

Q3 / 17

Third Quarter 2017 Report





Highlights for the third quarter

- Navamedic reported revenues of NOK 44.9 million in third quarter 2017, down from NOK 65.2 million in the same period in 2016, following the planned discontinuation of the Aspen agreement per June 30, 2017. Excluding Aspen products, the third quarter revenues for 2017 was NOK 43 million and NOK 29 million in third quarter 2016, representing a growth of 52%.
- EBITDA for the third quarter was positive NOK 0.6 million, reflecting cost reduction initiatives taken in the company. Nine first months EBITDA of NOK 9,4 million, up from YTD NOK 2,3 million in 2016.
- Entered into long-term agreement with bene-Arzneimittel GmbH (bene) for the Nordic launch and commercialisation of ELMIRON®, the only EU-approved oral medication used to treat adults with bladder pain syndrome.
- Pre-launch preparations for Mysimba® - an oral prescription pharmaceutical for the treatment of obesity has been completed with positive outcome. Expected market introduction in late 2017.
- Sippi® progressing as planned with clinical testing in Sweden, tests with two Patient Data Management Systems (PDMS), newly initiated evaluations at clinics in the UK and Italy and a number of additional scheduled clinical evaluations in European markets.

Key Figures

(NOK mill)	Q3 2017	Q3 2016	YTD 2017	YTD 2016	2016
Revenue	44.9	65.2	212.8	192.7	274.3
Gross profit	12.5	16.2	50.2	47.5	70.0
EBITDA	0.6	1.8	9.4	2.3	8.0
Operating Result (EBIT)	-2.7	-1.3	-0.4	-17.1	-14.6
Result before tax	-2.9	-0.9	-7.4	-19.6	-10.8
<i>Gross margin</i>	27.8 %	24.8 %	23.6 %	24.6 %	25.5%
<i>EBITDA margin</i>	1.3 %	2.8 %	4.4 %	1.2 %	2.9%
Assets	234.8	288.8	234.8	288.8	287.7
Equity	104.6	95.9	104.6	95.9	105.7
Liabilities	130.2	192.9	130.2	192.9	181.9
Equity ratio	44.6 %	33.2 %	44.6 %	33.2 %	36.8%



CEO Letter Tom Rönnlund, CEO of Navamedic

“The third quarter marks the first period following the discontinuation of the Aspen agreement, which is reflected in the quarterly revenues. The underlying growth in our portfolio, excluding Aspen, is solid and we continue our sales and marketing activities for new products added during the last year, which are all progressing according to plan.

The company has undergone a significant transformation over the past two years. In 2015, our sales revenues were highly dependent on the partnership with Aspen (approximately 65% of sales revenue in 2015 was related to Aspen agreement). While today, we have built a base portfolio of license and distribution agreements in attractive segments with longer contractual periods and stronger revenue potential than ever before. Our operations are streamlined and we have lowered operational expenses to meet the effects of the discontinued Aspen partnership. We feel confident that we will grow our business moving forward, building a stronger and more profitable Navamedic.

As a part of this strategy, the company is preparing two important new pharmaceutical product launches with significant future sales potential, Mysimba® (naltrexone HCl/bupropion HCl prolonged release) and ELMIRON® (pentosan polysulfate sodium) are expected to be introduced in late 2017 and into early 2018. Both products represent important opportunities for the company to return to revenue growth and profitability improvement. We believe these launches will open a significant market opportunity and revenue potential going forward, as we leverage our well-established position in the Nordic market and proven track record of launching pharmaceuticals in the Nordic region.

The Mysimba® and ELMIRON®-agreements are examples of our continued strategic approach of further strengthening our pharmaceutical products portfolio, and entering solid, long-term partnerships.

Imdur®, which is now distributed in thirteen countries across Europe, through our partnership with TopRidge Pharma, continues to be an important driver for the company, along with other prioritised brands. Moving forward, Navamedic plans to explore strategic alternatives to enable continued growth, both of the pharma and healthcare portfolio, as well as in our exciting Medtech business area.

For our Medtech business area and the Sippi® product family, the third quarter marked a period of extensive clinical testing across Europe. All new medical equipment usually requires a period of clinical evaluations to get the hospitals and the management of the ICU (Intensive Care Units) to favour the product. Navamedic is prioritising the clinical evaluation phase, focusing particularly on the awaited wireless version of Sippi®, which has the capability of transmitting urine volume data automatically into Patient Data Management Systems. These evaluations are normally expected to last for 3 to 6 months before a positive decision at the ICUs will be made. A number of leading hospitals have initiated, or will initiate, tests in the coming months.

Furthermore, ongoing studies suggest a significant effect of Sippcoat's biofilm and bacterial inhibiting properties, opening up additional potential product applications – enlarging the business potential for the Sippi® product portfolio. Publication of data is expected during the first half of 2018.

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. To accelerate and leverage the Sippi® growth opportunity the company is reviewing strategic alternatives for the Medtech business area. While Navamedic is going through a significant business transformation, the company is looking forward to continued exciting developments, with a strong base portfolio, new significant pharmaceutical launches, good traction in the Sippi® development and interesting structural initiatives underway.



Operational Review

About Navamedic

Navamedic ASA is a Norwegian medtech and pharmaceutical distribution and marketing company. The Group's Medtech business area 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 from a number of manufacturers to hospitals and pharmacies in the European region.

(NOK mill)	Pharma and Healthcare				Medtech				Sum Group			
	Q3		YTD		Q3		YTD		Q3		YTD	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Operating revenues	44.9	65.1	212.6	192.3	0.0	0.08	0.2	0.4	44.9	65.2	212.8	192.7
Gross profit	12.5	16.1	50.3	47.3	-0.0	0.0	-0.2	0.1	12.5	16.2	50.2	47.5
Gross margin	27.8%	24.8%	23.7%	24.6					27.8%	24.8%	23.6%	24.6%
Operating costs	10.5	12.3	35.2	38.2	1.4	2.1	5.5	6.9	11.9	14.3	40.7	45.2
EBITDA	2.0	3.9	15.1	9.1	-1.4	-2.0	-5.7	-6.8	0.6	1.8	9.4	2.3
EBITDA margin	4.4%	5.9%	7.1 %	4.7%					1.3%	2.8%	4.4%	1.2%

Pharma and Healthcare Product Business

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.

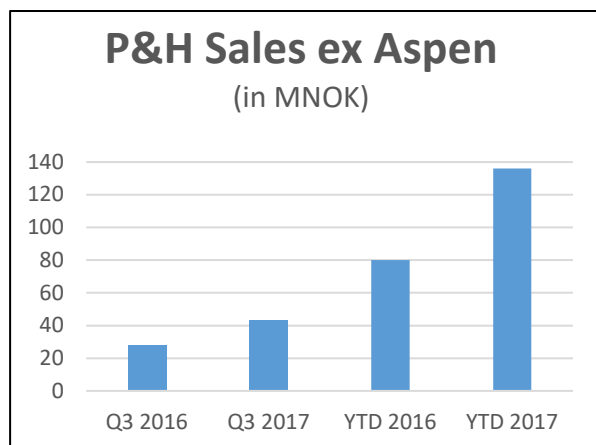
During the third quarter, Navamedic further strengthened its pharmaceutical products portfolio by entering into a long-term agreement with bene-Arzneimittel GmbH (bene) for the Nordic launch and commercialisation of ELMIRON®. ELMIRON® is already well established in the U.S. market with annual sales of approximately USD 250 million. In 2017 the product was approved in the EU as the currently only approved oral medication used to treat adults with painful bladder syndrome or discomfort associated with Interstitial Cystitis (IC), a condition which causes pain in the pelvic area and a frequent, urgent need to pass urine. Under the agreement, Navamedic will have long-term exclusive licensing-, supply and distribution rights in Sweden, Denmark, Norway, Finland and Iceland. The expected launch is during the first half of 2018.

As part of the partnership with TopRidge Pharma and the strategy to distribute the angina prevention medicine, Imdur® (isosorbide mononitrate), to a wider European market, Navamedic continued the preparations initiated last quarter for distribution of Imdur in Greece, with an expected annual sales of approximately NOK 8 million. The strategic partnership and long-term distribution agreement with TopRidge Pharma regarding Imdur® also represents significant opportunities for Navamedic's continued development, as potential future products from TopRidge in Europe will be offered Navamedic on a first right basis.

Revenues in Navamedic's Pharma and Healthcare Product segment were NOK 44.9 million in the third quarter of 2017, compared to NOK 65.1 million in third quarter of 2016, representing a 31.0% reduction. As previously communicated, the transfer of products back to Aspen was completed on July 1st and was



expected to significantly impact revenues in the short term. For comparison purposes, Navamedic's Pharma and Healthcare products sales revenues excluding Aspen products, is depicted in the graph below. The non-Aspen related product sales revenues experienced a solid growth in the quarter, with a 52% revenue increase compared to the third quarter of 2016, mainly driven by the addition of Imdur to Navamedic's portfolio, which in Q3 2016 only had marginal revenues for Navamedic.



The quarterly gross margin in the segment increased to 27.8%, compared to 24.8% in the same quarter last year, mainly due to changes in the product mix, and 1.5% is related to recalculations together with the supplier on sold goods in the first half year. Adjusted for this the third quarter margin would have been 26.3% Operating costs were NOK 10.5 million, down from NOK 12.3 million in the third quarter of 2016, following cost reduction initiatives. The EBITDA in the Pharma and Healthcare business area was NOK 2.0 million in the quarter, down from NOK 3.9 million.

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

- Imdur® delivered on its revenue expectations in the quarter. This is based on the markets and countries initiated over the course of 2016 and 2017, making it Navamedic's largest single brand. In the third quarter 2017 the sales of Imdur were NOK 16.9 million. Imdur was not a part of Navamedic's portfolio until late Q3 2016.
- The pan-Nordic Medical Nutrition portfolio continued its sales growth, with 7.2% higher revenues compared to third quarter of 2016. For the first three quarters, there was a 10.2% increase in sales compared to the first three quarters in 2016.
- Uracyst®, a treatment of painful bladder syndrome, had a weaker quarter, with a 9.4% decrease of sales compared to third quarter of 2016. The main market for Uracyst, Denmark, saw the biggest decline, and sales and marketing actions are being deployed to address the weakened development. Overall, the first three quarters had a 1.1% increase in sales compared to the same period in 2016.
- Nitrolingual®, a pharmaceutical for symptomatic treatment of angina pectoris, was in the third quarter 2017 one of Navamedic's top five products in terms of sales revenues. Navamedic initiated the distribution of Nitrolingual in the first quarter of 2016. Nitrolingual grew by 38.4% in the third quarter compared to the same period in 2016. The growth was mainly attributable to the Swedish market, driven by higher effective prices in the quarter.
- Preparations for the most imminent upcoming pharmaceutical product launch of the anti-obesity treatment Mysimba® progressed in quarter, including submissions of price applications in the Nordic markets. In the Swedish market, the company is applying for both price and public reimbursement



for specific patient groups. The public reimbursement application was submitted during the quarter and a response from the authorities is expected during the first half of 2018.

Navamedic also continued its marketing and distribution activities for other new products added to Navamedic's portfolio in 2016 and 2017, and all introductions have progressed according to plan. For the wound care therapy Woulgan, Navamedic is focusing on ensuring inclusion of the product in regional tenders, a prerequisite for future stronger sales results. Several regions in Sweden and Finland have expressed interest to include Woulgan in their tenders.

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 third quarter of 2017 marked a period of clinical testing for the Sippi® product family. *New clinics initiated evaluations during the quarter in the UK and Italy after successful work by our distributors in those markets.* Sippi's compatibility with GE Healthcare's Patient Data Monitoring System (PDMS), Centricity, continues to undergo live clinical testing at clinics in Sweden. The next phase of trials of Sippi-BLE (Bluetooth Low Energy) with a second PDMS, iMDSoft's Metavision, will be initiated at Uppsala University Hospital in Sweden in the coming months, and a number of additional clinics throughout Europe, including in the Czech Republic, Finland, Sweden and the UK, have committed to initiate testing before the end of the year.

As previously communicated, new medical equipment usually needs a period of clinical tests and evaluations to get the hospitals and the management of the ICU (Intensive Care Units) to favour the product. This is done by real live environment testing, using Sippi® with patients under treatment at their ICU, before the final implementation decision. Sippi® is now in this clinical evaluation phase at several hospitals across Europe. Navamedic continues to expect an initiated trial period to last for 3 to 6 months before a positive decision will be made. During this time, the company also continues its commercial activities and working to attract the best partners for Sippi in a number of other markets.

The company continues to believe that the EU patent for its Sippcoat® technology for the use of silicone oil in urine handling systems granted in Q1 2017 further secures the future commercial potential for the technology of the Sippi® product family. Ongoing studies suggest a significant effect of Sippcoat's biofilm and bacterial inhibiting properties. Data from these studies were originally expected in late 2017, but an expansion of the protocol to evaluate additional aspects of Sippcoats effects have resulted in a longer time to complete the study. The study has recently been completed and a scientific publication is under preparation, with expected publication during the first half of 2018. The company considers Sippi's market opportunities to be significant, both as a proprietary system, and also through the ability to license Sippcoat® and its biofilm inhibiting properties to other companies for use in regular urine collection bags.

Financial Review

Revenues in the third quarter were NOK 44.9 million, a decrease from NOK 65.2 million in the corresponding quarter of last year, following the previously announced discontinuation of the Aspen agreement from 1 July. The underlying positive portfolio development, exclusive Aspen products, was driven by the continued strong Imdur® performance as well as the continued good performance for other prioritised brands.



EBITDA for the quarter was positive with NOK 0.6 million, despite the significant revenue decrease, reflecting the company's preparations for the post-Aspen portfolio and reduction of cost base. The gross margin for the Pharma and Healthcare business improved from 24.8% to 27.8%. 1.5% of this is due to reduced costs of goods sold the first half of this year after completed after-calculation with vendors. The reduced sales volume resulted in a lower EBITDA contribution to the group.

The company also continued the development of the Medtech division, but at the same time reduced the total nine first months operating costs from NOK 14.3 million to NOK 11.9 million. NOK 1.8 million of the cost reductions are attributed to direct operating costs, while the rest is a reduction of payroll expenses.

The operating result (EBIT) for the third quarter was NOK -2.7 million in the period, compared to NOK -1.3 million in the third quarter 2016. Net financials were NOK -0.2 million, a decrease from NOK 0.4 million in the third quarter 2016. The change is mainly due to exchange rate fluctuations, offset by reduction in interest expenses on debt.

The result before tax was NOK -2.9 million, down from -0.9 in the third quarter 2016, while the tax on the ordinary profit was NOK 0.6 million, compared to NOK -0.3 million.

The net loss was NOK -2.3 million (NOK -1.2 million in third quarter 2016).

The total comprehensive income was NOK -4.5 million (NOK -9.2 million in third quarter 2016) following currency translation differences in the period of NOK -2.2 million (NOK -8.0 million in the third quarter 2016).

The group's cash flow from operating activities was NOK 15.8 million in the third quarter. The increase from third quarter 2016 can mainly be explained by a reduction in trade accounts receivables, which is in part offset by reductions in other current items and an increase in inventories. The reduction in short term receivables compared to last year follow from the reduced revenues compared to the same period last year.

The group's cash flow from investing activities was NOK -0.7 million, mainly a result of up-front payment for new product rights (NOK -0.1 million in the third quarter 2016). The group's cash flow from financing activities was NOK -28.7 million (NOK -3.9 million in the third quarter 2016). The cash outflow from financing activities in the third quarter 2017 was a result of payments of debt to financial institutions.

The company started the third quarter with cash of NOK 41.8 million and ended the quarter with a cash balance of NOK 29.6 million (NOK 31.6 million per 30.9 2016). The decreased cash position is primarily due to payment of debt, partly offset by positive cash flow from operating activities.

For the first three quarters of 2017, Navamedic reported revenues of NOK 212.8 million (NOK 192.7 in the first three quarters 2016), representing a growth of 10.4%. The sales growth was to a large extent driven by the addition of Imdur® to the company's portfolio in 2016 and continuous focus on introducing new products to the market. In addition, several of the established products in the portfolio have also increased revenues.

The gross margin was at 23.6% (24.6 % for the corresponding period in 2016). The decreased margin is due to higher volume of lower margin products in the corresponding period.

EBITDA the nine first months was NOK 9.4 million (NOK 2.3 million in the first three quarters in 2016). The increased EBITDA is mainly due to revenue growth and cost reductions. There are reductions on several cost elements, in large part due to general focus on cost reductions.

The result before tax was NOK -7.4 million (NOK -19.6 million in nine first months of 2016) as net financials were NOK -7.0 million (NOK -2.5 million in the nine first months of 2016). The net loss for the period was NOK -4.5 million (NOK -18.5 million in the nine first months of 2016).



The Group had a net cash flow from operating activities in the nine first months of the year 2017 of NOK 50.7 million (NOK -6.9 million for the same period in 2016), and net cash flow from investing activities of NOK -2.3 million (NOK -1.3 million for the same period in 2016). The net cash flow from financing activities was NOK -47.0 million (NOK 28.7 million for the same period in 2016), resulting in a cash balance of NOK 29.6 million at 30 September 2017 (NOK 31.6 million at 30 September 2016).

The consolidated total assets were NOK 234.8 million at 30.9.2017 (NOK 287.7 million at 31.12 2016), of which non-current assets was NOK 129.4 million (NOK 132.8 million at 31.12 2016). Current assets were reduced to NOK 105.3 million from NOK 154.9 million at 31.12 2016, primarily due to reductions in inventory as a result of handover of inventories to Aspen, and the decrease in short term receivables due to reduced revenues.

The Group has current liabilities of NOK 89.8 million compared to NOK 143.4 million at 31.12 2016. The change is mainly a result of reductions in trade account payables and in short term liabilities to financial institutions. Reduction in trade account payables is partly a result of the reduction of inventories. The reduction in liabilities to financial institutions is repayments of bank borrowings.

Non-current liabilities are NOK 40.3 million per 30.9 2017, an increase from NOK 38.6 million compared to 31.12 2016. Instalments has been paid and the contingent consideration was revaluated in the end of 2016. At the end of the third quarter, Navamedic had an equity of NOK 104.6 million (NOK 105.7 million per 31.12 2016), representing an equity ratio of 44.6%, compared to 36.8% at the beginning of the year.

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. An example of this, is the recently discontinued Aspen agreement, where the product portfolio under Navamedic's term of the agreement grew to a size where it made sense for the product portfolio owner, Aspen to set up their own organisation in our region. The growth in Aspens portfolio was driven both by Navamedic's successful management and growth of the products as well as Aspen's acquisition of additional product portfolios during the contract term. 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 Navamedics 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

The underlying growth for Navamedic's current portfolio is solid and the Group continues the marketing and distribution activities for new products added during the last year, which are all progressing according to plan.

Navamedic is building a leading 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 Navamedic's regulatory, sales and marketing capabilities in the hospital and pharmacy sectors.

The company is in the process of identifying several new and interesting products for the Nordic market and will through this continue to strengthen its product 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, bringing the company back on a growth track in the medium-term perspective.

Two recent examples of this pipeline are the long-term agreements with Orexigen Therapeutics and bene-Arzneimittel GmbH (bene) for the Nordic launch and commercialisation of Mysimba® and ELMIRON® respectively, new, original pharmaceutical launches with a combined annual peak sales potential of NOK 100-150 million provided positive reimbursement approvals by authorities. After a careful analysis, the company has submitted a reimbursement application for Mysimba® in Sweden and is reviewing the appropriate reimbursement strategy for Elmiron®.

Navamedic is developing its proprietary product, Sippi®, offering a new standard for urine monitoring in hospitals by enabling automated digital measurement, where the continued development of the Sippi® product family creates opportunities for multiple future revenue streams. The development process has been prolonged, mainly due to the finalisation of the communication platform between Sippi® and Patient Data Management Systems (PDMS) in the hospitals. Navamedic has now finalised the work with two PDMS-suppliers, currently undergoing clinical evaluations at Intensive Care Units, and is developing the necessary communication protocols in close cooperation with other PDMS-suppliers.

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. To accelerate and leverage the Sippi® growth opportunity the company is reviewing strategic alternatives for the Medtech business area, including partnering and co-investments. The company is currently in the process of retaining an advisor to assist in this process. 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.

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.

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 2016 Annual Report.



Fornebu, 9 November 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**

<i>(In NOK '000)</i>	Q3	Q3	YTD	YTD	
	2017	2016	2017	2016	2016
Operating revenues	44 916	65 190	212 750	192 689	274 298
Cost of materials	-32 436	-49 036	-162 598	-145 220	-204 260
Gross profit	12 479	16 154	50 152	47 469	70 038
Payroll expense	-6 534	-7 212	-21 909	-22 299	-31 333
Other operating cost	-5 349	-7 120	-18 822	-22 852	-30 675
Operating costs	-11 883	-14 332	-40 731	-45 151	-62 008
EBITDA	596	1 822	9 421	2 318	8 030
Depreciation	-107	-79	-306	-269	-357
Amortization	-3 220	-3 046	-9 509	-10 648	-13 711
Impairment	-	-	-	-8 528	-8 528
OPERATING RESULT (EBIT)	-2 731	-1 304	-395	-17 128	-14 566
Financial income and expenses					
Financial income	2 254	3 352	5 512	6 470	6 703
Change fair value contingent consideration	-1 074	-1 313	-3 226	-3 940	4 051
Financial expenses	-1 360	-1 648	-9 295	-5 004	-7 037
Net financial result	-180	391	-7 009	-2 474	3 717
RESULT BEFORE TAX	-2 911	-913	-7 403	-19 602	-10 849
Tax on ordinary result	626	-335	2 930	1 132	192
NET PROFIT/ LOSS (-) 1)	-2 285	-1 248	-4 473	-18 470	-10 658
Other comprehensive income that may be reclassified subsequently to profit or loss					
Currency translations differences	-2 244	-7 951	3 345	-16 469	-14 543
Total comprehensive income for the period 1)	-4 529	-9 199	-1 128	-34 939	-25 201
Basic and diluted earnings per share (NOK)	-0,21	-0,11	-0,41	-1,84	-1,04

1) All is attributable to owners of Navamedic ASA.



Condensed consolidated statement of financial position

<i>(In NOK '000)</i>	30 September 2017	30 September 2016	31 December 2016
Assets			
Intangible assets	36 988	45 971	43 607
Goodwill	80 198	76 598	78 001
Deferred tax assets	11 264	10 562	10 262
Tangible assets	987	810	917
Non-current assets	129 437	133 941	132 787
Inventories	29 956	59 325	61 343
Short term receivables	39 430	58 621	63 683
Prepaid income taxes	6 341	5 292	3 057
Cash at hand, in banks	29 603	31 616	26 801
Current assets	105 330	154 854	154 883
Total assets	234 767	288 795	287 670
Equity and liabilities			
Equity			
Equity	104 602	95 851	105 730
Total equity	104 602	95 851	105 730
Liabilities			
Contingent consideration	26 794	31 560	23 568
Long term financial liabilities	11 400	12 387	13 031
Borrowings from Financial Institutions	1 223	5 838	0
Deferred tax	918	2 270	1 957
Non-current liabilities	40 335	52 055	38 556
Trade account payables	56 083	69 593	62 341
Short term liabilities to Financial Institutions	13 854	49 740	58 854
Short term financial liabilities	4 178	4 086	4 086
Income taxes payable	1 871	1 708	2 707
Short term liabilities	13 845	15 762	15 396
Current liabilities	89 830	140 889	143 384
Total liabilities	130 165	192 944	181 940
Total shareholders equity and liabilities	234 767	288 795	287 670



Condensed consolidated Cash Flow Statement

(In NOK '000)	Q3 2017	Q3 2016	YTD 2017	YTD 2016	2016
Profit/loss(-) before tax	-2 911	-912	-7 403	-19 602	-10 611
Taxes paid	-1 619	-776	-5 895	-2 589	-997
Depreciation, amortization and write off	3 327	3 125	9 816	19 445	22 596
Interest and currency without cash effect 1)	896	832	3 664	3 063	-4 285
Changes in inventory	-7 165	-4 355	31 387	-14 678	-16 696
Changes in trade accounts receivables	30 168	870	23 752	-6 323	-12 837
Changes in trade accounts payables	-246	1 584	-6 258	14 094	6 842
Changes in other current items	-6 654	2 909	1 650	-336	1 480
Net cash flow from operating activities	15 794	3 277	50 711	-6 926	-14 508
Cash flow from investments					
Purchase/disposal of tangible and intangible assets	-653	-96	-2 259	-1 299	-1 676
Net cash flow from investing activities	-653	-96	-2 259	-1 299	-1 676
Cash flow from financing				0	0
Short term liabilities to Financial Institutions	-27 497	3 784	-41 300	27 183	36 297
Cash received for issue of shares	0	-2 313	0	9 027	8 944
Long term liabilities to Financial Institutions and other	-1 218	-5 412	-5 677	-7 495	-13 333
Net cash flow from financing activities	-28 715	-3 941	-46 977	28 715	31 909
Changes in currency	1 365	-546	1 327	-1 171	-1 221
Net change in cash	-12 209	-1 306	2 802	19 319	15 724
Cash and cash equivalents start period	41 812	32 922	26 801	12 297	12 298
Cash and cash equivalents end period	29 603	31 616	29 603	31 616	26 801

- 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 2016	9 450	99 236	27 031	-17 438	118 280
Issue of shares, net of share issue cost	1 418	11 091	-	-	12 509
Translation difference	-	-	-16 469	-	-16 469
Net loss of the period	-	-	-	-18 469	-18 469
Balance at 30 September 2016	10 868	110 327	10 562	-35 907	95 851
Balance at 1 January 2017	10 868	110 480	12 478	-28 096	105 730
Issue of shares, net of share issue cost	-	-	-	-	-
Translation difference	-	-	3 345	-	3 345
Net loss of the period	-	-	-	-4 473	-4 473
Balance at 30 September 2017	10 868	110 480	15 823	-32 569	104 602



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) 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 September 2017, Navamedic offers more than 40 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 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 9 November 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 30 September 2017.

Navamedic has started the process of evaluating potential change in the accounting due to the new accounting standards IFRS 9 and IFRS 15 which will be implemented 1.1 2018.

IFRS 9, final version issued July 2014 and effective for annual periods beginning on or after January 1, 2018, presents revised guidance on the classification and measurement of financial instruments. The Group plans to adopt IFRS 9 on January 1, 2018. The full impact of adopting IFRS 9 is not known and cannot be estimated as the action to be taken is dependent on instruments held and economic conditions at the time of implementation. The Group has conducted preliminary reviews based on current instruments and economic conditions and has determined that there are no expected impacts or changes required.

IFRS 15, issued in May 2014, establishes a five steps model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration which an entity expects to be entitled to in the exchange for goods or services to a



customer. The new revenue standard is applicable for all entities and will supersede all current revenue recognition requirements under IFRS. IFRS 15 applies to periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently reviewing customer contracts to assess the impact of IFRS 15 with plans to adopt the new standard on January 1, 2018. Preliminary reviews of existing contracts and revenue sources indicate that there will be no significant impacts or changes required to the Group's revenue recognition policies.

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	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Result allocated to shareholders	-2 285	-1 248	-4 473	-18 469	-10 658
Weighted average of outstanding shares	10 868	10 868	10 868	10 016	10 230
Earnings per share	-0,21	-0,11	-0,41	-1,84	-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 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, patients and pharmacies, 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 (Dermatology)
- Ovestin and Vitakalk (Female Care) (Ovestin in portfolio until 30.6 2017)
- Bifolac and Importal (Gastroenterology)
- 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:

- Puri-Nethol brand, used for the treatment of acute leukemia (In portfolio until 30.6 2017)
- Alkeran, cancer treatment (In portfolio until 30.6 2017)
- Nitrolingual Spray, treatment for angina pectoris



- Eltroxin, treatment for heart failure (In portfolio until 30.6 2017)
- Uracyst, a product for the treatment of Painful Bladder Syndrome
- Imdur, used to prevent angina attacks (chest pain)
- Mysimba, prescription pharmaceutical for treatment of obesity (introduction late 2017)

Pharma and Healthcare Revenues and EBITDA:

NOK 1000	Q3 2017	Q3 2016	YTD 2017	YTD 2016	2 016
Revenues	44 880	65 108	212 576	192 296	273 684
EBITDA	1 960	3 851	15 134	9 117	18 649
<i>EBITDA Margin</i>	4,4 %	5,9 %	7,1 %	4,7 %	6,8 %

The decrease in revenues in the third quarter compared to the third quarter 2016 is following the discontinuation of the Nordic Aspen agreement, contract expiration date June 30, 2017. Operating cost have decreased, but the reduction in revenues and gross margin resulted in an EBITDA decrease. Included in the EBITDA in the third quarter is NOK 0.7 million in reduced cost of materials after the final calculation with vendor regarding the first half of 2017. Revenues for the first three quarters in 2017 increased compared to the first three quarters of 2016 mainly due to higher revenues from Imdur®. In addition to increased revenues, EBITDA also increased due to reduced operating costs.

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. 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 third quarter 2017.

Medtech , Revenues and EBITDA

NOK 1000	Q3 2017	Q3 2016	YTD 2017	YTD 2016	2 016
Revenues	36	82	174	393	614
EBITDA	-1 364	-2 029	-5 713	-6 799	-10 619

Total

Navamedic Group, Revenues and EBITDA

NOK 1000	Q3 2017		Q3 2016		YTD 2017		YTD 2016	
	Revenues	EBITDA	Revenues	EBITDA	Revenues	EBITDA	Revenues	EBITDA
Pharma and Healthcare Products	44 880	1 960	65 108	3 851	212 576	15 134	192 296	9 117
Medtech	36	-1 364	82	-2 029	174	-5 713	393	-6 799
Sum Group	44 916	596	65 190	1 822	212 750	9 421	192 689	2 318



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 the last years. As per 30 September 2017, loss on receivables and provision for bad debts are minor.

Maturity profile on short-term receivables as per 30 September 2017:

NOK 1000	Not due	Less than 3 months	3 to 12 months	Total
Trade receivables	18 783	9 691	9 350	37 825
Other receivables	1 605			1 605
Total receivables	20 388	9 691	9 350	39 429

The oldest receivables are related to Aspen and one existing vendors who have payed new invoices before some old ones. Regarding Aspen the final settlement is not done and Navamedic has accounts payables to Aspen as well.

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 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

Navamedic is dependent on agreements for distribution rights from vendors. The company's largest distribution contract was until 1 July 2017 with Aspen Pharma. The main contract with Aspen for distribution of products in the Nordics, was not renewed from July 2017. The termination is in line with Navamedic's 13 June 2016 announcement on the strategic partnership with TopRidge Pharma Limited.

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. Navamedic will evaluate if inventories and receivables can be reduced, and if longer term financing should be established. See also note 11.



7. Tangible assets

NOK 1000	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Carrying value at the beginning of the period	956	830	917	531
Additions/disposal (-)	163	72	356	585
Depreciation in the period	-107	-79	-306	-269
Exchange differences	-25	-13	20	-37
Carrying value at the end of the period	987	810	987	810

8. Intangible assets and goodwill

NOK 1000	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Carrying value at the beginning of the period	121 543	131 581	121 608	151 272
Additions/disposal (-)	491	25	1 904	3 833
Amortization in the period	-3 220	-3 046	-9 509	-10 648
Impairment	-	-	-	-8 528
Exchange differences	-1 628	-5 991	3 184	-13 360
Carrying value at the end of the period	117 186	122 569	117 186	122 569

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 31 December 2016.

9. Deferred tax and deferred tax assets

NOK 1000	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Carrying value at the beginning of the period	11 098	10 271	10 262	9 151
Recognised in equity	-	-	-	650
Recognised in profit or loss	166	289	718	773
Exchange differences	0	2	283	-12
Carrying value at the end of the period	11 264	10 562	11 264	10 562

Deferred Tax

NOK 1000	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Carrying value at the beginning of the period	1 302	2 769	1 957	4 464
Recognised in profit or loss	-364	-371	-1 343	-1 833
Exchange differences	-20	-128	304	-361
Carrying value at the end of the period	918	2 270	918	2 270

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 third quarter of 2017, no share options were issued. As per 30 September 2017, the company has no share options outstanding. In 2016, 50,000 options were forfeited. In 2016, a cost of options of NOK 118.000 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 loan of SEK 15 million in October 2015, to be repaid over 3 years. Remaining liability at 30 September 2017 was SEK 7.5 million. The interest is 3.84% p.a. In addition, the Group has (through Navamedic AB) an overdraft facility of SEK 20 million and a multi open facility of SEK 32 million, in total SEK 52 million to cover credits and guarantees. SEK 15.4 million of these facilities was utilized at 30 September 2017.

The borrowing agreements from the bank has the following main financial performing covenants per 30 September 2017: EBITDA for the Navamedic group above SEK 2.3 million in 2017 and EBITDA above SEK 12 million in 2018. The bank supports Navamedics 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 loan facility of USD 1.6 million (approximately NOK 12.6 million) that can be provided from one of our partners and suppliers (TopRidge 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.

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 September 2017 is NOK 26.8 million.

The Group is required to pay license fees for exclusive right to commercialize products in a given geographical area during the term of the agreement. 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 September 2017, the Group has recognized a NOK 15.6 million license liability for one major agreement.

12. Future major committed or potential investments

As describe in note 11, the Group is required to pay license fees for exclusive right to commercialize some products in a given geographical area during the term of the agreement. The Group has 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 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. The group expects the first sales to be made by the end of 2017 and during first half 2018.

First commercial sale of these products could trigger liability for payments of in aggregate EUR 670.000 (undiscounted), of which EUR 200.000 is likely to be 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, a total of EUR 120.000 was 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 September 2017 were:

	Shares	Ownership
NOBELSYSTEM SCANDINAVIA	2 920 000	26,87 %
TOPRIDGE PHARMA	1 417 522	13,04 %
RO LARS	600 000	5,52 %
SEED CAPITAL	462 887	4,26 %
ROSENFONN INVESTERING	310 948	2,86 %
DANSKE INVEST NORGE	262 660	2,42 %
HARDING INVEST AS	244 400	2,25 %
KRAEBER VERWALTUNG	214 850	1,98 %
BUKKEVIK INVESTERING	213 661	1,97 %
DIRECTMARKETING INVE	206 844	1,90 %
LID OLAV TARJEI HIOR	180 000	1,66 %
LAVIN AB	167 598	1,54 %
EILERAAS KARL ANSKAR	150 000	1,38 %
MP PENSJON PK	149 708	1,38 %
RØTTINGSNES BERNT OL	109 141	1,00 %
JGB EIENDOM AS	101 011	0,93 %
BATJAK AS	100 000	0,92 %
KAASBØLL ROLF	100 000	0,92 %
ØKONOMI & INVESTERIN	90 667	0,83 %
AVANZA BANK AB	89 222	0,82 %
Total 20 largest shareholders	8 091 119	74,45 %



Fornebu, 9 November 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

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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' s 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 material. 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 withdrawn from total revenue. 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.