

# Azanta Shareholder Report – Third Quarter 2011

## General

We are pleased to announce that the positive development of Azanta has continued over the summer. Despite our projections of a quite period during July and August, we kept the revenues close to the record level reported in the second quarter and maintained profitability. We are satisfied with the development during the period and aim for exceeding these sales figures in the fourth quarter.

Sales of Azanta's own Head and Neck cancer treatment, Nimorazole, is picking up. We have successfully launched the new tablets and powder and seen sales increase by 230 % compared to the second quarter after the Danish health authorities approved the new product formulations for sale on compassionate use.

## Business Development

A key priority in the field of business development is to make Nimorazole available in new markets to leverage our investment in developing this new product. Previously, we have shared with you, how we extended our Scandinavian operations by entering distribution agreements for France, Greece and establishing a local branch in Canada. During the third quarter we have replicated our Canadian arrangement in the United Kingdom, and hired a long term affiliate of ours to perform market research and head the launch in the United Kingdom. Meanwhile, we continue negotiations with a number of other interested parties, primarily within Europe, but also in Asia and North Africa.

During the third quarter we have continued to invest time and resources in participating at oncology conferences, where we consistently experience a solid interest to learn more about the use of hypoxic radio sensitizers. Most recently, we participated in the ECCO congress in Stockholm, which reconfirmed the awareness and interest in Nimorazole from both industry and doctors.

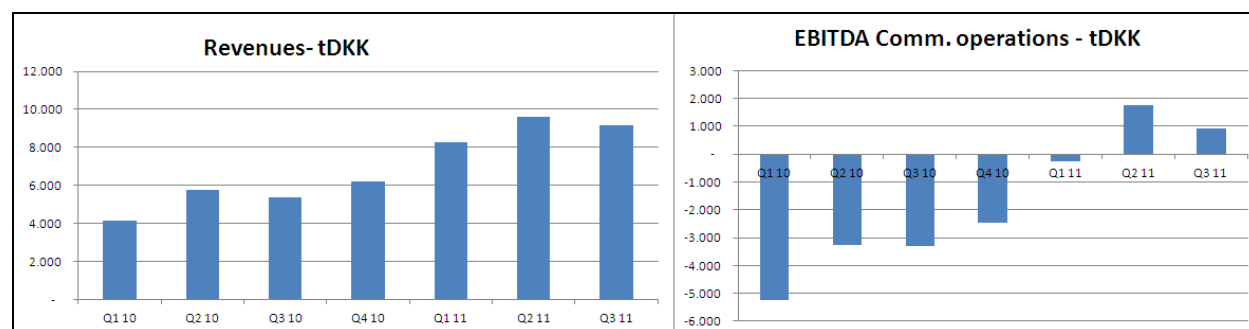
Our efforts of identifying and attracting new products to our portfolio have led to negotiations concerning a very interesting new compound for the treatment of thyroid cancer. As mentioned in previous reports, none of our potential new products are projected to generate revenues in 2011, and it goes without saying that negotiations can be lengthy and in some cases even unsuccessful. Accordingly, we are at all times pursuing a series of product and portfolio opportunities to further strengthen the company and have its reach its full potential.

## Financial update

For the quarter ending September 30, 2011, Azanta reported consolidated revenues of tDKK 9,175. This level is close to the all time high set in the second quarter and it allowed us to maintain profitability during the summer period which is usually somewhat more quite.

The key products Methadone and Substitution treatment still account for the majority of the revenues. During the quarter, elements of top line growth primarily came from the Substitution treatment, Nimorazole and Repadina. Repadina is our OTC product for treatment of vaginal dryness for women during menopause and certain cancer patients. We have seen a nice correlation between our marketing efforts and near term sales for Repadina, and accordingly, we have intensified our marketing activities throughout Scandinavia. This focus has resulted in monthly growth rates for Repadina of approximately 6% for the last 12 months.

Despite our continued focus on cost control, we have allowed for a 5% increase on our operating expenses. This is attributable to marketing and other activities, and leads to the EBITDA from the Commercial Operations, which shows a profit of tDKK 904, compared to tDKK 1,743 in the second quarter and a loss of tDKK 95 in the first quarter. The cost and investments associated with the continued development of our new oncology product Nimorazole of tDKK 675 is not included herein.



Azanta's cash flows show cash consumption of tDKK 3,436 for the third quarter compared to a cash generation of 1,899 in the second quarter. As per September 30, 2011 we had total cash reserves and unused credit facilities corresponding to tDKK 7,575. This is less than projected in the last version of the Shareholder Report, and the reason why cash reserves shrunk in the third quarter is that a substantial part of the revenues consisted of Substitution treatment, which was delivered towards the end of the quarter, meaning that payments were not received until early October.

For the fourth quarter, we project for continued positive development and anticipate that sales will reach the level of the second quarter or higher, i.e. we project revenues to exceed tDKK 10.000.

### Financial data for the third quarter 2011

	Denmark	Rest of Scandinavia via and UK	Total
Repadina	132	1.044	1.175
Metadon	-	2.943	2.943
Nimorazole	372	1	373
Substitution treatment	3.596	-	3.596
Services business and other products	596	492	1.087
<b>Total revenues</b>	<b>4.696</b>	<b>4.479</b>	<b>9.175</b>
Cost of goods	1.281	2.020	3.301
<b>Gross Margin</b>	<b>3.414</b>	<b>2.460</b>	<b>5.874</b>
Total staff expenses	1.024	1.083	2.107
Total other expenses	1.622	1.241	2.863
<b>EBITDA Commerical Operations</b>	<b>769</b>	<b>136</b>	<b>904</b>
Net cash used in Total Operations	4.965	-1.529	3.436
<b>Cash available at the end of the period (including credit line)</b>			<b>7.575</b>