

Q2/16

Interim report
January-June 2016





Highlights for the second quarter

- Revenue growth of 12 percent in the second quarter of 2016, driven by the Nordic markets, with revenues of NOK 66.7 million compared to NOK 59.6 million in the second quarter of 2015.
- EBITDA of negative NOK 1.6 million in Q2 2016, compared to NOK 3.4 million in Q2 2015, reflecting a high activity level within future growth initiatives, continued commercialisation of Sippi®, and restructuring cost of 1.9 MNOK
- Entered into long term strategic distribution agreement with TopRidge Pharma Ltd, beginning with the distribution of cardiovascular pharmaceutical product Imdur® in second half of 2016
- Share issue towards TopRidge Pharma Ltd of 1,417,522 new shares, adding new equity of NOK 11.3 million
- Successfully tested Sippi® with wireless connection to GE Healthcare's Patient Data Management System (PDMS) in clinical settings, scheduled for launch late 2016
- Patent granted for Sippcoat® for use in any bodily drainage device, significantly increasing the scope and value of the technology
- Ends partnership agreement with Aspen Pharmacare Holdings from mid-May 2017, following the recently established strategic partnership with TopRidge Pharma

Key Figures

(NOK mill)	Q2 2016	Q2 2015 ¹⁾	YTD 2016	YTD 2015 ¹⁾
Revenue	66.7	59.6	127.5	121.5
Gross profit	14.3	14.7	31.3	29.8
EBITDA	-1.6	3.4	0.5	7.5
Operating Result (EBIT)	-14.0	0.7	-15.8	2.1
Result before tax	-14.3	0.5	-18.7	2.3
Gross margin	21.4 %	24.7 %	24.5 %	24.6 %
EBITDA margin	-2.4 %	5.7 %	0.4 %	6.2 %
Assets	297.1	216.2		
Equity	105.0	107.9		
Liabilities	192.0	108.3		
Equity ratio	35.4%	49.9%		

¹⁾ Adjusted due to correction of error, see note 24 to the annual report for 2015.

Comment from Tom Rönnlund, CEO of Navamedic:

"In Q2, Navamedic entered into a strategic long term distribution agreement with TopRidge Pharma Limited. The agreement represents a significant opportunity for Navamedic, with a major pharmaceutical product planned to be distributed by Navamedic already in the second half of 2016, and with potential for additional products in the future. Navamedic experienced a strong growth in sales revenue of 12%, compared to the



previous year. EBITDA performance was impacted by restructuring cost, in combination with continued commercialisation of Sippi. In Q2, Navamedic has successfully tested Sippi's wireless communication capabilities in clinical settings, a major milestone towards the launch of the next version of the Sippi base unit."

Operational Review

About Navamedic

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

(NOK mill)	Pharma and Healthcare		Medtech		Group	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Revenue	67	60	0.01	0	67	60
Gross profit	14	15	-0.09	0	14	15
Gross margin	21.6%	24.6%	nm	nm	21.4%	24.7%
Operating cost	13	11	3	0	16	11
EBITDA	1	3	-3	0	-2	3
EBITDA margin	1.5%	5.7%	nm	nm	-2.4%	5.7%

*The Medtech business segment was established after the Q3 2015 acquisition of Sippi® (OM)

Pharma and Healthcare Product Business

The strategy for the Pharma and Healthcare Product area is to build a strong distribution business through representation and distribution agreements with partners looking for an efficient go-to-market model, leveraging our regulatory, sales and marketing capabilities in the hospital- and pharmacy sectors. In the Pharma and Healthcare Product business, the company currently sells, markets, and distributes more than 80 pharma- and medical device brands from 20 manufacturers and brand owners, mainly across the Nordic markets.

In June, Navamedic entered into a strategically important eight-year partnership and distribution agreement with TopRidge Pharma Limited, a subsidiary of Shanghai-listed Tibet Rhodiola Pharmaceutical Holding Co, for distribution of the angina prevention medicine, Imdur®, in Europe. The agreement is expected to contribute with annual revenues of NOK 70-100 million, initial sales are expected in the second half of 2016. The strategic partnership and long-term distribution agreement represents significant opportunities for Navamedic's continued development, as future products, planned for launch in Europe by TopRidge Pharma and its parent company, will be offered on a first right basis.

Revenues in Navamedic's Pharma and Healthcare Product division were NOK 67.0 million in Q2 (NOK 59.6 million in Q2 2015), a 12% growth compared to the same quarter last year.

The division experienced solid growth in the Nordic markets, through the addition of new products and growth in prioritized product areas. In the Nordic region alone, revenues grew by 33.0%, compared to Q2 the previous year.



The gross margin in the division decreased from 24.6% in Q2 2015 to 21.6 in Q2 2016, mainly due to write-down of inventories for obsolescence of NOK 1.7 million. The gross margin, excluding the obsolescence of inventories, would have been 25.2% for the first half of 2016. The lower gross margin in the quarter, in addition to restructuring cost of NOK 1.9 million, affected the Pharma and Healthcare Product business' Q2 EBITDA, which came in at NOK 1 million (NOK 3.4 million in Q2 2015). EBITDA for the first half of 2016 in the Pharma and Healthcare Product business is NOK 5.3 million (NOK 7.5 million in first half 2015).

In Q2, Navamedic highlights the following developments within the Pharma and Healthcare Product Business portfolio:

- *Ovestin* had a flat quarter, with only a slight growth of 0.6% in revenues, compared to Q2 2015. The performance is still good for a mature brand in market leading position.
- The Medical Nutrition portfolio had a very strong Q2, delivering a 19.0% growth.
- *NYDA*, a lice treatment, had a strong Q2 following successful marketing campaigns, and grew by 20.3% compared to Q2 2015.
- *Uracyst*, for treatment of painful bladder syndrome, experienced continued strong growth. Revenues were up by 37.3% compared to Q2 2015, driven by higher demand, as well as price increases.
- Geographically, performance in the quarter was strong in the Nordic countries, driven by revenue growth in Denmark (+82%), Norway (+20%), Finland (+14%) and Sweden (+12%), mainly a result of new products from Aspen and Pohl-Boskamp. The extraordinary sales growth in Denmark is explained by the addition of additional products with existing sales under the Aspen partnership and the launch of *Mygfri*® in Danish pharmacies. Other Markets (-11%) had a weaker quarter, not benefiting from new launches to the same extent as the faster growing Nordic markets.

During Q2, Navamedic continued launch activities for its portfolio of new brands, including *Nitrolingual*®, *Woulgan*® and *Mygfri*®. All three launches are progressing well and according to plan. As previously stated, *Nitrolingual*® is well on track to hit its full-year sales estimate of NOK 8.0 million, with second quarter sales of NOK 2.7 million. The commercial activities related to *Woulgan*® continued according to plan, focusing on the professional wound care market. The product has been presented at 14 specialist-focused seminars and exhibitions across the Nordics during Q2. Clinical evaluations have also been initiated at several sites across the region, in order to further build experience and confidence with the product among specialised doctors and nurses. Minor commercial sales were recorded in the quarter, still according to plan, as the introduction of new treatment options in this category takes time, with several layers of decision-makers needing to be addressed. *Mygfri*®, Navamedic's own brand of pharmacy-sold mosquito repellent, had a strong start with recorded sales of NOK 1.2 million in Q2.

In July, Navamedic announced that the partnership agreement with pharmaceutical manufacturer Aspen Pharmacare Holdings, for distribution of products in the Nordic markets, will not be renewed. The current contract expires in mid-May 2017. The Aspen-Navamedic partnership is a successful and fruitful collaboration for both parties and where the growth in and size of the portfolio have led to a decision by Aspen to set up their own Nordic organisation. Navamedic continues to leverage its business model for long-term operational and financial growth. This includes a focus on developing new and additional strategic partnerships and long-term distribution agreements, such as that with TopRidge Pharma, as well as exploring new products and markets.



Medtech Business

Navamedic's propriety 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 select 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.

In Q2, Navamedic continued its commercialisation activities in European markets and held its first super-user education conference in Sweden with nurses from Germany. The goal of the conferences is to establish a network of customers with hands-on experts that can educate new and interested clinics across Europe. Navamedic is also working to further strengthen its Nordic presence with training of sales forces in Finland and Denmark, and the company already has four new hospitals as customers in these markets currently testing the company's medtech product.

During the quarter, Navamedic carried out its first two clinical tests with SippLink™, a communication tool enabling wireless transfer of data from Sippi[®] to a Patient Data Monitoring System (PDMS), in cooperation with GE Healthcare and NÄL (Norra Älvsborgs Länssjukhus) in Sweden. The trials were successful and Navamedic aims to implement SippLink™ at NÄL during autumn 2016. Navamedic has experienced great interest from the market concerning the PDMS-connectivity and biofilm management, and both the clinics of Kuopio University Hospital in Finland and Karolinska University Hospital in Sweden are expected to start using SippLink™ once the new version is launched in late 2016.

In Q2, the Swedish Patent and Registration Office granted Navamedic a fourth patent entitled "*Method for sterilising a body fluid drainage system.*" The patent covers an extended use of the non-toxic and environmentally sustainable method for sterile release of Sippcoat™ biofilm inhibitor to any bodily drainage device. This is an important development, as biofilm formation has a causal link with nearly all hospital-acquired infections. Silicone oil has proven to contribute in the reduction of bacterial colonisation on the surface of medical materials by preventing biofilm build-up in a simple and sustainable way. The technology has great potential value to hospitals and patients across the world. For example, urinary tract infection (UTI) represents 40% of all hospital-acquired infections, and inhibiting biofilm growth in urine measurement devices could substantially reduce such infections.

Karolinska University Hospital has performed clinical trials to evaluate the effect of SippCoat™ and results will be published during autumn 2016. The preliminary results show that protein-based biofilm formation by haemoglobin and albumin is delayed by the Sippcoat™ capsule. The results are very promising, as protein-based biofilm is the growth path for bacteria colonisation and transportation. With a solution that reduces the risk of hospital acquired infections, Navamedic's Medtech business can explore an additional business opportunity with a significant future revenue potential.

Financial Review

Revenues in the second quarter were NOK 66.7 million, up from NOK 59.6 million in the corresponding quarter last year. The growth in the pharma and healthcare products division in the Nordic region has compensated for the discontinued Aspen contract in the Benelux region, which ended 31.12.2015.

EBITDA for the quarter was negative NOK 1.6 million, a decrease from NOK 3.4 million in the second quarter 2015. The reduced EBITDA reflects a high activity level within business development and future growth



initiatives, including the ongoing commercialisation of Sippi®. In addition, NOK 1.9 million in restructuring costs and NOK 1.7 million in obsolescence was recognized in the quarter.

Following the termination of the Aspen agreement, the company recognised impairments of intangible assets with NOK 8.5 million due to reduced value of marketing permissions and a licence agreement. The impairment negatively impacted the period's EBIT, ending at negative NOK 14.0 million (NOK 0.7 million in Q2 2015).

The Group's cash flow from operating activities was NOK 1.1 million (NOK 17.1 million in Q2 2015). This is primarily due to increased costs driven by the commercialisation of Sippi®, increase in inventories, and negative effect from other current items, partially offset by an increase in payables. In the quarter, the company strengthened its cash position by issuing 1.4 million new shares to TopRidge Pharma Limited for a cash consideration of NOK 8.0 per share, corresponding to approximately 13% of the company's issued share capital. The transaction built up the company's financial robustness and provides adequate funding for the company's future growth strategy. The cash position at the end of the quarter was NOK 32.9 million (NOK 8.2 million in Q2 2015).

First half year:

In the first half year of 2016, Navamedic reported revenues of NOK 127.5 million, up from NOK 121.5 million in the first half of last year. The discontinued Aspen contract in the Benelux region has been offset by increased revenues from pharma and healthcare products in the Nordic region.

EBITDA for the first half year ended at NOK 0.5 million, a decrease from NOK 7.5 million in the first half of 2015. The decrease in EBITDA is mainly driven by operating costs in the new business segment Medtech, obsolescence, restructuring cost, and business development activities in the Pharma and Health Care business division.

Result before tax the first half year ended at negative NOK 18.7 million, a decrease from positive NOK 2.3 million in the first half of 2015. In addition to the change in EBITDA, the decrease in result before tax is due to an impairment of NOK 8.5 million, increased interest expense, and amortizations after the investment in Observe Medical during the second half of 2015.

Risks and uncertainties

Navamedic's Pharma and Healthcare Product Business is dependent on agreements for distribution rights with partners. The main contract with Aspen for distribution of products in the Nordics will not be renewed from mid-May 2017, which will then have a significant impact on Navamedic's revenues. Changes in the portfolio product mix are also expected to have short-term negative impact on the margins. To build a stronger business, Navamedic is developing other areas of its business. The new strategic partnership with TopRidge Pharma Limited, is expected to give long-term positive contributions, but it will take time to build volume and profitability of new products.

Outlook

Navamedic's transformational journey continues, driving growth both through the inflow of new products and partnerships, and through the continued commercialisation of Sippi®.

The company aims to build a stronger and more profitable business for the future, which includes necessary transformative actions and activities in current operations. To position itself for potentially higher margins



in the future, Navamedic leverages its strategy to increase the portion of proprietary products and brands, as well as focusing on being an attractive partner for pharmaceutical and medical device companies seeking a strong regulatory, sales, marketing, and distribution network across the Nordics and other selected markets.

The partnership agreement with TopRidge Pharma Limited represents a particularly exciting opportunity for the company's future growth. The initial phase of the partnership is focused on distribution of the pharmaceutical product, Imdur®, in nine European markets. It is expected to contribute with annual revenues of NOK 70-100 million, with initial sales in the second half of 2016. The agreement is expected to partly offset revenue loss from the non-renewal of the Aspen partnership in 2017, and a short term margin pressure in 2017 is likely, as Navamedic continues to build its partnership portfolio. The agreement with TopRidge sets the stage for long-term cooperation and growth, including additional products and markets, and the potential to draw on credit to support an expansion of the company's business.

As stated earlier, Navamedic believes the innovative technology behind Sippi® holds significant long-term revenue potential as a digital urine measurement system, with future annual sales above NOK 250 million. The company is also actively executing its strategy of ongoing commercialisation and continued development of the Sippi® product family, creating opportunities for multiple future revenue streams. The new wireless, PDMS-compatible Sippi® is on track to be introduced during the second half of 2016, an additional milestone in the launch of Sippi® as the first wireless commercially available fully digitalized fluid management system on the market. Furthermore, the recently broadened patent for the Sippcoat™ technology provides opportunities for its use in additional bodily fluid drainage systems, and if successfully clinically validated, could represent significant additional revenue potential for the company.

The focus for the remainder of the year remains on bringing Sippi® to additional European and other selected international markets, including jointly working with TopRidge Pharma Limited on the plans for a future introduction of Sippi® in China, while simultaneously preparing for an introduction in the U.S., which is currently scheduled for late 2017. To meet the strong demand from international markets and to support the current and future network of distributors, the company will add business development resources during the second half of 2016.

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 section 'Risks and uncertainties' above, and in Navamedic ASA's Annual Report 2015.



Fornebu, 17 August 2016

Johan Reinsli (sign)
Chairman

Kari Stenersen (sign)
Board Member

Synne H. Røine (sign)
Board Member

Svein Erik Nicolaysen (sign)
Deputy Board Member

Patrik Hellström (sign)
Board Member

Huaizheng Peng (sign)
Board member

Tom Rönnlund (sign)
CEO



Condensed consolidated statement of comprehensive income

<i>(In NOK '000)</i>	Q2	Q2	YTD	YTD	
	2016	2015	2016	2015	2015
Operating revenues	66 710	59 641	127 500	121 475	248 348
Cost of goods sold	-52 411	-44 943	-96 184	-91 637	-187 448
Gross profit	14 299	14 698	31 316	29 838	60 900
<i>Gross profit %</i>	<i>21,4 %</i>	<i>24,6 %</i>	<i>24,6 %</i>	<i>24,6 %</i>	<i>24,5 %</i>
Payroll expense	-7 436	-5 684	-15 087	-11 080	-26 078
Other operating cost	-8 446	-5 614	-15 732	-11 263	-25 990
Other (losses)/gains - net	-	0	0	0	0
Operating costs	-15 882	-11 299	-30 820	-22 343	-52 068
EBITDA	-1 583	3 399	496	7 495	8 832
<i>EBITDA %</i>	<i>-2,4 %</i>	<i>5,7 %</i>	<i>0,4 %</i>	<i>6,2 %</i>	<i>3,6 %</i>
Depreciation	-76	-9	-190	-9	-193
Amortization	-3 785	-2 708	-7 602	-5 399	-12 461
Impairment	-8 528		-8 528	0	0
OPERATING RESULT (EBIT)	-13 973	683	-15 824	2 088	-3 822
Financial income and expenses					
Financial income	3 002	516	3 117	1 369	2 726
Financial expenses	-3 292	-736	-5 983	-1 199	-9 203
Net financial result	-290	-220	-2 866	170	-6 478
ORDINARY RESULT BEFORE TAX	-14 263	462	-18 689	2 258	-10 299
Tax on ordinary result	1 183	-100	1 468	-392	-632
NET PROFIT 2)	-13 079	362	-17 222	1 866	-10 931
Basic and diluted earnings per share (NOK)	-1,36	0,04	-1,77	0,22	-1,25
Other comprehensive income that may be reclassified subsequently to profit or loss					
Currency translations differences	-4 535	2 429	-8 518	-663	12 682
Total comprehensive income for the period 2)	-17 614	2 792	-25 740	1 203	1 751
Attributable to owners of Navamedic ASA	-17 614	2 792	-25 740	1 203	1 751

1) Q2 and YTD 2015 figures are restated due to correction of error, see note 24 to the annual report for 2015.

2) All is attributable to owners of Navamedic ASA



Condensed consolidated statement of financial position

<i>(In NOK '000)</i>	30 June 2016	30 June 2015	31 December 2015
Assets			
Intangible assets	50 834	39 000	65 556
Goodwill	80 747	47 401	85 716
Deferred tax assets	10 271	9 940	9 151
Tangible assets	830	43	531
Non-current assets	142 681	96 384	160 954
Inventories	54 970	54 793	44 647
Short term receivables	66 514	56 766	57 654
Cash at hand, in banks	32 922	8 239	12 298
Current assets	154 405	119 799	114 598
Total assets	297 087	216 183	275 552
Equity and liabilities			
Equity			
Equity	105 049	107 891	118 280
Total equity	105 049	107 891	118 280
Liabilities			
Contingent consideration	30 246	0	27 619
Long term financial liabilities	14 846	15 700	15 243
Borrowings from Financial Institutions	11 250	0	13 333
Deferred tax	2 769	5 244	4 464
Non-current liabilities	59 111	20 943	60 659
Trade account payables	68 009	60 690	55 500
Short term liabilities to Financial Institutions	45 956	11 318	22 557
Short term financial liabilities	4 108	1 741	4 040
Short term liabilities	14 854	13 599	14 517
Current liabilities	132 927	87 349	96 614
Total liabilities	192 038	108 292	157 273
Total shareholders equity and liabilities	297 087	216 183	275 552

1) 2015 figures are restated due to correction of error, see note 24 to the annual report for 2015.



Condensed consolidated Cash Flow Statement

<i>(In NOK '000)</i>	Q2 2016	Q2 2015	YTD 2016	YTD 2015
Profit (loss) before tax	-14 263	462	-18 689	2 258
Taxes paid	256	-310	-1 813	-1 276
Depreciation, amortization and impairment	12 389	2 717	16 320	5 407
Interest without cash effect	842	263	2 230	-300
Changes in inventory	-6 936	6 484	-10 323	12 608
Changes in receivables	-949	2 462	-7 193	-634
Changes in payables	15 328	5 093	12 509	500
Changes in other current items	-5 613	-26	-3 246	400
Net cash flow from operating activities	1 055	17 145	-10 204	18 963
Cash flow from investments				
Purchase/disposal of intangible assets	-926	-112	-1 203	-784
Net cash flow from investing activities	-926	-112	-1 203	-784
Cash flow from financing				
Short term liabilities to Financial Institutions	5 455	-12 278	23 399	-16 062
Cash received for issue of shares 1)	11 340	0	11 340	0
Long term liabilities to Financial Institutions	0	0	-2 083	0
Net cash flow from financing activities	16 795	-12 278	32 656	-16 062
Changes in currency	-334	-900	-625	-55
Net change in cash	16 590	3 855	20 624	2 062
Cash and cash equivalents start period	16 332	4 384	12 298	6 177
Cash and cash equivalents end period	32 922	8 239	32 922	8 239

1) Costs related to the share issue in Q2 2016 is expected to be paid in Q3 2016.



Condensed consolidated statement of Changes in Equity

Equity

	Share capital	Share premium	Translation differences	Retained earnings	Total
<i>NOK 1000</i>					
Balance at 1 January 2015	8 562	90 284	14 349	-6 506	106 689
Translation difference	-	-	-663	-	-663
Net profit of the period	-	-	-	1 866	1 866
Balance at 30 June 2015	8 562	90 284	13 686	-4 640	107 891
Balance at 1 January 2016	9 450	99 236	27 031	-17 438	118 280
Issue of shares 1)	1 418	11 091	-	-	12 509
Translation difference	-	-	-8 518	-	-8 518
Net profit of the period	-	-	-	-17 222	-17 222
Balance at 30 June 2016	10 868	110 327	18 513	-34 659	105 049

1) On 13 June 2016, the Company entered into an 8-year agreement with TopRidge Pharma Limited for distribution of angina prevention medicine, Imdur®, in European markets. In connection with entering into this agreement, 1,417,522 new shares were issued for cash of NOK 8 per share, in total cash of NOK 11.34 million. The cash issue price is estimated to be NOK 3.1 million lower than the estimated market value of the shares at the time of entering into the agreement, which is regarded as representing payment for an intangible asset by issue of shares. Costs related to the share issue at the end of Q2 2016 is preliminary estimated to NOK 2.600 before tax, and it is reduced by tax benefits of NOK 650.

2) Balance at 1 January 2015 and YTD Q2 2015 figures are restated due to correction of error, see note 24 to the annual report for 2015.



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 AS (Denmark), Navamedic efh (Iceland) and Observe Medical International 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. Today the company does not develop new pharmaceuticals, but 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 manufacturers looking to enter the Northern European markets. In the third quarter 2015 all the shares of Observe Medical International AB were acquired. Observe Medical has developed Sippi®, its own proprietary medical technology product for use in hospitals. Navamedic currently offers more than 80 products from 20 main 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 2015 (the Annual Financial Statements), as they provide an update of previously reported information. The accounting policies used are consistent with those used in the Annual Financial Statements. The interim report has not been subject to an audit. Navamedic's Board of Directors approved the condensed consolidated interim financial statements on 17 August 2016.

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 2015. 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 2015 and 30 June 2016.

4. Business combination

There were no business combinations in the first half 2016. In August 2015, Navamedic ASA signed an agreement to acquire all the shares and voting rights in Observe Medical International AB (OM). See note 25 to the Annual Financial Statements for further description.

5. Earnings per share 1)

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).

**Earnings per share**

NOK 1000	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FY 2015
Result allocated to shareholders	-13 079	362	-17 222	1 866	-10 931
Weighted average of outstanding shares	9 583	8 562	9 715	8 562	8 778
Earnings per share	-1,36	0,04	-1,77	0,22	-1,25

1) Results for Q2 and YTD 2015 are adjusted for correction of error, see note 24 to the annual report for 2015.

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

6. Segment information

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

Pharma and Healthcare Products business

The Pharma and Healthcare Product business consist of product areas Consumer care, Medical Nutrition and Pharma products.

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

Some important Consumer product brands are:

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

Regarding **Medical Nutrition** Navamedic is a Nordic distributor for the UK based Company VitaFlo International Ltd, a subsidiary of Nestlé, with more than 30 years of experience in producing specialist nutritional products for inborn errors of metabolism (IEM). Navamedic can offer a complete range of products for over 8 different metabolic disorders (for example Phenylketonuria, Tyrosinemia, Maple Sirup Urine Disease, Homocystinuria, Methylmalonic Acidemia (MMA), Propionic Acidemia (PA), Glutaric Aciduria Type 1 (GA1). The product range also includes products within carbohydrate metabolism, fat metabolism (MCT products) and renal disease.

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

Some important Pharma product brands are:

- Puri-Nethol brand, used for the treatment of acute leukemia
- Alkeran, cancer treatment
- Nitrolingual Spray, treatment for angina pectoris
- Eltroxin, treatment for heart failure
- Uracyst, a product for the treatment of Painful Bladder Syndrome

Despite of the loss of the contract with Aspen for distribution in the Benelux area from 1 January 2016, revenues increased compared to the first half 2015. EBITDA decreased, due to write down of inventories in addition to restructuring cost of NOK 1.9 million.

Pharma and Healthcare Products business, Revenues and EBITDA

NOK 1000	Q2 2016	Q2 2015	YTD 2016	YTD 2015	2 015
Revenue	66 697	59 641	127 188	121 475	248 248
EBITDA	1 008	3 399	5 266	7 494	15 132
EBITDA Margin	1,5 %	5,7 %	4,1 %	6,2 %	6,1 %

**Medtech business – Sippi®**

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

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

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

Medtech business – Sippi®, Revenues and EBITDA

NOK 1000	Q2 2016	Q2 2015	YTD 2016	YTD 2015	2 015
Revenue	13	0	311	0	0
EBITDA	-2 592	0	-4 770	0	0
<i>EBITDA Margin</i>	nm		nm		

Navamedic Group, Revenues and EBTDA

NOK 1000	Q2 2016		Q2 2015		YTD 2016		YTD 2015	
Segment	Revenues	EBITDA	Revenues	EBITDA	Revenues	EBITDA	Revenues	EBITDA
Pharma and healthcare products	66 697	1 008	59 641	3 399	127 188	5 266	121 475	7 494
Medtech	13	-2 592	0	0	311	-4 770	0	0
Sum Group	66 710	-1 583	59 641	3 399	127 499	497	121 475	7 494

Sum of The Pharma and Healthcare and The Medtech business

7. Credit risk, foreign currency risk and operational risk**Credit risk**

Navamedic trades only with recognized, creditworthy third parties, of whom most companies are large, profitable pharmaceutical companies and wholesalers. Receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is on a minimum.

As per 30 June 2016, there is no provision for bad debt.

Maturity profile on short-term receivables as per 30 June 2016:

Short term receivables

NOK 1000	Not due	Less than 3 months	3 to 12 months	Total
Trade receivables	33 622	13 706	8 605	55 933
Other receivables	10 581			10 581
Total receivables	44 203	13 706	8 605	66 514

Foreign currency risk

Navamedic has transactional currency exposure arising from sales and purchases in currencies other than the functional currencies (NOK, SEK and DKK). Purchases of products from manufacturers are made in several currencies; mainly EUR, but also USD, CAD and GBP. Sales are made in Scandinavian currencies and EUR. The net



impact of currency fluctuations on Navamedic's financial results is currently at a level which in the Company's opinion does not call for currency hedging mechanisms.

Operational risk

Navamedic is dependent on agreements for distribution rights from vendors. The company's largest distribution contract is with Aspen Pharma. From 1 January 2016, the distribution of Aspen products in the BeNeLux market was not renewed, which will have a negative effect on revenues and profits in 2016. In the first half of 2016 the revenue loss was offset by new launches in the Nordic market. The main contract with Aspen for distribution of products in the Nordics, will not be renewed from mid-May 2017. The termination is in line with Navamedic's 13 June 2016 announcement on the strategic partnership with TopRidge Pharma Limited. In isolation, the termination of the main contract with Aspen will have significant negative impact on earnings in the pharma and healthcare business. However, Navamedic will focus on developing its promising strategic partnership and long-term distribution agreement with TopRidge Pharma, as well as the development and commercialization of Sippi®. Navamedic also continue to evaluate further expansion of our product and partnership portfolio.

8. Tangible assets

Tangible assets				
NOK 1000	Q2 2016	Q2 2015	YTD 2016	YTD 2015
Carrying value at the beginning of the period	436	52	531	52
Acquisition	-	-	-	-
Additions/disposal (-)	481	-	513	-
Depreciation in the period	-76	-9	-190	-9
Exchange differences	-11	-	-24	-
Carrying value at the end of the period	830	43	830	43

9. Intangible assets and goodwill 1)

NOK 1000	Q2 2016	Q2 2015	YTD 2016	YTD 2015
Carrying value at the beginning of the period	144 421	87 123	151 272	91 835
Additions/disposal (-)	3 565	-112	3 809	784
Amortization in the period	-3 785	-2 708	-7 602	-5 399
Impairment	-8 528	-	-8 528	-
Exchange differences	-4 092	2 098	-7 371	-820
Carrying value at the end of the period	131 581	86 401	131 580	86 401

1) Adjusted for correction of error in 2015, see note 24 to the annual report for 2015.

2) The impairments in Q2 2016 were primarily due to the termination of distribution agreements with Aspen. NOK 5.3 million is related to marketing permissions and NOK 3.2 million for a license agreement. The license agreement will continue over its original term to 2024, but the expected sales volume has been reduced.

10. Deferred tax and deferred tax assets 1)

Deferred Tax Assets				
NOK 1000	Q2 2016	Q2 2015	YTD 2016	YTD 2015
Carrying value at the beginning of the period	9 079	10 263	9 151	10 900
Recognised in equity	650	-	650	-
Recognised in profit or loss	550	-323	484	-959
Exchange differences	-8	-	-14	-
Carrying value at the end of the period	10 271	9 940	10 271	9 941

**Deferred Tax**

NOK 1000	Q2 2016	Q2 2015	YTD 2016	YTD 2015
Carrying value at the beginning of the period	3 864	5 364	4 464	6 263
Recognised in profit or loss	-977	-405	-1 462	-847
Exchange differences	-118	285	-233	-172
Carrying value at the end of the period	2 769	5 244	2 769	5 244

1) Adjusted for correction of error in 2015, see note 24 to the annual report for 2015.

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.

11. Share options

As per 30 June 2016, the company has 50 000 Share options outstanding.

All options are equity settled and fair valued at the date of award. This fair value is expensed over the vesting period, which is three years. The exercise price of the granted options is equal to the market price on the date of the grant.

12. Bank arrangement, credit facilities and other financial liabilities

To finance part of the acquisition of Observe Medical, the Company entered into a 3 years term loan of SEK 15 million in October 2015, to be repaid in monthly instalments starting 8 months after drawing, interest 4% p.a. In addition, the company has other bank agreements and drawing facilities of SEK 60 million to cover credits and guarantees. NOK 45.8 million of these facilities was utilized at the end of the second quarter 2016. Towards a selected group of suppliers, the company has issued letter of credit of a total of NOK 0.3 million. This standby letter of credit is issued as security for the applicant's payment obligations under distribution agreements. The borrowing agreements from the bank has the following covenants as of 30.6 2016; EBITDA above NOK 15 million in 2016.

In addition, an unsecured loan facility of NOK 16 million will be provided from a supplier, to be used for dedicated product promotional purposes. The lender is not under obligation to make available any amount unless the lender has approved the proposed purpose in advance.

See the annual financial statements for 2015 for description of the financial liabilities relating to contingent consideration and a license agreement. The increase in the carrying value of the contingent consideration during first half 2016 of NOK 2.5 million represents calculated interest, and has been recognized as part of financial expenses in the profit and loss statement.

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

On 5 July 2016, Navamedic announced that its partnership agreement with pharmaceutical manufacturer Aspen Pharmacare Holdings for distribution of products in the Nordics, will not be renewed from mid-May 2017. The partnership termination is in line with Navamedic's 13 June 2016 announcement on the strategic partnership with TopRidge Pharma Limited.

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

14. Shareholder Information

The largest shareholders per 30 June 2016 were:	Shares	Ownership
NOBELSYSTEM SCANDINA	2 240 612	20,6 %
TOPRIDGE PHARMA	1 417 522	13,0 %



SEED	462 887	4,3 %
LAVIN AB	331 221	3,0 %
DANSKE INVEST NORGE	262 660	2,4 %
HARDING INVEST AS	244 400	2,2 %
RO LARS	220 000	2,0 %
ADVANCE INVEST & CON	217 353	2,0 %
SANDVOLD SHIPPING IN	216 000	2,0 %
KRAEBER VERWALTUNG G	214 850	2,0 %
DIRECTMARKETING INVE	206 844	1,9 %
LID OLAV TARJEI HIOR	177 000	1,6 %
MP PENSJON PK	149 708	1,4 %
SILAN INVEST AS	140 744	1,3 %
DANSKE BANK A/S	134 220	1,2 %
ROSENFONN INVESTERIN	129 162	1,2 %
EILERAAS KARL ANSKAR	110 000	1,0 %
RØTTINGSNES BERNT OL	109 141	1,0 %
NORDNET BANK AB	105 297	1,0 %
AVANZA BANK AB	102 256	0,9 %
20 largest shareholders	7 191 877	66,2 %

On 13 June 2016, the Company entered into an 8-year agreement with TopRidge Pharma Limited, a subsidiary of Shanghai-listed Tibet Rhodiola Pharmaceutical Holding Co, for distribution of angina prevention medicine, Imdur®, in European markets. See "operational review" and "outlook" above for further description and discussion. As a part of the strategic partnership, TopRidge Pharma (Ireland) Limited, a wholly owned subsidiary of TopRidge Pharma Limited, acquired 1,417,522 new shares in Navamedic, and became a major shareholder in the company. The Company's share capital is now NOK 10,867,673 divided into 10,867,673 shares, each with nominal value NOK 1.

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 2016 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, 17 August 2016

Johan Reinsli (sign)
Chairman

Kari Stenersen (sign)
Board Member

Synne H. Røine (sign)
Board Member

Svein Erik Nicolaysen (sign)
Deputy Board Member

Patrik Hellström (sign)
Board Member

Huaizheng Peng (sign)
Board member

Tom Rönnlund (sign)
CEO



Navamedic ASA
Fornebuveien 42
PO Box 107
1325 Lysaker

Telephone +47 67 11 25 40
E-mail firma@navamedic.com
www.navamedic.com