Navamedic

Q2 2018

Second quarter and half year results
2018, Navamedic ASA

Highlights for the second quarter

- **Navamedic reported revenues of NOK 45.2 million in the second quarter of 2018, down from NOK 89.7 million in the same period in 2017, following the planned discontinuation of the Aspen agreement.**

- **Significantly improved gross margin to 35.0% (22.7%) reflecting growth in higher margin products. Navamedic group EBITDA for the second quarter of 2018 was NOK 3.5 million (NOK 5.5 million).**

- **Strong launch uptake of anti-obesity drug Mysimba® across the Nordics with significant sales revenue growth, to NOK 3.6 million in Q2 2018 (NOK 1.4 million in Q1 2018). Continued positive feedback from clinicians and patients.**

- **Finalisation of Sippi® wireless connectivity to Patient Data Monitoring Systems (PDMS), the first on the market. Solid test backlog of hospitals across Europe.**

- **Post quarter events: Renewals of several important long term distribution and partnership agreements, including Vitaflo International for Medical Nutrition, Qiagen for Amnisure (women's health) and Smart Practise (dermatology)**

Key figures

NOK million	**Q2 2018**	**Q2 2017**	**YTD 2018**	**YTD 2017**	**2017**
Revenue	45.2	89.7	87.9	167.8	257.9
Gross profit	15.8	20.4	28.7	37.7	70.3
EBITDA	3.5	5.5	-1.5	8.8	7.0
Operating Result (EBIT)	2.0	2.2	-4.6	2.3	-10.6
Result before tax	0.4	-1.8	-7.2	-4.5	-17.1
Gross margin	35.0 %	22.7 %	32.7 %	22.4 %	27.2 %
EBITDA margin	7.8 %	6.2 %	-1.7 %	5.3 %	2.7 %
Assets	209.6	273.0	209.6	273.0	247.3
Equity	77.2	109.1	77.2	109.1	96.7
Liabilities	132.4	163.9	132.4	163.9	150.6
Equity ratio	36.8 %	40.0 %	36.8 %	40.0 %	39.1 %

Comment from Tom Rönnlund, CEO of Navamedic

Returning to profitability

"The second quarter of 2018 marks important milestones for Navamedic. We are continuing our journey to position our company for future growth and profitability by launching new, innovative brands with good margins over the course of the last few quarters. In the second quarter of 2018 we have returned to profitability by exactly this focus, driving the performance of higher margin products and launches of new and innovative treatments. We have experienced pressure on our top-line sales revenues through increased generic competition on our largest brand, Imdur, but have at the same time grown the sales of products with higher margins, driving a stronger development for our company.

Sippi entering into commercialisation phase

During the quarter we have furthermore put massive focus on completing the Sippi® wireless connectivity to Patient Data Monitoring Systems, now under testing at European hospitals. With successful outcomes from these we see a great opportunity to begin the era of setting new standards in the field of urine volume monitoring in intensive care and other wards in hospitals across Europe and the world. Sippi has a great potential and we are working diligently to ensure we create the best possible conditions for and accelerate the successful market introduction of this innovative technology.

Launching new products – building for the future

Also, the launch of the anti-obesity drug Mysimba is gaining headlines and receives solid feedback from clinicians and patients across the Nordics. The initial market uptake has been very strong and we see continued great growth opportunities for this long awaited innovation treating a serious and to a large extent unmet medical need. We are also in the midst of preparing the highly anticipated launch of Elmiron, for the treatment of interstitial cystitis, another treatment targeting a debilitating condition with few effective treatment options available. Consequently, we look forward to continuing our work to return to profitable growth and to add to our pipeline of new and exciting original products, with new launches scheduled for the coming 6-18 months."

Tom Rönnlund,
adm. direktør

Operational review

Financial highlights

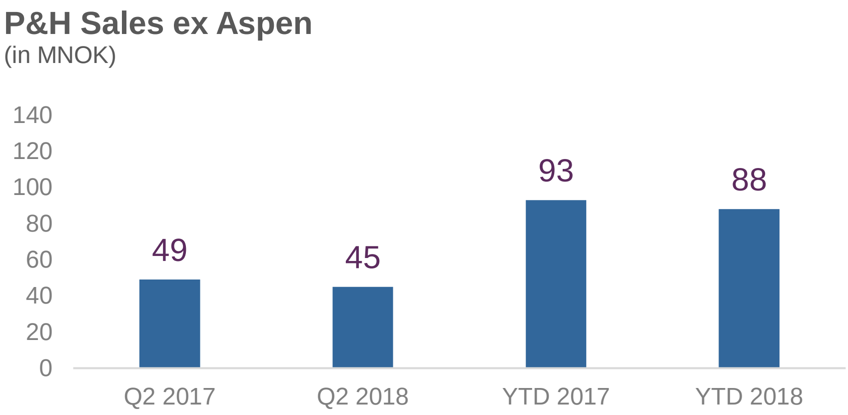
Navamedic ASA is a Norwegian medtech and pharmaceutical distribution and marketing company. The Group's Medtech business area is preparing the global launch of the next generation digital urine meter, Sippi®. Navamedic's Pharma and Healthcare Product business distributes pharmaceutical and medical device products supplied from a number of manufacturers to hospitals and pharmacies in the European region.

	Pharma and Healthcare				Medtech				Group			
	Q2		YTD		Q2		YTD		Q2		YTD	
NOK million	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Operating revenues	45.2	89.6	87.8	167.7	0.0	0.1	0.1	0.1	45.2	89.7	87.9	167.8
Gross profit	15.8	20.4	28.7	37.8	0.0	0.1	0.0	0.3	15.8	20.4	28.7	37.7
Gross margin	34.9%	22.8%	32.7%	22.6%					35.0%	22.7%	32.7%	22.4%
Operating costs	9.9	12.8	25.5	24.7	2.3	2.1	4.7	4.2	12.3	14.8	30.2	28.8
EBITDA	5.8	7.6	3.2	13.2	-2.3	-2.1	-4.6	-4.3	3.5	5.5	-1.5	8.8
EBITDA margin	12.9%	8.5%	3.6 %	7.9%					7.8%	6.2%	-1.7%	5.3%

Pharma and Healthcare

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

Revenues in Navamedic's Pharma and Healthcare Product segment were NOK 45.2 million in the second quarter of 2018, compared to NOK 89.6 million in second quarter of 2017, representing a 49.6% reduction. As previously communicated, the discontinuation of the Aspen distribution agreement with effect from 1 July 2017 has had a significant impact on sales revenues, while the company is launching new products with higher margins to offset this impact. For comparison purposes, Navamedic's Pharma and Healthcare products sales revenues excluding Aspen products, are depicted in the graph below.



The decrease in sales revenues excluding the Aspen products is mainly explained by increased generic competition on Imdur in the Nordic markets. While the increased generic competition on the brand is affecting sales revenues negatively the impact on gross margins is lower as Imdur is a brand with high volumes but with a lower gross margin.

The quarterly gross margin in the segment increased to 34.9%, compared to 22.8% in the same quarter last year, mainly due to changes in the product mix with new launches and other higher margin products gaining traction. Operating costs were NOK 9.9 million, down from NOK 12.8 million in the second quarter of 2017, following ongoing cost reduction initiatives. The EBITDA in the Pharma and Healthcare business area was NOK 5.8 million in the quarter, down from NOK 7.6 million in second quarter 2017, when the company still was working with the Aspen portfolio. The YTD 2018 EBITDA was 3.2 million NOK in the Pharma & Healthcare business area which, was affected by one-time costs of 4.1 million NOK in relation to a large strategic acquisition during Q1. Excluding these one-time costs the YTD EBITDA was 7.3 million NOK.

For the second quarter of 2018, Navamedic highlights the following developments within the Pharma and Healthcare Product portfolio:

- Mysimba: Very strong sales uptake in its initial launch phase, with sales revenues of NOK 3.6 million in the quarter. Based on positive feedback from both clinicians and patients, the sales more than doubled compared to the first quarter of 2018.

- Medical Nutrition, an important product area to Navamedic, accounting for approximately 24% of the sales turnover in the Pharma & Healthcare business area, had a sales growth of 4.8% in Q2 2018 compared to Q2 2017. After the close of the quarter it was communicated that the distribution contract with Vitaflo International for the Medical Nutrition portfolio has been prolonged for a period of five years, until year 2023.

- Uracyst: The sales decreased somewhat in Q2 2018 with -3.2% compared to Q2 2017, mainly due to increased competitive pressure in the Swedish market, which is being addressed through higher sales activities and additional resources being added to the team. On a rolling 12 months basis Q3/16–Q2/17 vs Q3/17-Q2/18 the brand grew by 3.4%

- Nitrolingual: Continued its strong performance in light of favorable competitive situation combined with pricing tactics. Q2 2018 saw a growth of 60.1% compared to Q2 2017. If we compare rolling 12 months Q3/16–Q2/17 vs Q3/17-Q2/18 the increase was 12.0%

- Imdur: Experienced continued pressure from generic competition in the Nordic markets. The sales decreased by -31.4% in Q2 2018 compared to Q2 2017

Medtech

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.

During the second quarter of 2018, the company finalized the Sippi® wireless connectivity solution to Patient Data Monitoring Systems (PDMS), an important step in the commercialisation process of the product. The system represents an opportunity to automate and digitalize the last manual monitoring of vital parameters within the Intensive Care Unit (ICU). With this groundbreaking and unique feature Navamedic will enter into the commercialisation phase in launching Sippi and will initiate implementation to customers in the Nordics, Germany and BeNeLux starting in September 2018. Currently about 30 clinics have shown interest in testing Sippi with the wireless patient data communication capabilities.

At the same time the company is reviewing several strategic alternatives to accelerate and leverage the Sippi growth opportunity. Navamedic sees significant worldwide opportunities with a wireless Sippi connection and has appointed a renowned, internationally established adviser for the process of maximizing the value of Sippi and evaluating several strategic alternatives for the global Sippi launch.

Financial review for the second quarter of 2018

Income Statement

Revenues in the second quarter of 2018 were NOK 45.2 million, a decrease from NOK 89.7 million in the corresponding quarter of last year, following the discontinuation of the Aspen agreement. The underlying portfolio development exclusive of Aspen products, while slightly negative in top-line sales revenues, due to increased generic competition on Imdur, was driven by a solid performance from products like Mysimba®, as well as the continued strong performance for other prioritized brands.

Cost of materials were significantly reduced from NOK 69.3 million in the second quarter of 2017 to NOK 29.4 million in the second quarter of 2018. The change reflects the post-Aspen platform upon, which the company will build the new and profitable portfolio and its transition towards a high-margin mix of products, that led to an improvement of the gross margin for the Pharma and Healthcare business from 22.7% to 35.0%. Similarly, total quarterly operating costs ended at NOK 12.3 million, compared to NOK 14.8 million in the second quarter of 2017. However, in total, the reduced sales volume is temporarily resulting in a lower EBITDA contribution to the group when comparing the year-over-year quarters.

EBITDA for the quarter was NOK 3.5 million, down from NOK 5.5 million last year. EBITDA remained positive despite the significant revenue decrease, reflecting the strategy of shifting the portfolio towards higher margin products and implemented cost-cutting measures.

The operating result (EBIT) for the second quarter was NOK 2.1 million, compared to NOK 2.2 million in the second quarter of 2017. Net financials were NOK -1.7 million, an improvement from NOK -4.1 million in the second quarter of 2017. The improvement is primarily due to exchange rate fluctuations.

The result before tax was NOK 0.4 million in the quarter, up from NOK -1.8 million in the second quarter of 2017. The net profit was NOK 0.3 million, compared to NOK 0.5 million in the second quarter of 2017. A net tax income in the second quarter last year was related to realisation of previous non-recognised deferred tax assets.

The total comprehensive income was NOK -3.7 million, compared to NOK 4.9 million in the second quarter of 2017, following currency translation differences in the periods of NOK -4.0 million and NOK 4.4 million respectively.

Cash flow statement

The company started the second quarter with cash of NOK 8.3 million and ended the quarter with a cash balance of NOK 5.7 million.

The group’s cash flow from operating activities was NOK -9.4 million in the second quarter of 2018. The changes are mainly due to reduced accounts payable, change in other current items and taxes paid.

The group’s cash flow from investing activities was NOK -0.6 million in the second quarter of 2018, mainly as a result of up-front payment for new product rights. The group’s cash flow from financing activities was NOK 8.0 million. The cash inflow from financing activities in the second quarter of 2018 was a result of a draw on debt facilities to financial institutions. See also note 6 for further comments regarding the short term cash position.

Financial review for the first half of 2018

Income Statement

The discontinuation of the Aspen distribution agreement with effect from 1 July 2017 has, as expected and communicated, had a significant negative impact on sales revenues, while the company is launching new products with higher margins, offsetting parts of the lost sales revenues and gross margins. For the first half of 2018, Navamedic reported revenues of NOK 87.9 million, down from NOK 167.8 in the first half of 2017, representing a decrease of 47.6% due to the discontinued Aspen distribution agreement.

The decrease in revenues excluding the Aspen products in mainly due to increased competition from generic products competing with Imdur in the Nordic markets. The increased generic competition on Imdur is the main driver behind the lower sales revenues excluding discontinued contracts in 2018 compared to 2017.The gross margin for the Pharma and Healthcare business improved from 22.6% to 32.7%.

The EBITDA in the first half of 2018 was negative NOK 1.5 million, compared to NOK 8.8 million in the first half of 2017. The decreased EBITDA is mainly due to reduced revenues and gross profit. Reduction in other operating expenses were offset by NOK 4.1 million in expenses in the first quarter of 2018 relating to strategic processes. There are reductions on several cost elements, in large part due to a general focus on cost reductions.

The strategic process followed Navamedic's decision to enter into a competitive process of acquiring a portfolio of products with yearly revenues beyond NOK 600 million, as reported in the first quarter presentation. Navamedic partnered with well-known Norwegian investors to explore this opportunity and will continue to evaluate ambitious opportunities for acquisitions of portfolios or companies with products matching the company's competence and distribution power.

Net financial result was NOK -2.7 million, compared to NOK -6.8 million in the first half of 2017, mainly driven by currency effects.

The result before tax was NOK -7.2 million, compared to NOK -4.5 million in the first half of 2017, and the net loss was NOK -7.0 million, compared to NOK -2.2 million in the first half of 2017. A net tax income in the second quarter last year was related to realization of previous non-recognised deferred tax assets.

Balance sheet

The consolidated total assets were NOK 209.6 million at 30 June 2018, down from NOK 247.3 million at year-end 2017, of which non-current assets were NOK 114.1 million. Current assets were reduced to NOK 95.3 million from NOK 121.4 million at 31 December 2017, primarily due to reductions in short-term receivables as well as a reduction in cash and cash equivalents.

The Group had current liabilities of NOK 94.1 million compared to NOK 111.8 million at 31 December 2017. The change is mainly a result of reductions in trade account payables and in other short term liabilities such as reduction in holiday pay, partly offset by an increase in short term liabilities to financial institutions.

Non-current liabilities are NOK 38.4 million per 30 June 2018, a minor decrease from NOK 38.8 million at 31 December 2017. At the end of the first half of 2018, Navamedic had an equity of NOK 77.2 million, compared to NOK 96.7 million per 31.12 2017, representing an equity ratio of 36.8%. The equity reduction was due to the net loss and negative currency translation differences.

Cash flow statement

The Group had a net cash flow from operating activities in the first half of 2018 of NOK -37.0 million, compared to NOK 32.9 million for the same period in 2017. Reduced EBITDA, reductions of trade account payables and change in other current items and tax contributed to the large difference the first half year. Net cash flow from investing activities ended at NOK -0.9 million, compared to NOK -1.6 million for the same period in 2017, while the net cash flow from financing activities was NOK 16.0 million, compared to NOK -16.3 million for the same period in 2017. The change in net cash from financing activities is mainly driven by the change in short term liabilities to financial institutions (multi open bank facility), witch to some extent finances the periodic changes in working capital. The Cash and cash equivalents were NOK 5.7 million at 30 June 2018.

Corporate developments

At the Annual General Assembly 7 June 2018, Kathrine Gamborg Andreassen was elected Chair of the Board of Directors, while Rikard Storvestre was elected as a new Board Member. Jostein Davidsen and Svein Erik Nicolaysen were re-elected as Board Member and Deputy Board Member, respectively.

Kathrine Gamborg Andreassen is an experienced marketing professional and has held various executive positions in Consumer Health and FmCG (Orkla, Kemetyl). She held the position as the Chief Executive Officer at Weifa ASA until the company was acquired by Karo Pharma AB November 2017, and prior to that VP Consumer Health at Weifa AS. She has several years of experience as a consultant in strategy, marketing research and M&A. She is also co-owner and the Chair of the Board at Novicus Pharma AS. Gamborg Andreassen studied Business Administration (BBA) at Handelsakademiet/ Oslo Business School and holds a MSc in Business Strategy & Marketing from the University of Wisconsin, Madison.

Rikard Storvestre holds a Master of Science from the University of Trondheim as well as a B.A. of Business Administration from BI in Oslo. Storvestre is an entrepreneur and investor and has started more than 10 companies in different industries. Storvestre has been an active investor on the Oslo Stock Exchange for more than 30 years and has ownership interests in a number of companies. In Navamedic he controls 30% of the share capital, privately and through his holding company, Nobelsystem Scandinavia AS.

Risks and uncertainties and related parties

Navamedic Pharma & Healthcare business is a pharmaceutical and medical device distribution business. The nature of such business is that the distributor obtains the marketing rights for a product in certain geography for a given period of time at certain conditions. Of key importance is to obtain longer agreements with as high margins as possible. Products sourced from product owners/suppliers can stand the risk to be taken over by the product owner/supplier at the end of the contractual period. This risk is natural and inherent in the business model and is compensated for by securing continuous inflow of new products to our portfolio.

For products owned by Navamedic, such as the Sippi® products, the risk is different and relates to available resources and competence to finalise a new global product and to invest in the global launch of the product. As stated in the outlook chapter below, separate initiatives are taken to secure a successful and timely launch and, through this, limit the execution risk for this global product opportunity.

There are risks regarding future sufficient funding for rapid and efficient launch and development the Sippi® portfolio and if Navamedic’s Pharma and Healthcare business does not meet its financial goals or its banking covenants.

Navamedic procures goods for a significant amount from Top Ridge Pharma /CMS controlled companies (Imdur). TopRidge owns 13.04 % of the shares in Navamedic. The terms in the agreements between the parties are based on arm's length principles.

Outlook

Pharma and Healthcare

Navamedics ambition is to build a leading Nordic pharmaceutical and medical device business through product acquisitions, license and distribution agreements in attractive therapeutic areas. Driven by new launches, the company has a target of bringing the company back on an accelerated growth track in the medium-term perspective.

A key component of this strategy are launches of new and innovative products, such as Mysimba®, the recently introduced obesity treatment. The introduction of Mysimba is progressing very well, with strong feedback from physicians and positive sales development. Another high-potential product, Elmiron® for the treatment of interstitial cystitis, will be launched throughout the autumn and these new, innovative products represents a combined annual peak sales potential of NOK 100-150 million across the Nordic region.

The company is also pursuing multiple opportunities for additional products with launches scheduled for next 6-18 months to continue to build a stronger and more profitable business. In the quarter the company already experienced positive impact from Mysimba in its financials and with the upcoming launch of Elmiron there are good opportunities to continue to strengthen Pharma & Healthcare's financial results. Based on ongoing new launches and the pipeline of additional product opportunities the company is targeting a sales turnover in the Pharma & Healthcare business area of at least NOK 400 million in a three to five year perspective.

To strengthen the company's short-term financial position, enabling investments in new products and growth initiatives, the Board of Directors is constantly evaluating strategic options including executing the authorisation given by the Annual General Meeting to conduct a rights issue.

Medtech

Navamedic has launched its proprietary product, Sippi®, offering a new standard for urine monitoring in hospitals by enabling automated digital measurement and bacteria control, creating opportunities for multiple future revenue streams. The digitalization of the hospital market in general and the ICU in particular have exploded in recent years. Over the past 7 years the implementation of digital patient journals (PDMS) have risen by 500%, with close to all university hospitals in the Nordic region having deployed PDMS.

Sippi® is the only product on the market that is digital with the ability to transfer patient data to these systems via wireless technology. Currently Navamedic has finalized connectivity to two of the market leading systems in Europe from GE Healthcare and iMDsoft. During the coming year, connection with two additional systems will be developed, reaching a coverage of the PDMS-system market of over 60%.

The Sippi® product family holds significant future revenue potential for Navamedic and the interest for the technology and related patents is high, also beyond the healthcare sector. Sippcoat®, Navamedic's patented technology for hindering bacteria migration, represents a major revenue potential far beyond the limitations of urine meters or even urine bags. Sippcoat® can be used in all patient collection systems, hindering retrograde bacteria contamination, a major threat to the healthcare system and its patients.

To accelerate and leverage the Sippi® growth opportunity the company is reviewing strategic alternatives for the Medtech business area, including partnering and co-investments. As earlier communicated, the company has appointed a renowned advisor for the process of maximising the value of Sippi® and is evaluating several strategic alternatives for the global Sippi® launch. The company takes great care in ensuring shareholder value in this process and pays particular attention to not jeopardizing any future success or possible industrial sales of the asset.

While development and introduction of a technology-based proprietary products takes time the completion of the wireless connection to PDMS-systems moves Sippi® into its commercialisation phase, initially with the clinics that have expressed clear interest to evaluate the new technology. With the new PDMS communication feature combined with a multimarket growth platform in place the company expects to gradually enter an accelerated growth path towards the long-term annual revenue potential for Sippi® in excess of 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 2017 Annual Report.

Responsibility statement

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2018 has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ as approved by the EU 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 first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related party transactions.

Fornebu, 23 August 2018

Kathrine Gamborg Andreassen (sign)
Chair

Rikard Storvestre (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)	**Q2 2018**	**Q2 2017**	**YTD 2018**	**YTD 2017**	**2017**
Operating revenues	**45 226**	**89 661**	**87 864**	**167 834**	**257 921**
Cost of materials	**-29 416**	-69 302	-59 129	-130 162	-187 647
Gross profit	**15 809**	**20 359**	**28 734**	**37 673**	**70 273**
Payroll expense	-7 395	-7 589	-15 519	-15 375	-29 832
Other operating cost	-4 872	-7 247	-14 690	-13 473	-33 433
Operating costs	**-12 267**	**-14 836**	**-30 209**	**-28 848**	**-63 265**
EBITDA	**3 542**	**5 523**	**-1 475**	**8 825**	**7 008**
EBITDA %	*7.8 %*	*6.2 %*	*-1.7 %*	*5.3 %*	*2.7 %*
Depreciation	-28	-102	-62	-199	-249
Amortization	-1 453	-3 175	-3 017	-6 289	-11 507
Impairment	-	-	-	-	-5 825
OPERATING RESULT (EBIT)	**2 061**	**2 246**	**-4 554**	**2 336**	**-10 573**
Financial income and expenses					
Financial income	3 985	1 881	10 996	3 258	14 454
Change fair value contingent consideration	-1 074	-1 074	-2 148	-2 152	-2 618
Financial expenses	-4 585	-4 860	-11 534	-7 935	-18 396
Net financial result	**-1 674**	**-4 053**	**-2 686**	**-6 829**	**-6 559**
RESULT BEFORE TAX	**386**	**-1 807**	**-7 240**	**-4 492**	**-17 132**
Tax on ordinary result	-117	2 331	205	2 304	1 589
NET PROFIT/ LOSS (-) 1)	**270**	**524**	**-7 036**	**-2 188**	**-15 542**
Other comprehensive income that may be reclassified subsequently to profit or loss					
Currency translations differences	-3 967	4 361	-12 495	5 590	6 512
Total comprehensive income for the period 1)	**-3 697**	**4 885**	**-19 531**	**3 401**	**-9 030**
Basic and diluted earnings per share (NOK)	0.02	-0.05	-0.65	-0.20	-1.43

1) All is attributable to owners of Navamedic ASA.

Condensed consolidated statement of financial position

(In NOK '000)	**30 June 2018**	**30 June 2017**	**31 December 2017**
Assets			
Intangible assets	29 858	40 114	34 630
Goodwill	74 614	81 428	81 969
Deferred tax assets	9 103	11 098	8 714
Tangible assets	527	955	600
Non-current assets	**114 101**	**133 596**	**125 913**
Inventories	42 672	22 790	44 698
Short term receivables	40 667	70 035	44 376
Prepaid income taxes	6 519	4 788	2 041
Cash at hand, in banks	5 679	41 813	30 246
Current assets	**95 538**	**139 427**	**121 362**
Total assets	**209 639**	**273 022**	**247 274**
Equity and liabilities			
Equity	77 197	109 131	96 700
Total equity	**77 197**	**109 131**	**96 700**
Liabilities			
Contingent consideration	28 334	25 720	26 186
Long term part of license liability	9 575	13 647	12 043
Borrowings from Financial Institutions	0	2 483	0
Deferred tax	480	1 302	528
Non-current liabilities	**38 390**	**43 152**	**38 757**
Trade account payables	45 890	56 274	72 109
Short term liabilities to Financial Institutions	28 190	40 086	12 208
Short term part of license liability	6 359	2 110	4 266
Income taxes payable	1 182	1 953	1 347
Short term liabilities	12 432	20 316	21 887
Current liabilities	**94 052**	**120 740**	**111 818**
Total liabilities	**132 442**	**163 891**	**150 575**
Total shareholders equity and liabilities	**209 639**	**273 022**	**247 275**

Condensed consolidated statement of cash flows

(In NOK '000)	**Q2 2018**	**Q2 2017**	**YTD 2018**	**YTD 2017**	**2017**
Profit/loss(-) before tax	387	-1 807	-7 240	-4 492	-17 132
Taxes paid	-1 089	-3 737	-4 666	-4 276	2 627
Depreciation, amortization and write off	1 481	3 277	3 079	6 488	17 581
Interest and currency without cash effect 1)	952	1 813	1 772	2 768	3 787
Changes in inventory	-932	50 200	2 026	38 552	16 644
Changes in trade accounts receivables	662	-1 739	1 577	-6 416	23 666
Changes in trade accounts payables	-4 489	-11 728	-26 220	-6 012	9 768
Changes in other current items	-6 365	5 953	-7 324	6 329	2 132
Net cash flow from operating activities	**-9 392**	**42 232**	**-36 995**	**32 941**	**59 074**
Cash flow from investments					
Purchase/disposal of tangible and intangible assets	-612	-1 274	-893	-1 606	-6 997
Net cash flow from investing activities	**-612**	**-1 274**	**-893**	**-1 606**	**-6 997**
Cash flow from financing				**0**	**0**
Short term liabilities to Financial Institutions	9 169	-13 260	17 120	-13 803	-41 648
Cash received for issue of shares	0	0	0	0	0
Long term liabilities to Financial Institutions and other	-1 137	-1 242	-1 137	-2 483	-6 974
Net cash flow from financing activities	**8 032**	**-14 502**	**15 982**	**-16 286**	**-48 622**
Changes in currency	-665	-531	-2 662	-38	-9
Net change in cash	-2 637	25 925	-24 567	15 011	3 445
Cash and cash equivalents start period	8 316	15 887	30 246	26 801	26 801
Cash and cash equivalents end period	**5 679**	**41 813**	**5 679**	**41 813**	**30 246**

1) Interest without cash effect relates to interest calculated on a liability for a license agreement and fair value adjustment of contingent consideration. 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
Balance at 1 January 2017	**10 868**	**110 480**	**12 478**	**-28 096**	**105 730**
Translation difference	-	-	5 590	-	5 590
Net loss of the period	-	-	-	-2 188	-2 188
Balance at 30 June 2017	10 868	110 480	18 067	-30 284	109 131
Balance at 1 January 2018	**10 868**	**110 480**	**18 990**	**-43 638**	**96 700**
Equity share option plan		29			29
Translation difference	-	-	-12 495	-	-12 495
Net loss of the period	-	-	-	-7 036	-7 036
Balance at 30 June 2018	**10 868**	**110 509**	**6 495**	**-50 674**	**77 197**

Notes to the condensed consolidated interim 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), and Observe Medical International AB (Sweden) (Including the subsidiaries Observe Medical APS (Denmark) and Navamedic Medtech 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 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. At 30 June 2018, Navamedic has a portfolio of more than 40 products that are sold through pharmacy chains, wholesalers, public health sectors and hospitals in thirteen countries in the Nordic region and Europe.

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 2017 (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, except as described below for IFRS 9 and IFRS 15. The condensed consolidated interim financial statements have not been subject to an audit. Navamedic's Board of Directors and CEO approved these condensed consolidated interim financial statements on 23 August 2018.

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

IFRS 9 *Financial instruments* and IFRS 15 *Revenues from contracts with customers* were implemented as of 1 January 2018. These to new standards did not have any effect on the financial statements as of 1 January 2018, for 2017 or for year to date 2018. Besides this, the accounting policies applied for the condensed consolidated interim financial statements are consistent with the financial statement for the year ended 31 December 2017. 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 2017 and 30 June 2018.

IFRS 9 *Financial instruments* is effective from 1 January 2018. IFRS 9 replaces IAS 39 *Financial Instruments Recognition and Measurement*. The standard includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, the standard contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The standard contains three principal classification categories: measured at Amortized cost, Fair value to Other Comprehensive Income and Fair value to Profit and Loss.

The Group applies the new standard retrospectively from 1 January 2018, and uses the transition provisions not to change comparative figures. The Group has not identified any effects of the classification and measurement of financial instruments, including the expected loss model, and the Group has not identified any effect on equity at 1 January 2018. The Group's financial assets are primarily bank deposits and accounts receivables that will still be measured at amortized cost. The Group's customer base is primarily hospitals and pharmacies. The Group has historically realised insignificant losses on receivables. The group uses practical simplifications in IFRS 9 to measure expected credit losses, taking into consideration the customer base, historical loss and experience, expectations about the future and detailed assessment of individual claims.

IFRS 15 *Revenue from contracts with customers* is effective from 1 January 2018. It replaced IAS 18 *Revenue* that was the revenue recognition standard relevant for the Group until this date. The main principle of the new standard is that the expected consideration shall be recognised as revenue reflecting the transfer of control over goods or services to the customer, which may be over time or at a point in time. The Group's performance obligations are primarily sale of products where control transfer to the customers upon delivery. Invoices are mainly generated at the end of each month or when the products are delivered. The Group has assessed that it is the principal in all current contracts as it takes control over the goods before they are sold to the customers.

The Group implemented IFRS 15 as of 1 January 2018, using the cumulative retrospective method, for contracts which were not completed as of 1 January 2018. No effect on equity as of 1 January 2018 has been identified. No effect on the year to date 2018 financial statements have been identified compared to previous revenue recognition policies, and no further disclosure on transition effects are provided below. In the segment note below, the Group disaggregates product sales between the two segments, and evaluates that no further disaggregation or reconciliation of revenues is required to comply with IFRS 15.

The actual effects of the introduction of both IFRS 9 and IFRS 15 at 1 January 2018 may change as the new accounting principles are subject to change until the Group issues the 2018 annual financial statements.

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	**Q2 2018**	**Q2 2017**	**YTD 2018**	**YTD 2017**	**FY 2017**
Result allocated to shareholders	270	524	-7 036	-2 188	-15 542
Weighted average of outstanding shares	10 868	10 868	10 868	10 868	10 868
Earnings per share	0.02	0.05	-0.65	-0.20	-1.43

Navamedic issued employee share options in the second quarter of 2018, see note 10. However, these were anti-dilutive, and diluted EPS are the same as ordinary EPS for the periods presented in these condensed consolidated interim financial statements.

5. Segment information

Navamedic's has two reporting 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

The Pharma and Healthcare Product business consist of pharmaceuticals, medical devices and medical nutrition products that Navamedic market, sell and distribute to hospitals, pharmacies and patients, bought from product suppliers and manufacturers in Europe and other countries.

Navamedic has products in the **Consumer care** area which 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 and Mygfri (Dermatology)
- Ellen and Vitakalk (Female Care)
- Aftamed, Gelerovoice and Dentofix (Oral Medicine)

Within **Medical Nutrition,** Navamedic is a Nordic distributor of products purchased from the UK based company Vitaflo International ltd, a subsidiary of Nestlé. Navamedics vendor Vitaflo has 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:

- Imdur, used to prevent angina attacks (chest pain, angina)
- Mysimba, prescription pharmaceutical for treatment of obesity (introduction late 2017)
- Uracyst, a product for the treatment of Painful Bladder Syndrome
- Nitrolingual Spray, treatment for angina pectoris
- Elmiron, the only approved prescription pharmaceutical for treating Painful Bladder Syndrome (PBS) and Interstitial Cystitis (IC) (introducing Q3 2018)
- Importal, used for symptomatic treatment of constipation
- Epistatus, for seizure control in Epilepsy

Pharma and Healthcare Revenues and EBITDA:

(NOK 1000)	Q2 2018	Q2 2017	YTD 2018	YTD 2017	2017
Revenues	45 206	89 585	87 808	167 696	257 723
EBITDA	5 846	7 624	3 150	13 173	17 997
EBITDA Margin	12.9 %	8.5 %	3.6 %	7.9 %	7.0 %

The decrease in revenues in the second quarter and year to date compared to the same periods in 2017 is due to the discontinuation of the Nordic Aspen agreement with effect from 30 June 2017. Operating cost have decreased, but the reduction in revenues resulted in an EBITDA decrease. 2018, especially first quarter, also included higher expenses relating to strategic processes. The gross margin increased due to improved margins on new products.

Medtech

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 other method. Part of the product portfolio is Sippcoat®, a patented technology for hindering retrograde contamination of bacteria, a huge unmet problem within the hospital market.

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 selected European markets. The current phase of the product development and marketing will generate cost.

One year ago, Navamedic entered into an exclusive agreement to market and sell the medtech product Re5-NTS in the Nordic market, a device intended for treatment of refractory depression in patients who have not reached sufficient treatment response on their current treatment. Only a small number of units are leased to Danish clinics currently under an evaluation project and launch for other Nordic markets will be decided at a later stage. Consequently, there are insignificant effects on the segment result per the second quarter 2018.

Medtech, Revenues and EBITDA

NOK 1000	Q2 2018	Q2 2017	YTD 2018	YTD 2017	2017
Revenues	20	76	55	138	198
EBITDA	-2 304	-2 101	-4 625	-4 349	-10 989

Total

Navamedic Group, Revenues and EBTDA

NOK 1000	Q2 2018		Q2 2017		YTD 2018		YTD 2017	
Segment	**Revenues**	**EBITDA**	**Revenues**	**EBITDA**	**Revenues**	**EBITDA**	**Revenues**	**EBITDA**
Pharma and Healtcare Products	45 206	5 846	89 585	7 624	87 808	3 150	167 696	13 173
Medtech	20	-2 304	76	-2 101	55	-4 625	138	-4 349
Sum Group	45 226	3 542	89 661	5 523	87 864	-1 475	167 834	8 825

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 and the 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 the last years. As per 30 June 2018, loss on receivables and provision for bad debts are minor.

Maturity profile on short-term receivables as per 30 June 2018:

NOK 1000	Not due	Less than 3 months	3 to 12 months	Total
Trade receivables	19 989	11 400	4 945	36 334
Other receivables	4 333			4 333
Total receivables	**24 322**	**11 400**	**4 945**	**40 667**

The main part of the oldest receivables are related to a distributor which Navamedic also has accounts payables to from the same period of time.

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, and GBP. Sales are mainly made in Scandinavian currencies and EUR. The currency profile and 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

The company depends on distribution rights from suppliers. The company has distribution agreements with suppliers in which the term of the agreement varies from one to ten years. The company is dependent on renewing these agreements at market prices and on market terms and conditions, and is therefore in continuous dialogue with the suppliers to ensure they are renewed.

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 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 other significant negative events occur. See also note 11.

7. Tangible assets

NOK 1000	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Carrying value at the beginning of the period	573	962	600	917
Additions/disposal (-)	-		41	193
Depreciation in the period	-28	-102	-62	-199
Exchange differences	-17	96	-51	44
Carrying value at the end of the period	**528**	**955**	**528**	**955**

8. Intangible assets and goodwill

NOK 1000	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Carrying value at the beginning of the period	108 462	121 608	116 599	121 608
Additions/disposal (-)	613	1 207	851	1 413
Amortization in the period	-1 453	-3 175	-3 017	-6 289
Impairment	-	-	-	
Exchange differences	-3 151	1 903	-9 962	4 811
Carrying value at the end of the period	**104 471**	**121 542**	**104 471**	**121 542**

Impairment reviews

See note 7 to the consolidated financial statements for 2017.

Navamedic conducted a review of impairment indicators at 30 June 2018, and did not identify any indicators which would give rise to a change in impairment compared to 31 December 2017.

9. Deferred tax and deferred tax assets

NOK 1000	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Carrying value at the beginning of the period	8 928	10 713	8 714	10 262
Recognised in profit or loss	271	124	377	558
Exchange differences	-97	261	10	278
Carrying value at the end of the period	**9 103**	**11 098**	**9 102**	**11 098**

Deferred Tax

NOK 1000	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Carrying value at the beginning of the period	335	1 620	528	1 957
Recognised in profit or loss	160	-626	0	-979
Exchange differences	-15	308	-47	324
Carrying value at the end of the period	**480**	**1 302**	**481**	**1 302**

10. Share options

Key management personnel in Navamedic ASA receive parts of their salary as share-based remuneration.

During the second quarter of 2018 an option program was issued. The options have a maximum lifetime of three years, but will vest and can be exercised two years after the grant date.

The options are expected to be settled in shares at exercise.

The fair value of the options was calculated using a Black-Scholes model. The most important input data were:

	2018
Number of options at the end of periode 30.06.18	150 000
Weighted average excercise price (30.06.18)	9.4
Risk free interest rate	0.915 %
Share price upon grant date	12.45
Expected volatility	56.09 %
Expected lifetime (years)	2
Grant date	04.06.2018
Expire date	04.06.2021
Fair value calculated per share	5.17

11. Bank arrangement, credit facilities and other financial liabilities

To finance part of the acquisition of Observe Medical, the Company entered into a loan of SEK 15 million in October 2015, to be repaid over 3 years. Remaining liability at 30 June 2018 was SEK 3.75 million. The interest is 3.78% p.a. In addition, the Group has (through Navamedic AB) a factoring agreement of SEK 20 million and a drawing facility of SEK 25 million (reduced from SEK 32 million at year end 2017), in total SEK 45 million to cover credits and guarantees. SEK 27.2 million of these facilities was utilized at 30 June 2018.

The borrowing agreements from the bank has the following main financial covenant per 30 June 2018: EBITDA above SEK 12 million in 2018. The bank supports Navamedic's initiatives to seek partnership for the Medtech business in this face of the commercialisation of the Sippi family of products.

In addition to the bank financing, Navamedic has an unused unsecured short-term loan facility of USD 1.6 million (approximately NOK 13.0 million) that can be provided from one of our partners and suppliers (TopRidge Pharma), to be used for dedicated purposes. The due date on this facility is December 2018.

See the annual financial statements for 2017 for description of the financial liabilities relating to contingent consideration and a license agreement.

The expected future payments related to the acquisition of OM in 2015 is discounted (by 18.3% annually) to arrive at an estimated fair value of the contingent consideration. The maximum payments are based on sales royalty on annual Sippi sales between NOK 7.5 million and 100 million on a scale from 7% to 15% for the years 2016-2023. Furthermore, there are six milestone payments based on sales targets to be reached within end of 2023, with the last agreed possible payment within end of 2026. Total maximum milestone payments over the period is NOK 125 million, in addition to royalties. Estimated fair value at 30 June 2018 is NOK 28.3 million.

The Group is required to pay license fees for exclusive rights to commercialize certain products in a given geographical area during the term of the agreements. When the event that triggers the liability for such fees occur, the Group recognize an intangible asset at the value of the license payments. If parts are to be paid in future periods a liability is recognized, and the payments are discounted if the effect is significant. At 30 June 2018, the Group has recognized a NOK 15.9 million license liability for a license agreement for Aspen products to 2024. The corresponding intangible asset has been amortised and impaired in previous periods, with only NOK 0.4 million carrying value remaining at 30 June 2018.

12. Future major committed or potential investments

As describe in note 10, the Group is required to pay license fees for some exclusive rights to commercialize some products in a given geographical area during the term of the agreements. The Group has in 2017 entered into agreements for the marketing and sales of two new products, which have possible milestones and royalty payments attached. Liabilities for milestone and royalty payments are and will be triggered when the first commercial sales are made, and further when certain sales milestones are reached. If the products reach commercialization and sales targets, the Group will recognize intangible assets and license liabilities. Navamedic has started the sales of one of the products and expects the first sales of the second one to be made during Autumn 2018.

First commercial sale of these products could trigger liability for payments of in aggregate EUR 470 000 (undiscounted), of which minimum EUR 200.000 will be due within one year. In addition, comes any sales milestone payments.

The agreements also include some payment to be made by the Group on reaching public reimbursement for patient or price approval in respective countries, which could sum up to EUR 61.000. The agreements also include some minimum annual purchases of the products to be made by the Group. When entering into these agreements and until 30.06.2017, a total of EUR 320.000 has been paid.

13. Material events subsequent to the end of the reporting period

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

14. Shareholder Information

The largest shareholders per 30 June 2018 were:

Fornebu, 23 August 2018

Kathrine Gamborg Andreassen (sign)
Chair

Rikard Storvestre (sign)
Board member

Jostein Davidsen (sign)
Board member

Svein Erik Nicolaysen (sign)
Deputy board member

Tom Rönnlund (sign)
CEO

Definitions of Alternative Performance Measures (APM)

Navamedic's financial information is prepared in accordance with international financial reporting standards as adopted by the EU (IFRS). In addition, the company presents alternative performance measures (APMs). The APMs are regularly reviewed by management and their aim is to enhance stakeholders' understanding of the company's performance. APMs presented may be determined or calculated differently by other companies.

APMs:

- EBITDA is equal to earnings before interest, tax, depreciation and amortization. EBITDA is a sub-total in the consolidated income statement.
- EBITDA margin is equal to EBITDA as a percentage of total operating revenues.
- Gross profit is equal to total revenues minus cost of materials. Gross profit is a sub-total in the condensed consolidated income statement.
- Gross margin is equal to gross profit as a percentage of total operating revenues.
- Equity ratio is equal to total equity as a percentage of total shareholders' equity and liabilities.
- Revenues, excluding Aspen. Revenues from Aspen products are deducted from total revenues. Navamedic believe that the measure provides useful and necessary information to investors and other related parties because it provides additional information on underlying growth of the business without the effect of revenues from products unrelated to Navamedic's performance in the future.

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