

Olof Milveden (sign)  
CEO

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