

# Q1/17

## First Quarter 2017 Report





## Highlights for the first quarter

- Navamedic reported revenues of NOK 78.2 million in Q1 2017, up from 60.8 million in Q1 2016, representing a 28.6% growth. The strong growth is mostly related to the addition of Imdur in Navamedic's portfolio.
- EBITDA of NOK 3.3 million in Q1 2017, compared to NOK 2.1 million in Q1 2016
- Sippcoat® granted European patent.
- Distribution of Imdur® expanded to the UK, Ireland, Malta and Cyprus, bringing the distribution to a total of thirteen markets across Europe.

Subsequent events:

- Entered agreement with Orexigen Therapeutics for launch and commercialisation of anti-obesity prescription treatment, Mysimba® in the Nordics.

## Key Figures

(NOK mill)	Q1 2017	Q1 2016
Revenue	78.2	60.8
Gross profit	17.3	17.0
EBITDA	3.3	2.1
Operating Result (EBIT)	0.1	-1.8
Result before tax	-2.7	-4.4
Gross margin	22.1 %	28.0 %
EBITDA margin	4.2 %	3.4 %
Assets	291.7	285.3
Equity	104.2	110.2
Liabilities	188.5	175.2
Equity ratio	35.6%	38.6%

## Comment from Tom Rönnlund, CEO of Navamedic

"Navamedic had a solid first quarter in 2017, with overall revenues up 28.6 percent compared to the same quarter last year. We continue to see strong performance and developments, both within our Pharma and Healthcare products business area, as well as with the continued development and expansion of the Sippi-product family. Following the distribution launch of Imdur last year, as part of our partnership with TopRidge Pharma, the product has continued to be an important revenue driver for the company, along with other prioritised brands. During the quarter, we initiated sales of Imdur in the UK, Ireland, Malta and Cyprus, and are now distributing the product in a total of thirteen markets across Europe. The quarter also marked exciting developments in our Medtech business area. Aside from continued interest and positive feedback on Sippi from customers, we were granted a European patent



for our Sipcoat-technology. We look forward to continued exciting developments for our entire portfolio and exploring additional market opportunities.”

## Operational Review

### About Navamedic

Navamedic ASA is a Norwegian medtech and pharmaceutical distribution and marketing company. The Group's Medtech business is currently developing and launching the next generation digital urine meter, Sippi®, in Europe, to a positive response from customers. Navamedic's Pharma and Healthcare Product business distributes pharmaceutical and medical device products supplied by a number of manufacturers to hospitals and pharmacies in the Northern European region.

	Pharma and Healthcare		Medtech*		Group	
(NOK mill)	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
<b>Revenue</b>	78.1	60.5	0.1	0.3	78.2	60.8
<b>Gross profit</b>	17.5	17.0	-0.1	0.0	17.3	17.0
<b>Gross margin</b>	22.3%	28.1%			22.1%	28.0%
<b>Operating cost</b>	11.9	12.8	2.1	2.2	14.0	14.9
<b>EBITDA</b>	5.5	4.3	-2.2	-2.2	3.3	2.1
<b>EBITDA margin</b>	7.1%	7.0%	-	-	4.2%	3.4%

### Pharma and Healthcare Product Business

*The strategy for the Pharma and Healthcare Product area is to build a strong distribution business through representation and distribution agreements with partners looking for an efficient go-to-market model in predominantly the Nordic markets, leveraging our regulatory, sales and marketing capabilities in the hospital and pharmacy sectors.*

Navamedic continued to expand the distribution of Imdur® (isosorbide mononitrate) as part of the partnership with Top Ridge Pharma, and initiated sales of the angina prevention medicine in four additional countries during the first quarter, including the UK, Ireland, Malta and Cyprus. This is in addition to the nine other markets initiated in 2016, and in line with the company's strategy to develop distribution in a bigger European market. The strategic partnership and long-term distribution agreement with Top Ridge Pharma regarding Imdur®, also represents significant opportunities for Navamedic's continued development, as potential future products from Top Ridge in Europe will be offered Navamedic on a first right basis.

Sales revenues in Navamedic's Pharma and Healthcare Product division were NOK 78.1 million in the first quarter of 2017, compared to NOK 60.5 million in Q1 2016, representing a 29.1% growth.

The sales growth was to a large extent driven by the addition of Imdur® to the company's portfolio in late 2016.

The gross margin in the segment decreased to 22.3% in the first quarter of 2017 compared to 28.1% in the same quarter last year, mainly due to changes in the product mix. Operating costs were NOK 1.4 million lower compared to the first quarter in 2016 due to effect of cost reduction



initiatives initiated in the previous year. The EBITDA in the Pharma and Healthcare business area was NOK 5.5 million in the quarter, up from NOK 4.3 million in the first quarter last year, representing an EBITDA margin of 7.1%.

In first quarter of 2017, Navamedic highlights the following developments within the Pharma and Healthcare Product portfolio:

- *Imdur®* recorded sales of NOK 17.3 million in the quarter, reflecting recently initiated markets, and making it Navamedic's largest single brand.
- *Ovestin®* had an almost flat quarter in the Nordics, with a 0.5% reduction in revenues, compared to first quarter in 2016. *Ovestin®* is one of the products Navamedic will hand back to Aspen the first of July 2017.
- The Medical Nutrition portfolio continued with strong revenue growth in the first quarter, delivering 29.7% higher revenues, compared to the first quarter of 2016.
- *NYDA®*, a head lice treatment sold in pharmacies, delivered a growth of 24.5% in the first quarter of 2017, compared to the first quarter of 2016. The fastest growing market for *NYDA®* is currently Norway, as the product gained a broader pharmacy presence during the fall of 2016.
- *Uracyst®*, for treatment of painful bladder syndrome, experienced continued strong growth. Revenues were up by 17.4% compared to first quarter 2016, driven by higher demand and continued sales campaigns.

During the first quarter, Navamedic continued its activities for its portfolio of new products added in 2016, including *Imdur®*, *Nitrolingual®* and *Woulgan®*. All introductions are progressing according to plan. *Nitrolingual®* had strong growth in the quarter of 53% compared to Q1 2016, as Navamedic initiated sales of *Nitrolingual* in the Danish market during the second half of 2016. Commercial sales of *Woulgan®* are still at a low level, with the greatest success so far in the Finnish market. Navamedic is focusing on ensuring inclusion of *Woulgan®* in regional tenders, a prerequisite for future stronger sales results.

## Medtech Business

*Navamedic's proprietary product, Sippi®, offers a new standard for urine monitoring in hospitals by enabling automated digital measurement. Safe and accurate monitoring of patients' urine production is a vital parameter for all intensive care patients and for selected patients treated in other wards. In addition to this, Sippi® prevents biofilm build-up via its proprietary technology and alerts healthcare professionals if biofilm reaches critical levels.*

The first quarter of 2017 marked a number of key developments for the Sippi®-product family. Navamedic received commitment from four hospitals to initiate patient tests with Sippi®-BLE (low energy Bluetooth) and the patient data monitoring system Centricity by GE Healthcare, including three hospitals in Finland and one in Sweden. This is a milestone within urine measurement and for intensive care units, as Sippi® represents a unique opportunity with a digital urinometer to transfer the volume data with wireless technology into the patient data monitoring system (PDMS). Navamedic has also been running successful connectivity tests to another major PDMS-software, Metavision at a test lab at Uppsala University Hospital in Sweden. The first clinical runs with patients are expected to take place during the second quarter of 2017.

Expansion of Sippi® in Europe is continuing according to plan. During the quarter, Sippi® was tested in Austria and Italy, which resulted in two new customers, including the signing of a distribution agreement with SIM Italia, one of the leading distributors in Italy. Navamedic is continuing to work to attract the best partners in each market entered.



As earlier communicated, on 1 March 2017, Navamedic was granted a patent securing the use of silicone oil in urine handling systems in the EU. The company believes the future commercial potential for the Sippcoat®-technology is significant and could be licensed to other companies for use in normal urine bags, or allow its own development of such bags in the future.

## Financial Review

Revenues in the first quarter were NOK 78.2 million, an increase from NOK 60.8 million in the corresponding quarter of last year, representing a growth of 28.7%. The revenue growth is primarily driven by the transfer of Imdur® to Navamedic, as well as continued good performance for prioritised brands.

EBITDA for the quarter was NOK 3.3 million, an increase from NOK 2.1 million in the first quarter of 2016. The EBITDA improvement reflects reduced operating costs, from NOK 14.9 million in the first quarter of 2016 to NOK 14.0 million in the first quarter of 2017.

The result before tax was NOK -2.7 million in the first quarter, compared to NOK -4.4 million in the first quarter of 2016. The positive change is a result of lower operating costs and amortization expense.

The cash position at the end of the quarter was NOK 15.9 million, compared to NOK 16.3 million at the end of the first quarter of 2016.

The group's cash flow from operating activities ended at NOK -9.3 million in the first quarter of 2017, compared to NOK -11.3 million in the first quarter of 2016. Inventories have increased during the first quarter of 2017, mainly due to high sales activities with the initiation of Imdur® distribution in new countries. Negative operational cash flow was a result of higher inventories and receivables, partly offset by positive changes in payables.

The group's cash flow from investing activities was NOK -0.3 million and the group's cash flow from financing activities was NOK -1.8 million.

The build up of inventories led to the negative net change in cash during the period of NOK 10.9 million.

At the end of the quarter, Navamedic's equity ratio was 35.6%, compared to 38.6% at the end of the first quarter in 2016.

During the quarter the Group has renegotiated covenant requirements in the bank loan agreement, see note 11.

## Outlook

Navamedic's transformational and value-creating journey is expected to continue in 2017, driving post-Aspen revenue growth through new partnerships, products, and the continued commercialisation of Sippi®.

The partnership with Top Ridge Pharma Limited proceeds per plan and the company expects to initiate Imdur® distribution in select additional European markets during 2017. The annual revenue potential from Imdur® lies in the range of NOK 70-100 million.



The discontinuation of the Aspen partnership by the end of the second quarter of 2017 is expected to result in a negative impact on the revenue and a short-term pressure on EBITDA. In Q1 2017 revenues related to Aspen products accounted for 40-45% of total revenues.

The company's strategy is to offset the effects of the discontinued Aspen contract by boosting its portfolio with additional products and partnerships. The company is working on a pipeline of new and exciting original products with launches scheduled for the coming 6-24 months, aiming to offset the effects of the discontinued Aspen partnership, bringing the company back on a growth track in the medium-term perspective. One example of this pipeline is the recently signed agreement with Orexigen Therapeutics, announced after the closing of the quarter. It reaffirms Navamedic's position as a leading Nordic partner for launching new and innovative products with significant future revenue potential from research based pharmaceutical companies.

The company remains committed to executing its strategy of ongoing commercialisation and continued development of the Sippi® product family, creating opportunities for multiple future revenue streams. The latest example includes the recently awarded patent on the Sippcoat®-technology, extending the commercial potential of the Sippi®-family of products with a future opportunity to tap into the global market of urine-collection bags (no measurements), which is estimated to be approximately 500 million units per year. While development of a technology-based proprietary product takes time, and initial sales have been lower than expected the commercialisation continues to be on a good track. Based on the first quarter developments and a multimarket growth platform in place, the company expects higher sales during 2017 and 2018 based on the introduction of the wireless version of Sippi®, and entering onto an accelerated growth path towards the long-term annual revenue potential for Sippi® of over NOK 250 million.

### Forward looking statements

This report contains statements regarding the future in connection with the Group's growth initiatives, profit figures, outlook, strategies and objectives. In particular, the section "Outlook" contains forward-looking statements regarding the Group's expectations. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual results and developments deviating substantially from what has been expressed or implied in such statements. These factors include the risk factors relating to the Group's activities described in Navamedic ASA's Annual Report 2016.

Fornebu, 9 May 2017

**Kathryn M. Baker** (sign)  
Chairman

**Johan Reinsli** (sign)  
Board Member

**Kari Stenersen** (sign)  
Board Member

**Huaizheng Peng** (sign)  
Board Member

**Jostein Davidsen** (sign)  
Board Member

**Svein Erik Nicolaysen** (sign)  
Deputy Board Member

**Tom Rönnlund** (sign)  
CEO





## Condensed consolidated statement of comprehensive income

(In NOK '000)	Q1 2017	Q1 2016	2016
<b>Operating revenues</b>	<b>78 173</b>	<b>60 789</b>	<b>274 298</b>
Cost of materials	-60 860	-43 773	-204 260
<b>Gross profit</b>	<b>17 314</b>	<b>17 016</b>	<b>70 038</b>
Payroll expense	-7 786	-7 651	-31 333
Other operating cost	-6 226	-7 286	-30 675
<b>Operating costs</b>	<b>-14 012</b>	<b>-14 936</b>	<b>-62 008</b>
<b>EBITDA</b>	<b>3 301</b>	<b>2 080</b>	<b>8 030</b>
Depreciation	-97	-114	-357
Amortization	-3 114	-3 817	-13 711
Impairment	-	-	-8 528
<b>OPERATING RESULT (EBIT)</b>	<b>90</b>	<b>-1 851</b>	<b>-14 566</b>
<b>Financial income and expenses</b>			
Financial income	1 377	115	6 703
Change fair value contingent consideration	-1 078	-	4 051
Financial expenses	-3 074	-2 691	-7 037
<b>Net financial result</b>	<b>-2 775</b>	<b>-2 576</b>	<b>3 717</b>
<b>RESULT BEFORE TAX</b>	<b>-2 685</b>	<b>-4 427</b>	<b>-10 849</b>
Tax on ordinary result	-27	284	192
<b>NET PROFIT 1)</b>	<b>-2 712</b>	<b>-4 143</b>	<b>-10 658</b>
Attributable to owners of Navamedic ASA	-2 712	-4 143	-10 658
Other comprehensive income that may be reclassified subsequently to profit or loss			
Currency translations differences	1 228	-3 983	-14 543
<b>Total comprehensive income for the period</b>	<b>-1 484</b>	<b>-8 126</b>	<b>-25 201</b>
Attributable to owners of Navamedic ASA	-1 484	-8 126	-25 201
Basic and diluted earnings per share (NOK)	-0,25	-0,44	-1,04



## Condensed consolidated statement of financial position

<i>(In NOK '000)</i>	31 March 2017	31. March 2016	31 December 2016
<b>Assets</b>			
Intangible assets	41 036	60 919	43 607
Goodwill	78 870	83 502	78 001
Deferred tax assets	10 713	9 079	10 262
Tangible assets	962	436	917
<b>Non-current assets</b>	<b>131 580</b>	<b>153 937</b>	<b>132 787</b>
Inventories	72 991	48 034	61 343
Short term receivables	68 563	60 950	63 683
Prepaid income taxes	3 717	6 076	3 057
Cash at hand, in banks	15 888	16 332	26 801
<b>Current assets</b>	<b>161 158</b>	<b>131 392</b>	<b>154 883</b>
<b>Total assets</b>	<b>292 739</b>	<b>285 328</b>	<b>287 670</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity	104 246	110 155	105 730
<b>Total equity</b>	<b>104 246</b>	<b>110 155</b>	<b>105 730</b>
<b>Liabilities</b>			
Contingent consideration	24 646	28 883	23 568
Long term financial liabilities	12 908	15 367	13 031
Borrowings from Financial Institutions	3 607	11 250	0
Deferred tax	1 620	3 865	1 957
<b>Non-current liabilities</b>	<b>42 781</b>	<b>59 364</b>	<b>38 556</b>
Trade account payables	68 003	52 681	62 341
Short term liabilities to Financial Institutions	53 463	40 501	58 854
Short term financial liabilities	2 110	2 108	4 086
Income taxes payable	3 555	1 630	2 707
Short term liabilities	18 581	18 888	15 396
<b>Current liabilities</b>	<b>145 712</b>	<b>115 809</b>	<b>143 384</b>
<b>Total liabilities</b>	<b>188 493</b>	<b>175 173</b>	<b>181 940</b>
<b>Total shareholders equity and liabilities</b>	<b>292 739</b>	<b>285 328</b>	<b>287 670</b>





## Condensed consolidated Cash Flow Statement

(In NOK '000)	Q1 2017	Q1 2016
Profit (loss) before tax	-2 685	-4 427
Taxes paid	-539	-2 069
Depreciation, amortization and write off	3 211	3 931
Interest and currency without cash effect 1)	955	1 388
Changes in inventory	-11 648	-3 384
Changes in receivables	-4 676	-6 243
Changes in payables	5 716	-2 819
Changes in other current items	376	2 367
<b>Net cash flow from operating activities</b>	<b>-9 290</b>	<b>-11 256</b>
<b>Cash flow from investments</b>		
Purchase/disposal of tangible and intangible assets	-332	-277
Investments in shares and acquisition	0	0
<b>Net cash flow from investing activities</b>	<b>-332</b>	<b>-277</b>
<b>Cash flow from financing</b>		
Short term liabilities to Financial Institutions	-5 391	17 944
Cash received for issue of shares 2)	0	0
Long term liabilities to Financial Institutions	3 607	-2 083
<b>Net cash flow from financing activities</b>	<b>-1 784</b>	<b>15 861</b>
Changes in currency	493	-291
Net change in cash	-10 914	4 034
Cash and cash equivalents start period	26 801	12 298
<b>Cash and cash equivalents end period</b>	<b>15 887</b>	<b>16 332</b>

- 1) Interest without cash effect relates to interest calculated on a liability for a license agreement and fair value adjustment of contingent consideration, and currency without cash effect relates to the liability for a license agreement.

## Condensed consolidated statement of Changes in Equity

NOK 1000	Share capital	Share premium	Translation differences	Retained earnings	Total
<b>Balance at 1 January 2016</b>	<b>9 450</b>	<b>99 236</b>	<b>27 031</b>	<b>-17 438</b>	<b>118 280</b>
Issue of shares, net of share issue cost	1 418	11 244	-	-	12 662
Translation difference	-	-	-14 554	-	-14 554
Net profit of the period	-	-	-	-10 658	-10 658
<b>Balance at 31 December 2016</b>	<b>10 868</b>	<b>110 480</b>	<b>12 478</b>	<b>-28 096</b>	<b>105 730</b>
<b>Balance at 1 January 2017</b>	<b>10 868</b>	<b>110 480</b>	<b>12 478</b>	<b>-28 096</b>	<b>105 730</b>
Issue of shares, net of share issue cost	-	-	-	-	-
Translation difference	-	-	1 228	-	1 228
Net profit of the period	-	-	-	-2 712	-2 712
<b>Balance at 31 March 2017</b>	<b>10 868</b>	<b>110 480</b>	<b>13 706</b>	<b>-30 808</b>	<b>104 246</b>



## Explanatory Notes to the Financial Statements

### General information

Navamedic ASA is a public limited liability 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 under the ticker NAVA. The Company's registered office is Fornebuveien 42, 1366 Lysaker, Norway. Navamedic Group comprises Navamedic ASA and the 100% owned subsidiaries Navamedic AB (Sweden), Navamedic A/S (Denmark), Navamedic ehf (Iceland) and Observe Medical International AB (Sweden) (Including the subsidiaries Observe Medical APS (Denmark) and Navamedic Medcatch AB (Sweden)).

### 1. Nature of operation

Navamedic is a distributor of pharmaceuticals, medical device and Medtech products focusing on sales to hospitals, physicians and pharmacies, mainly in the Nordic region. The company 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 and medical device manufacturers looking to enter European markets, with main focus in the Nordic region. In the third quarter 2015 all the shares of Observe Medical International AB were acquired. Observe Medical has developed Sippi®, its own proprietary medical technology product for use in hospitals. Navamedic currently offers more than 80 products from approximately 20 suppliers.

### 2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016 (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 interim report has not been subject to an audit. Navamedic's Board of Directors approved these condensed consolidated interim financial statements on 9 May 2017.

NOK is Navamedic ASA's functional currency and the presentation currency for the consolidated financial statements. In the absence of any statement to the contrary, all financial information is reported in NOK thousands. As a result of rounding adjustments, the figures in the financial statements and notes may not add up to the totals.

### 3. Summary of significant accounting policies

The accounting policies applied for the condensed consolidated interim financial statements are consistent with the financial statement for the year ended 31 December 2016. See the Annual Financial Statements note 2.1.1. for discussion of new standards, amendments to standards and interpretations that are not effective for the Group for the periods ending 31 December 2016 and 31 March 2017.

### 4. Earnings per share

Earnings per share (EPS) are calculated on the basis of net profit (loss) (result allocated to shareholders of the company). This result is divided by a weighted average number of outstanding shares over the periods, reduced by treasury shares (none for the periods presented).

NOK 1000	Q1 2017	Q1 2016	YTD 2017	YTD 2016	FY 2016
Result allocated to shareholders	-2 712	-4 143	-2 712	-4 143	-10 658
Weighted average of outstanding shares	10 868	9 450	10 868	9 450	10 277
Earnings per share	-0,25	-0,44	-0,25	-0,44	-1,04

Diluted EPS are the same as ordinary EPS for the periods presented in these condensed consolidated interim financial statements.



## 5. Segment information

Navamedic's financial reporting display two segments: *Pharma and Healthcare Products* business and *Medtech* business (Observe Medical). The reporting structure reflects the Company's business and product composition. The Pharma and Healthcare Products business is a continuation of the operation prior to the acquisition of Observe Medical.

### Pharma and Healthcare Products business

The Pharma and Healthcare Product business consist of pharmaceuticals, medical devices and medical nutrition products that Navamedic sell, market and distribute to hospitals, patients and pharmacies on the behalf of product suppliers and manufacturers in the markets where Navamedic operates.

The **Consumer care** area consists of a large variety of non-prescription drugs, pharmaceuticals, and health care products mainly sold via pharmacies and drugstores. It consists of several strong own and in-licensed brand names in Navamedic's respective knowledge areas.

Some important Consumer product brands are:

- NYDA (Dermatology)
- Ovestin and Vitakalk (Female Care)
- Bifolac and Importal (Gastroenterology)
- Aftamed, Gelerovoice and Dentofix (Oral Medicine)

In **Medical Nutrition**, Navamedic is a Nordic distributor for the UK based company Vitaflo International Ltd, a subsidiary of Nestlé, 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.

Navamedic's **Pharma products** include prescribed pharmaceuticals sold and distributed via retail and hospital pharmacies. It consists of several strong brand names, mostly generic and no longer patented products.

Some important Pharma product brands are:

- Puri-Nethol brand, used for the treatment of acute leukemia
- Alkeran, cancer treatment
- Nitrolingual Spray, treatment for angina pectoris
- Eltroxin, treatment for heart failure
- Uracyst, a product for the treatment of Painful Bladder Syndrome
- Imdur, used to prevent angina attacks (chest pain)

Revenues increased compared to the same period in 2016. The revenue increase is mainly due to the introduction of new Imdur and some low volume products during 2016. Reductions of operational cost led to improvement of the EBITDA compared to the same period in 2016.

#### Pharma and Healthcare Products business, Revenues and EBITDA:

(NOK 1000)	Q1 2017	Q1 2016	YTD 2017	YTD 2016	2 016
Revenue	78 112	60 491	78 112	60 491	273 684
EBITDA	5 549	4 258	5 549	4 258	18 649
EBITDA Margin	7,1 %	7,0 %	7,1 %	7,0 %	6,8 %

### Medtech business – Sippi®

With the acquisition of Observe Medical in the third quarter 2015, Navamedic expanded into a new business area. After the acquisition, Navamedic is the product- and IPR (Intellectual Property Right) owner of a product with global potential. Observe Medical has developed an automated, digital urine meter, Sippi®, which saves time for healthcare personnel, and may improve accuracy and patient safety, compared to today's method. Sippi® has been under development since 2009, and has received approval for hospital use in Europe and the United States.



Navamedic aims at establishing the Sippi® product line as the global niche leader, through building a network of distributors in key markets by utilizing existing commercialization capabilities and strong relationships with hospitals throughout the Nordic and European markets.

The Medtech business is still working on product development, in addition to offering Sippi® to the European markets. The current phase of the product line will generate cost. The purpose of this investment is to generate future revenue and profit.

#### Medtech business – Sippi®, Revenues and EBITDA

(NOK 1000)	Q1 2017	Q1 2016	YTD 2017	YTD 2016	2 016
Revenue	62	298	62	298	614
EBITDA	-2 248	-2 178	-2 248	-2 178	-10 619

#### Total

##### Navamedic Group, Revenues and EBTDA

NOK 1000	Q1 2017		Q1 2016		YTD 2017		YTD 2016	
Segment	Revenues	EBITDA	Revenues	EBITDA	Revenues	EBITDA	Revenues	EBITDA
Pharma and Healthcare Products	78 112	5 549	60 491	4 258	78 112	5 549	60 491	4 258
Medtech	62	-2 248	298	-2 178	62	-2 248	298	-2 178
Sum Group	78 173	3 301	60 789	2 080	78 173	3 301	60 789	2 080

## 6. Credit risk, foreign currency risk, operational risk and liquidity risk

### Credit risk

Navamedic trades only with recognized, creditworthy third parties, of whom most companies are large, profitable pharmaceutical companies, wholesalers, in addition to public healthcare sector. Receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts has been on a minimum. As per 31 March 2017, there is little provision for bad debt.

Maturity profile on short-term receivables as per 31 March 2017:

NOK 1000	Not due	Less than 3 months	3 to 12 months	Total
Trade receivables	37 493	19 738	9 519	66 750
Other receivables	1 813			1 813
<b>Total receivables</b>	<b>39 307</b>	<b>19 738</b>	<b>9 519</b>	<b>68 563</b>

### Foreign currency risk

Navamedic has transactional currency exposure arising from sales and purchases in currencies other than the functional currencies of the entities (NOK, SEK and DKK). Purchases of products from manufacturers are made in several currencies; mainly EUR, but also USD, CAD and GBP. Sales are mainly made in Scandinavian currencies and EUR. The net impact of currency fluctuations on Navamedic's financial results is currently at a level which in the Company's opinion does not call for currency hedging measures.

### Operational risk

Navamedic is dependent on agreements for distribution rights from vendors. The company's largest distribution contract is with Aspen Pharma. The main contract with Aspen for distribution of products in the Nordics, will not be renewed from July 2017. The termination is in line with Navamedic's 13 June 2016 announcement on the strategic partnership with TopRidge Pharma Limited. In isolation, the termination of the main contract with Aspen will have significant negative impact on revenue and earnings in the pharma and healthcare business. However, Navamedic will focus on developing its



strategic partnership and long-term distribution agreement with TopRidge Pharma, as well as the development and commercialization of Sippi®. Navamedic also continue to evaluate further expansion of our product and partnership portfolio.

## Liquidity risk

A large part of the Group's bank financing is short-term, including overdraft facilities that may be terminated by the bank with six months' notice. At the same time, the Group has significant amounts of short term receivables and inventories, and the bank has security in these assets. Consequently, the short term bank financing should be regarded as part of the Group's working capital. The high level of inventories is to secure timely deliveries of products. The high level of inventories and receivables and short term financing implies a risk that the Group could encounter difficulty in meeting obligations associated with financial liabilities, should the bank require immediate repayment or should any other significant negative events occur. Navamedic will evaluate if inventories and receivables can be reduced, and if longer term financing should be established

## 7. Tangible assets

NOK 1000	Q1 2017	Q1 2016	YTD 2017	YTD 2016
Carrying value at the beginning of the period	917	531	917	531
Additions/disposal (-)	127	32	127	32
Depreciation in the period	-96	-114	-97	-114
Exchange differences	15	-13	15	-13
<b>Carrying value at the end of the period</b>	<b>962</b>	<b>436</b>	<b>962</b>	<b>436</b>

## 8. Intangible assets and goodwill

NOK 1000	Q1 2017	Q1 2016	YTD 2017	YTD 2016
Carrying value at the beginning of the period	121 608	151 272	121 608	151 272
Additions/disposal (-)	206	245	206	245
Amortization in the period	-3 114	-3 817	-3 114	-3 817
Exchange differences	1 206	-3 279	1 206	-3 279
<b>Carrying value at the end of the period</b>	<b>119 906</b>	<b>144 421</b>	<b>119 905</b>	<b>144 421</b>

## Impairment reviews

See note 7 to the consolidated financial statements for 2016.

Navamedic conducted a review of impairment indicators and did not identify any indicators which would give rise to a change in impairment compared to December 31, 2016.

## 9. Deferred tax and deferred tax assets

### Deferred Tax Assets

NOK 1000	Q1 2017	Q1 2016	YTD 2017	YTD 2016
Carrying value at the beginning of the period	10 262	9 151	10 262	9 151
Recognised in profit or loss	434	-66	434	-66
Exchange differences	17	-6	17	-6
<b>Carrying value at the end of the period</b>	<b>10 713</b>	<b>9 079</b>	<b>10 713</b>	<b>9 079</b>

### Deferred Tax

NOK 1000	Q1 2017	Q1 2016	YTD 2017	YTD 2016
Carrying value at the beginning of the period	1 957	4 464	1 957	4 464
Recognised in profit or loss	-353	-485	-353	-485
Exchange differences	16	-115	16	-115
<b>Carrying value at the end of the period</b>	<b>1 620</b>	<b>3 865</b>	<b>1 620</b>	<b>3 865</b>

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.

## 10. Share options

In first quarter 2017, no share options were issued. As per 31 March 2017, the company has no share options outstanding. In 2016, 50.000 options were forfeited. In 2016 a cost of options of NOK 118 thousand was recognized.

## 11. Bank arrangement, credit facilities and other financial liabilities

To finance part of the acquisition of Observe Medical, the Company entered into a term loan of SEK 15 million in October 2015, to be repaid over 3 years. Interest is 3.84% p.a. In addition, the company has other bank agreements and drawing facilities of SEK 60 million to cover credits and guarantees. SEK 50.6 million of these facilities was utilized at the end of first quarter 2017. The borrowing agreements from the bank has the following main covenants per 31 March 2017:

- EBITDA above NOK 2.3 million in 2017 and EBITDA above NOK 12 million in 2018.
- Due to the negotiations with the bank not being finalized per 31.12 2016 and a waiver was lasting until 31.3.2017, NOK 5.0 million was at 31.12 2016 reclassified from long term liabilities to short term liabilities. At 31 March 2017, a new agreement with the bank has been completed, and the Group was in compliance with loan covenants at 31 March 2017. Consequently, NOK 3.6 million, representing the part of the bank loan to be repaid after 31 March 2018 has been classified as non-current.

In addition to bank borrowings, Navamedic has an unsecured loan facility of NOK 13.1 million that can be provided from one of our partners and suppliers (Top Ridge Pharma), to be used for dedicated purposes.

See the annual financial statements for 2016 for description of the financial liabilities relating to contingent consideration and a license agreement.

## 12. Material events subsequent to the end of the reporting period

Partnership with Orexigen Therapeutics for the Nordic launch of the anti-obesity prescription treatment Mysimba® (naltrexone HCl/bupropion HCl prolonged release, treatment for obesity) was announced post quarter.

To Navamedic's knowledge, there are no other significant events subsequent to the end of the reporting period that would have influence on the financial statements included in this report.

## 13. Shareholder Information

The largest shareholders per 31 March 2017 were:

	Shares	Ownership
NOBELSYSTEM SCANDINA	2 850 000	26,22 %
TOPRIDGE PHARMA	1 417 522	13,04 %
SEED	462 887	4,26 %
RO LARS	440 000	4,05 %
LAVIN AB	292 598	2,69 %
DANSKE INVEST NORGE	262 660	2,42 %
HARDING INVEST AS	244 400	2,25 %
KRAEBER VERWALTUNG G	214 850	1,98 %
SANDVOLD SHIPPING IN	213 661	1,97 %



DIRECTMARKETING INVE	206 844	1,90 %
NORDNET BANK AB	191 024	1,76 %
LID OLAV TARJEI HIOR	180 000	1,66 %
EILERAAS KARL ANSKAR	150 000	1,38 %
MP PENSJON PK	149 708	1,38 %
AVANZA BANK AB	132 045	1,22 %
ROSENFONN INVESTERIN	129 162	1,19 %
RØTTINGSNES BERNT OL	109 141	1,00 %
JGB EIENDOM AS	101 011	0,93 %
BATJAK AS	100 000	0,92 %
ØKONOMIINVESTERING A	90 667	0,83 %
Total 20 largest	7 938 180	73,04 %

#### 14. Alternative Performance Measures (APM)

EBITDA is equal to earnings before interest, tax, depreciation and amortization.

EBITDA margin is equal to EBITDA as a percentage of total operating revenue.

Gross profit is equal to total revenue minus cost of material.

Gross margin is equal to gross profit as a percentage of total operating revenue.

Equity ratio is equal to total equity as a percentage of total shareholders equity and liabilities.

Fornebu, 9 May 2017

Kathryn M. Baker (sign)  
Chairman

Johan Reinsli (sign)  
Board Member

Kari Stenersen (sign)  
Board Member

Huaizheng Peng(sign)  
Board Member

Jostein Davidsen(sign)  
Board Member

Svein Erik Nicolaysen (sign)  
Deputy Board Member

Tom Rönnlund (sign)  
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