

Q3 / 15

Third Quarter 2015 Report



Highlights

- Acquisition of Observe Medical (OM) with innovative med tech product holding global sales potential - Sippi®
- Sippi® launched in first European markets
- Continued sales growth for Pharma and Healthcare Products business
 - 4% sales growth in Q3
 - 13% sales growth year to date
- Pharma and Healthcare Products EBITDA increased by 11% to NOK 5.1 million
 - Navamedic and OM combined EBITDA was NOK 1.5 million
 - One-off acquisition related costs of NOK 2.5 million in the quarter

Key Figures

(NOK mill)	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Income	61,5	58,8	183,0	161,1
Gross profit	15,6	13,2	45,4	39,4
EBITDA *	1,5	4,6	8,9	10,5
EBIT *	-1,7	2,3	0,9	4,3
Net profit *	-2,1	1,5	0,0	1,9
Gross margin (%)	25,3 %	22,5 %	24,8 %	24,5 %
EBITDA Margin (%)	2,4 %	7,8 %	4,9 %	6,5 %

* Financial result for the third quarter includes transaction cost of NOK 2.5 million related to the acquisition of Observe Medical International AB.

Key Figures per Business Area (Medtech = Observe Medical)

NOK mill	Pharma and Healthcare		Medtech		Group	
	Q3 15	Q3 14	Q3 15	Q3 14	Q3 15	Q3 14
Sales	61,4	58,8	0,1	-	61,5	58,8
Gross profit	15,6	13,2	-	-	15,6	13,2
Gross margin	25,3 %	22,5 %	64,2 %	0,0 %	25,3 %	22,5 %
EBITDA	5,1	4,6	-3,6	-	1,5	4,6
EBITDA margin	8,3 %	7,8 %			2,4 %	7,8 %

Corporate costs are carried by Pharma and Healthcare business

Operational and Financial Update

Medtech business

About Observe Medical

Navamedic acquired all shares in the Swedish medtech company Observe Medical AB (OM) on August 4, 2015. The acquisition reflects the Company's strategy of leveraging its specialized healthcare market experience by broadening its business scope and expanding the portfolio of Navamedic owned products.

OM is after the acquisition integrated in the Navamedic organization as a new business area: Medtech. OM provides Navamedic with strong medtech expertise, a patented and highly innovative product family and a significant growth potential.

About Sippi®

Observe Medical has developed Sippi®, establishing a new standard by enabling automated digital urine measurement at hospital intensive care wards. Safe and accurate monitoring of the patients urine production is a vital parameter in intensive care.

The urine meters currently used in hospitals are mainly analog. The global market for traditional, analog systems is estimated at approximately NOK 2 billion. Sippi® represents a digital technology breakthrough, with a significant market share potential.

The Sippi® system is time saving for intensive care personnel, improves the accuracy of readings and provides improved patient safety.

The launch of Sippi®

The product is in early launch phase and initial progress is in accordance with Navamedic's expectations.

Distribution has been secured in Germany, the largest European market in the field, with the market leading med-tech distributor PFM Medical AG. In Q3, the first German reference clinic was established, who will act as center of excellence and training facility for other German clinics.

Sippi® will in the Nordic markets be sold by Navamedic and distribution partners. The product is available in Norway, Sweden and Finland and a launch in Denmark is planned for Q4, 2015. There is a strong interest and positive user experiences for the system in the market. Approximately 30 hospitals in the initial countries are currently testing the concept in their intensive care wards.

Key success factors for Sippi® going forward are building additional documentation on the system's time saving profile, superior accuracy and bacteria inhibiting potential, and successful identification of a strong distribution network in additional markets.

Sippi® - Development and IP

The Karolinska University Hospital in Sweden presented its clinical findings with Sippi® at the Swedish Society of Anaesthesiology and Intensive Care congress in Stockholm. The study concludes that Sippi® has statistical significant superiority over the analog comparator in terms of measurement bias, temporal deviation and staff opinion. According to the Karolinska findings, Sippi® enables hospital staff to spend more time on other tasks in the ICU and they also noted that Sippi® is likely to represent a reduced contamination risk compared to analog systems.

Three new studies, aimed at evaluating potential expanded use of Sippi® outside the intensive care setting and investigating further clinical claims, were initiated in the quarter. The studies investigate the use of Sippi® in pediatric intensive care, applications in hospital wards outside ICUs and the anti-bacterial effects of the Sippcoat® technology. The results of these studies are expected in 2016.

In the quarter, the IP protection of Sippi® was further strengthened. A key patent pertaining to Sippcoat®, OM's encapsulated silicone-oil technology for biofilm inhibition, was granted by the Swedish Patent and Registration Office. The patent covers a significant part of the Sippi® concept, and represents a milestone for the system in term of IP protection.

Sales and Financials - Sippi®

With Sippi® in its initial launch phase, revenues were as expected marginal in the quarter, amounting to NOK 50,000. OM operating costs were NOK 1.1 million in the quarter, resulting in an EBITDA for Observe Medical of NOK -1.1 million in the third quarter.

Transaction-related costs that were expensed in connection Navamedic's acquisition of OM amounted to NOK 2.5 million.

Initial consideration for all outstanding shares of Observe Medical AB was NOK 35 million, of which NOK 25 million was paid in cash and NOK 10 million through the issue of new Navamedic shares to the previous owners of OM. For more detailed information about the acquisition of Observe Medical AB, please see the notes to the condensed consolidated financial statements below and Navamedic's Information Memorandum filed with the Oslo Stock Exchange on 14 September, 2015.

Pharma and Healthcare Products business

Navamedic's core business, marketing, sales and distribution of pharma and healthcare products, developed positively in the third quarter. Sales saw as

on products with higher margins. Finland and Denmark were affected by back-orders from one of Navamedic's major suppliers in the quarter. Norway and Benelux grew, driven by demand increase in Norway and price increases in Benelux.

NOK mill	Pharma and Healthcare		Medtech		Group	
	Q3 15	Q3 14	Q3 15	Q3 14	Q3 15	Q3 14
Sales	61.4	58.8	0.1	-	61.5	58.8
Gross profit	15.6	13.2	0.0	-	15.6	13.2
<i>Gross margin</i>	25.3 %	22.5 %	64.2 %	-	25.3 %	22.5 %
Operating costs	-10.4	-8.6	-1.2	-	-11.6	-8.6
Transaction costs			-2.5	-	-2.5	-
EBITDA	5.1	4.6	-3.6	-	1.5	4.6
<i>EBITDA margin</i>	8.3 %	7.8 %			2.4 %	7.8 %

Corporate costs are carried by Pharma and Healthcare business

forecasted a modest growth from the corresponding quarter last year, while margins improved.

Navamedic currently sell, market and distribute more than 80 pharma and healthcare brands from approximately 20 manufacturers and brand owners in the Nordic and Benelux markets.

The company's prioritized product areas and brands in the Nordics accounted for 36% of Navamedic's total revenues. These brands collectively grew by 4.3% vs Q3, 2014.

The *Ovestin* brand, a hormone treatment for women, has been one of Navamedic's main products in the Womens Health area since early 2014. *Ovestin* saw a minor sales decrease in the third quarter, and represented 11 % of the sales, placing the brand as Navamedic's biggest brand in the prioritized group of products in the Nordics.

The *Medical Nutrition portfolio* of products, used for rare metabolic disorders saw a sales increase in the quarter of 5%. Medical Nutrition is an important area for Navamedic, where the company has a strong market share in a highly specialized segment and sees continued future growth opportunities.

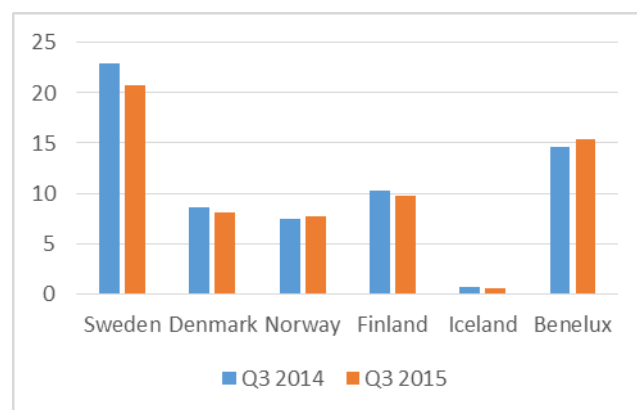
One of the prioritized brands in Navamedic's dermatology segment, NYDA, a head lice treatment, saw a continued strong sales growth of 42% compared to Q3, 2014, following successful marketing campaigns

Another high growth brand, in the urology area treating painful bladder syndrome, Uracyst, also continued with a high sales growth rate of 26% in the quarter.

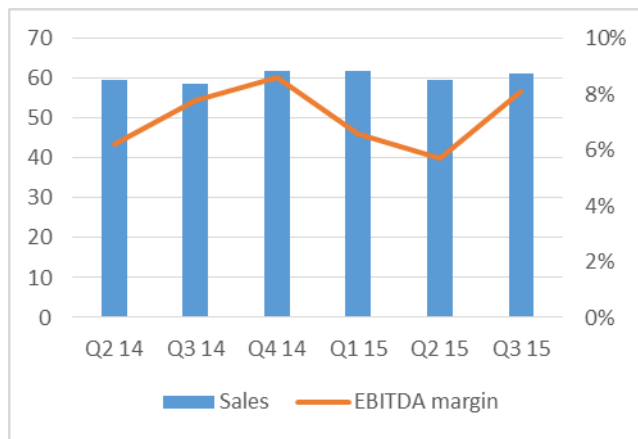
The geographical composition of Navamedic's pharma and healthcare business was relatively stable in the quarter, Sweden being the exception with a nine percent sales decline. The main reason for the decline in Sweden is the continued pruning of the portfolio to concentrate

The Nordic markets combined represented 77 % of Pharma and Healthcare products sales in the third quarter, the remaining 23 % of sales was generated in the Benelux region. As previously announced, Navamedic will discontinue its sales of Aspen products in Benelux as of January 1st, 2016. At the same time, Aspen has decided to consolidate its Nordic business with Navamedic, and additional products will be added to Navamedic's portfolio in 2016.

Furthermore, Aspen has chosen to prolong its contract with Navamedic, which now extends into year 2017.



Sales development, geographical markets, Q3 2015 vs Q3 2014.



Pharma and Healthcare sales and EBITDA margin development last six quarters.

In total, sales in the Pharma and Healthcare business increased by 4 % in the third quarter 2015, compared to the corresponding period last year. Sales ended at NOK 61.5 million, against NOK 58.8 million.

The gross margin for the Pharma and Healthcare business improved from 22.5% to 25.3% in this year's third quarter. EBITDA came in at NOK 5.1 million, against NOK 4.6 million last year. The EBITDA margin improved from 7.8% last year to 8.3% in the third quarter 2015.

Group Financial update

Total revenue for Navamedic in the third quarter 2015 was NOK 61.5 million, which is a 4% sales growth from the third quarter 2014 revenue of NOK 58.8 million.

EBITDA for the Group ended at NOK 1.5 million, compared to NOK 4.6 million in the third quarter 2014. The 2015 Q3 EBITDA includes Observe Medical's operating result and transaction costs related to the acquisition. Group EBITDA margin for the third quarter was 2.4% against 7.8% last year.

Operating expenses was affected by the inclusion of OM and addition of people resources earlier in the year in the Pharma and Healthcare business.

Navamedic's net result for the third quarter 2015 was NOK -2.1 million, compared to NOK 1.5 million in 2014.

For the first nine months of 2015, Navamedic had a 13 % revenue growth, from NOK 161.1 million to NOK 183.0 million. EBITDA for the first nine months was NOK 8.9 million (NOK 10.5 million). The Group net result for the first nine months was NOK 0.0 million, against NOK 1.9 million in 2014.

Navamedic's currency exposure was reduced in the third quarter, as more of the Company's sales were in EUR.

While 60% of Navamedic purchases are made in EUR, 39% of sales were in the same currency in the third quarter.

Navamedic's cash flow from operations improved significantly compared to last year, both in the third quarter and year-to-date. Cash flow from operations was NOK 4.5 million (-11.8 million). Cash flow related to the OM transaction was NOK 23.5 million. Net cash flow for the third quarter was NOK 2.6 million (NOK -0.8 million) and NOK 4.7 million year to date (NOK 5.0 million).

Following the OM acquisition the equity ratio was reduced from slightly above 50% in the previous quarters to 44.8% at the quarter end. The Company's equity increased following the share issue to OM's former owners. Navamedic's long term liabilities were NOK 48.7 million at the end of the quarter. This relates to NOK 13.3 million of borrowings from financial institutions and 29.5 million related to the OM contingent consideration. The OM contingent consideration represents a future liability towards OM's former owners and will be paid dependent on Sippi® sales performance in the coming years. The Company was successful in reducing its inventories compared to last year. Inventories did however increase slightly from the previous quarter.

Navamedic's cash position was significantly strengthened in the quarter, available cash was NOK 10.9 million at quarter end.

The Navamedic share

In October, Navamedic issued 888.100 new shares at a price of NOK 11.26 per share to the previous owners of Observe Medical AB. The number of outstanding shares after the issue is 9.450.151 shares, of which the previous owners of OM hold 9.4 %.

Outlook

The acquisition of Observe Medical, creating a new Medtech business area for Navamedic, is an important step in the Company's strategy towards leveraging its specialized healthcare market capabilities through ownership of technologies and products with considerable revenue potential.

While Sippi® continues to reinforce its position in the German and Nordic markets, a key priority is to secure distribution partners in additional European markets.

Another important priority is the development and launch of Sippi® wireless communication with Patient Data Management Systems (PDMS) via Bluetooth Low Energy. Once introduced, it will be the first available solution for fully digitalized fluid balance measurement, another innovation stemming from the Sippi® system. Negotiations with key PDMS suppliers for inclusion in their systems are ongoing and the wireless feature is scheduled for launch in 2016.

In Navamedic's Pharma and Healthcare business, the Company will continue to focus on high margin products in key areas, offering opportunities for sales growth in the Nordics and margin improvements. In the short term, margins will be lower than in the third quarter mainly due to discontinuation of the Benelux operation. To address this, the company expects to lower its operating expenses in the Pharma and Healthcare business, and in medium to long term improve its profitability.

Group profitability will be affected in the short to medium term, due to the financial and human resources required to drive the commercial success of Sippi®. The Medtech business area is targeting profitability in 2017.

The company has a solid cash position and is well funded for operations moving forward.

With the acquisition of OM, Navamedic has achieved a first step in decreasing its business risk by further diversification of revenue sources and future revenue potential. The company will continuously evaluate additional opportunities with similar future positive impact within its financial capabilities.

Condensed consolidated Profit and Loss Statement

<i>(In NOK '000)</i>	Q3 2 015	Q3 2014	YTD 2015	YTD 2014	2014
Operating revenues	61 496	58 769	182 971	161 125	223 068
Cost of goods sold	-45 920	-45 546	-137 558	-121 693	-168 809
Gross profit	15 576	13 223	45 414	39 432	54 259
<i>Gross profit %</i>	0	22,5 %	24,8 %	24,5 %	24,3 %
Other revenues	0	-	-	-	-
Payroll expense	-6 241	-4 264	-17 321	-14 203	-19 431
Other operating cost	-7 885	-4 334	-19 148	-14 778	-19 104
Other (losses)/gains - net	0	0	0	0	0
Operating costs	-14 126	-8 597	-36 469	-28 982	-38 535
EBITDA	1 450	4 626	8 944	10 451	15 724
<i>EBITDA %</i>	0	7,9 %	4,9 %	6,5 %	7,0 %
Depreciation	-74	-3	-82	-10	-14
Amortization	-3 111	-2 292	-7 933	-6 156	-8 546
Write offs	0	0	0	0	0
OPERATING RESULT (EBIT)	-1 734	2 331	929	4 285	7 164
Financial income and expenses					
Financial income	634	301	1 482	1 604	2 211
Other Financial expenses	-1 164	-751	-2 141	-3 554	-6 678
Net financial result	-530	-451	-659	-1 950	-4 467
ORDINARY RESULT BEFORE TAX	-2 264	1 880	270	2 335	2 698
Tax on ordinary result	189	-361	-278	-403	-1 392
NET PROFIT	-2 075	1 519	-8	1 931	1 306
Basic earnings per share (NOK per share)	-0.23	0.18	-0.00	0.23	0.15
Diluted earnings per share (NOK per share)	-0.23	0.18	-0.00	0.23	0.15
	Q3 2015	Q3 2014	YTD 2015	YTD 2014	2014
Net profit	-2 075	1 519	-8	1 931	1 306
Other comprehensive income that may be reclassified subsequently to profit or loss					
Currency translations differences	10 921	-3 626	10 258	-2 996	2 163
Total comprehensive income for the period	8 846	-2 107	10 250	-1 064	3 469

Condensed consolidated statement of financial position

<i>(In NOK '000)</i>	30 September 2015	30 September 2014	31 December 2014
Assets			
Intangible assets	61 198	30 534	32 634
Goodwill	86 003	44 094	47 684
Deferred tax assets	7 819	11 154	9 220
Tangible assets	634	3	52
Non-current assets	155 654	85 784	89 590
Inventories	60 997	65 828	67 401
Short term receivables	65 445	48 629	50 034
Cash at hand, in banks	10 881	5 979	6 177
Current assets	137 323	120 436	123 612
Total assets	292 977	206 220	213 202
Equity and liabilities			
Equity			
Equity	131 116	103 287	111 232
Total Equity	131 116	103 287	111 232
Liabilities			
Contingent consideration (note 4)	29 500	0	0
Borrowings from Financial Institutions	13 333	0	0
Deferred tax	5 864	5 848	6 263
Non-current liabilities	48 697	5 848	6 263
Trade account payables	75 373	57 299	60 190
Borrowings from Financial Institutions	20 959	29 083	27 380
Other short term liabilities	16 831	10 703	8 137
Current liabilities	113 163	97 085	95 707
Total liabilities	161 860	102 933	101 970
Total shareholders equity and liabilities	292 977	206 220	213 202

Condensed consolidated Cash Flow Statement

<i>(In NOK '000)</i>	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Profit (loss) before tax	-2 264	1 884	270	2 335
Taxes paid	-1 897	-1 010	-3 173	-2 560
Depreciation	3 184	2 295	8 016	6 166
Changes in inventory	-6 204	-6 002	6 404	-25 514
Changes in receivables	-9 095	-367	-9 729	-5 881
Changes in payables	14 683	-8 261	15 183	19 159
Changes in other current items	6 091	-340	6 490	-4 952
Net cash flow from operations	4 498	-11 801	23 461	-11 248
Cash flow from investments				
Purchase/disposal of intangible assets	-260	-185	-1 044	-813
Investments in shares and acquisition	-23 541	0	-23 541	0
Net cash flow from investments	-23 801	-185	-24 585	-813
Cash flow from financing				
Short term liabilities to Financial Institutions	7 974	11 216	-8 088	16 600
Issue of shares, net of share issue cost	-365	0	-365	505
Long term liabilities to Financial Institutions	15 000	0	15 000	0
Net cash flow from financial activities	22 609	11 216	6 547	17 105
Changes in currency	-664	-804	-719	-1 310
Net change in cash	2 642	-770	4 704	5 044
Cash and cash equivalents start period	8 239	7 553	6 177	2 245
Cash and cash equivalents end period	10 881	5 979	10 881	5 979

Condensed consolidated statement of Changes in Equity

<i>NOK 1000</i>	Paid in capital	Other paid in capital/ reserves	Translation differences	Retained earnings	Total
Balance at 1 January 2014	139 112	-362	12 185	-43 677	107 258
Share option scheme	505				505
Translation difference			2 163		2 163
Net profit of the period				1 306	1 306
Balance at 1 January 2015	139 617	-362	14 348	-42 371	111 232
Issue of shares, net of share issue cost	9 635				9 635
Translation difference			10 258		10 258
Net profit of the period				-8	-8
Balance at end period	149 252	-362	24 606	-42 379	131 117

A part of the consideration for the acquisition of OM was issue of 888,100 shares in Navamedic. These were issued on 22 October 2015, but has been included as part of equity (net of share issue cost) from the acquisition date (4 August).

Explanatory Notes to the Financial Statement

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 comprises Navamedic ASA and the and the 100% owned subsidiary Navamedic AB in Sweden and the 100% owned subsidiary Navamedic AS, Denmark and the 100% owned subsidiary Navamedic efh, Island and the 100% owned subsidiary Observe Medical International AB in Sweden.

1. Nature of operation

Navamedic is a distributor of pharmaceuticals a, medical device and med tech products focusing on sales to hospitals, physicians, pharmacies and health product stores in the Nordic and Benelux regions. 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 market. In the third quarter 2015 all the shares of Observe Medical International AB was acquired. Navamedic currently offers more than 80 products from 21 suppliers.

2. Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. The interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2014 (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 presentation of the interim financial statements is consistent with the Annual Financial Statements. The interim report has not been subject to an audit. Navamedic's Board of Directors approved the interim financial statements on 29 October 2015.

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 whole 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

In previous quarters, the line item other gains (losses) – net, which represents net currency gains/losses were included as part of operating costs. These have been reclassified and included in net financial result, to be consistent with the presentation in the annual financial statements.

The accounting policies applied and the presentation of the interim condensed consolidated financial information are consistent with the financial statement for the year ended 31 December 2014. A number of new standards, amendments to standards and interpretations are not effective for the company for the period ending 30 September 2015, and have not been applied in preparing these consolidated financial statements:

- IFRS 9 Financial instruments become mandatory for the group's 2018 consolidated financial statements. The new standard can change the classification and measurement of financial assets. The group does not plan to adopt this standard early and the extent of the impact has not been determined.
- IFRS 14 Regulatory Deferral Accounts becomes mandatory for the group's 2016 consolidated financial statements. The new standard does not expect to have any material effects of the financial statement.
- IFRS 15 Revenue recognition was issued in May 2014. The standard is effective from January 2018. The new standard is expected to impact Navamedic financial statement however the extent to which the standard will impact Navamedic revenue and profit recognition has not yet been assessed.

4. Business combination

On 3 August 2015, Navamedic ASA signed an agreement to acquire all the shares and voting rights in Observe Medical International AB (OM).

The purchase price was NOK 35 million in form of cash (NOK 25 million) and issuance of shares (888,100 shares with a total fair value at the acquisition date of NOK 10 million), with additional payments (contingent considerations) dependent on performance in the coming years. The contingent consideration was valued at NOK 29.5 million at the acquisition date, making the acquisition date fair value of the consideration NOK 64.5 million. The fair value of the contingent consideration includes a

discounting of the expected future payments. The discounting has been made based on the same discount rate (18.3 %) as used for the intangible assets identified. The maximum contingent consideration is as follows:

1. A 7 % sales royalty based on annual Sippi® sales above NOK 7.5 million, increasing to 15 % on sales exceeding NOK 100 million per year, will be paid to the former shareholders of Observe Medical for the years 2016-2023.
2. Furthermore, six milestone payments based on set sales targets for the product will be paid to former shareholders. These sales targets need to be reached within end of 2023, with the last within end of 2026. Total possible milestone payment will over the next 11 years potentially reach a maximum of NOK 125 million, in addition to royalties. The six potential milestone payments will be triggered as follows:
 - a) NOK 6 million upon accumulated sales in excess of NOK 50 million
 - b) Additional NOK 6 million upon accumulated sales in excess of NOK 75 million
 - c) Additional NOK 6 million upon accumulated sales in excess of NOK 100 million
 - d) Additional NOK 13 million upon accumulated sales in excess of NOK 300 million
 - e) Additional NOK 34 million upon accumulated sales in excess of NOK 600 million
 - f) Additional NOK 60 million upon accumulated sales in excess of NOK 900 million

The acquisition date was 4 August 2015. Through the acquisition, Navamedic is expanding into a new business area, adding substantial market opportunities in other geographies and positioning Navamedic for future growth. See segment information below for more information on OM and the primary reasons for the acquisition.

Based on a preliminary purchase price allocation (PPA) performed by an external party, the total consideration has primarily been allocated to patented and unpatented technology and goodwill.

The acquisition of Observe Medical International AB (Group) had the following impact on the Group's assets and liabilities at the acquisition date 1):

(in NOK '000)	Carrying values	Adjustments in the PPA	Values recognized at acquisition
Goodwill	1 028	33 480	34 508
Deferred tax assets	224		224
Technology rights	1 647	28 631	30 278
Fixed assets	625		625
Current assets	1 872		1 872
Cash and cash equivalents	1 459		1 459
Long term liabilities	-822		-822
Accounts payable	-1 626		-1 626
Other short term liabilities	-2 025		-2 025
Net assets and consideration paid	2 382	62 111	64 493
of which paid in cash			25 000
Cash acquired			-1 459
Net cash paid			23 541

1) The purchase price allocation is preliminary

The preliminary PPA identifies intangible asset of NOK 30,278 thousand, based on a relief from royalty calculation.

It is inherent in the recognition of an asset that its carrying amount will be recovered in the form of economic benefits that flow to the entity in future periods. When the carrying amount of the asset exceeds its tax base, the amount of taxable economic benefits will exceed the amount that will be allowed as a deduction for tax purposes. This difference

is a taxable temporary difference and the obligation to pay the resulting income taxes in future periods is a deferred tax liability. As the entity recovers the carrying amount of the asset, the taxable temporary difference will reverse and the entity will have taxable profit. This makes it probable that economic benefits will flow from the entity in the form of tax payments. The estimated deferred tax liability related to the increased value of the intangible assets amounts to NOK 6.7 million (based on the current tax rate in Denmark). Observe Medical Aps has unused tax losses carried forward amounting to DKK 50 million, giving rise to potential deferred tax assets of DKK 11.75 million. As the sales related to the intangible asset has yet to materialize, management do not believe it has convincing evidence to fulfil the recognition criteria in IAS 12, except to an amount equaling the deferred tax liability of the intangible asset. The taxable income to recover the intangible asset is expected to materialize in the same entity that has the tax losses carried forward. Consequently, NOK 6.7 million of the deferred tax asset related to tax losses carried forward is recognized and offset to the deferred tax liability on the intangible asset.

Recognized goodwill of NOK 34.5 million relates to the assembled workforce, organization, further product development/spin offs and future customer relationships. Goodwill acquired as part of the acquisition is not tax deductible.

OM has been consolidated from 4 August 2015, and has contributed NOK 0.1 million to the Group's revenues and NOK -1.1million to the result before tax up to 30 September. In addition come acquisition related costs that were expensed by NOK 2.5 million in the third quarter 2015, and increased borrowing costs to finance parts of the consideration paid.

The revenue and result before tax of the combined Group as though the acquisition had occurred on 1 January 2015 is estimated to NOK 183.0 million and NOK -2.3 million, respectively. These amounts include estimated interest expenses on the cash part of the acquisition cost, unwinding of interest on the contingent consideration and amortization of the identified intangible assets from 1 January. In addition comes acquisition related costs that were expensed by NOK 2.5 million in the third quarter 2015, and increased borrowing costs to finance parts of the consideration paid.

5. 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 year, reduced by acquisition of treasury shares.

Earnings per share	Q3 2015	Q3 2014	2015	2014	FY 2014
Result attributable to shareholders (in NOK '000)	-2 075	1 519	-8	1 931	1 306
Weighted average number of shares (in '000)	9 112	8 562	8 747	8 539	8 545
Basic earnings per share (NOK per share)	-0.23	0.18	0.00	0.23	0.15
Diluted earnings per share:					
	Q3 2015	Q3 2014	2015	2014	FY 2014
Result attributed to shareholders (in NOK '000)	-2 075	1 519	-8	1 931	1 306
Weighted average number of shares (in '000)	9 112	8 562	8 747	8 539	8 545
Basic earnings per share (NOK per share)	-0.23	0.18	0.00	0.23	0.15

A part of the consideration for the acquisition of OM was 888,100 shares in Navamedic ASA. These were issued on 22 October 2015, but has been included in the weighted average number of shares from the acquisition date (4 August) The diluted earnings per share is calculated by adjusting the average number of outstanding shares by the number of employee options that can be exercised without any consideration. Anti-dilution effects are not taken into consideration.

6. Segment information

Navamedic's financial reporting will going forward display two business areas: Medtech business and Pharma and Healthcare Products business. 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 and represents the product areas Pharma Products, Medical Nutrition and Consumer care.

For the sake of comparison key figures for these products groups will be included in the notes in Q3 and Q4 2015.

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® that 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. The product is being launched in the German and Nordic markets and has been well received, and strong sales growth is expected.

Patients in intensive care need constant medical attention to keep the body functioning. One of the key parameters is the urine production. Almost all patients receiving intensive care have a urinary catheter inserted, and the production of urine is closely monitored in order to detect potential organ failure. The global intensive care capacity is more than 360,000 hospital beds. Germany is the largest single market in Europe, with 24,000 intensive care beds, and Sippi® was launched in Germany earlier this year. Navamedic will continue to launch Sippi® in other European markets and also eventually develop the business in other global markets. As such, the Transaction will add substantial market opportunities in other geographies positioning the Company for future growth. For some markets with particular market dynamics, Navamedic will consider to sell the rights for the products against a commercial compensation.

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

Medtech business – Sippi sales and profit

<i>(NOK mill)</i>	Q3 15	Q3 14	YTD 15	YTD 14
Income	0.1	0.0	0.1	0.0
EBITDA	-1.1	0.0	-1.1	0.0

Pharma and Healthcare Products business

Consumer care

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 our 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 Medicin)

Consumer care sales and profit

<i>(NOK mill)</i>	Q3 15	Q3 14	YTD 15	YTD 14
Income	12.8	12.3	37.8	28.9
EBITDA	1.2	1.3	2.6	2.6
EBITDA margin (%)	9.2 %	10.6 %	6.9 %	9.1 %

Medical Nutrition

Nordic distributor for the UK based Company Vitaflor 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 Syrup 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.

Our nutrition products treat different disorders in connection with IEM (Inborn errors of metabolism). Many different types of disorders may affect metabolism. The disorders develop from lack of a certain type of amino acid or enzyme that is crucial for metabolism of nutrients; disorders of fat metabolism, protein metabolism and carbohydrate metabolism. The food they eat contains minimal amounts of protein. They drink protein substitute to make sure that they get all the essential amino acids

that they need. Through established relationships with specialists and patient leaders, nutritionists and doctors Navamedic markets protein substitutes.

Medical Nutrition sales and profit

<i>(NOK mill)</i>	Q3 15	Q3 14	YTD 15	YTD 14
Income	7.1	6.5	21.7	21.2
EBITDA	1.3	1.2	3.6	3.5
EBITDA margin (%)	18.6 %	18.5 %	16.6 %	16.4 %

Pharma Products

Navamedic's Pharma products include subscription pharmaceuticals sold in pharmacies as well as hospital pharmaceuticals. It consist of several strong in-licensed brand names.

Some important Pharma product brands are:

- Puri-Nethol brand, used for the treatment of acute leukemia
- Alkeran, cancer treatment
- Lanoxin, treatment for hard failer
- Uracyst, a product for the treatment of Painful Bladder Syndrome

Pharma sales and profit

<i>(NOK mill)</i>	Q3 15	Q3 14	YTD 15	YTD 14
Income	41.5	40.0	123.4	111.0
EBITDA	2.3	1.7	6.3	4.4
EBITDA margin (%)	5.5 %	4.3 %	5.1 %	4.0 %

7. Related party transactions

In connection with the acquisition of OM, the following Board members have invoiced the company for services: Masha Stømme, NOK 257 thousand, Johan Reinsli, NOK 350 thousand.

8. Credit risk and foreign currency 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 not significant.

As per 30 September 2015, there is no provision for bad debt.

Maturity profile on short-term receivables as per 30 September 2015:

Short tem receivables

NOK 1000	Not due	Less than 3 months	3 to 12 months	Total
Trade receivables	37 935	13 296	2 661	53 892
Other receivables	11 552			11 552
Total receivables	49 487	13 296	2 661	65 445

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 manufacturer 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.

9. Tangible assets

NOK 1000	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Carrying value at the beginning of the period	43	7	52	14
Acquisition	626		626	
Depreciation in the period	-73	-4	-82	-11
Exchange differences	38	-	38	-
Carrying value at the end of the period	634	3	633	3

10. Intangible assets and goodwill

NOK 1000	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Carrying value at the beginning of the period	75 897	79 930	80 306	85 773
Acquisition	64 786	-	64 786	-
Additions/disposal (-)	312	185	1 044	813
Amortization in the period	-3 111	-2 292	-7 933	-6 156
Exchange differences	9 318	-3 196	8 999	-5 803
Carrying value at the end of the period	147 202	74 627	147 201	74 627

See note 4 for more information on amounts from acquisition.

11. Deferred tax and deferred tax assets

Deferred tax assets

NOK 1000	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Carrying value at the beginning of the period	8 186	11 154	9 220	11 154
Acquisition	224	-	224	-
Income statement charge	-606	-	-1 640	-
Exchange differences	15	-	15	-
Carrying value at the end of the period	7 819	11 154	7 820	11 154

Deferred Tax

NOK 1000	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Carrying value at the beginning of the period	5 244	6 827	6 263	8 026
Income statement charge	-492	-419	-1 339	-1 280
Exchange differences	1 112	-560	940	-898
Carrying value at the end of the period	5 864	5 848	5 864	5 848

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.

12. Share options

As per 31 December 2014 and 30 September 2015, the company had 25,000 Share options outstanding. COO Håkan Josephsson was on 14 November 2014 granted 25,000 share options at an exercise price of NOK 12.50 per share.

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.

13. Bank arrangement and credit facility

To finance part of the acquisition of OM, the Company entered into a 3 year term loan of SEK 15 million in October 2015, to be repaid in monthly instalments with 8 months free amortization, interest 4% p.a. In addition, the company has other bank agreements and credit facilities of NOK 60 million to cover credits and guarantees, an increase from NOK 45 million at 30 June 2015.

NOK 21 million of the credit facility was utilized at the end of the third quarter. Towards a selected group of suppliers, the company has issued letter of credit of a total of NOK 0.5 million. This standby letter of credit is issued as security for the applicant's payment obligations under distribution agreements.

The borrowing agreements have the following covenants; EBITDA above NOK 9 million in 2015 and above NOK 15 million in 2016.

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

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

15. Shareholder Information

Navamedic signed on 3 August 2015 an agreement to acquire 100% of the outstanding shares in Observe Medical AB (see note 4). The initial purchase price is NOK 35 million, with additional payments dependent on performance in the coming years. Of the NOK 35 million initial payment, NOK 25 million is a cash consideration, while NOK 10 million will be paid through the issue of new Navamedic shares.

Share consideration of NOK 10 million is through the issue of 888,100 new shares in the Company at a subscription price of NOK 11.26. As given in the transaction agreement, the share price for the new shares has been determined based on the volume-weighted average price of the Company's shares in a 30 days period from 15 days prior to the announcement of the transaction until 15 days after the announcement. The new shares were issued on 22 October through use of the board of directors' authorization to issue shares granted by the Company's annual general meeting for 2015.

As of 30 September 2015 the Company had 546 shareholders, compared to 520 at the end of third quarter 2014. The total numbers of outstanding shares were 8,562,051 (before the issue of the 888,100 new shares).

The largest shareholders per 30 September 2015 were:

	<i>Shareholder</i>	<i>Shares</i>	<i>Ownership</i>
1.	NOBELSYSTEM SCANDINAVIA	1 940 000	22,7 %
2.	DANSKE INVEST NORGE	262 660	3,1 %
3.	ADVANCE INVEST CONSULTING	254 000	3,0 %
4.	HARDING INVEST AS	244 400	2,9 %
5.	STORVESTRE RIKARD	216 310	2,5 %
6.	SANDVOLD SHIPPING INVEST	216 000	2,5 %
7.	KRAEBER VERWALTUNG G	214 850	2,5 %
8.	DIRECTMARKETING INVEST	206 844	2,4 %
9.	SALTO MEDIA	190 000	2,2 %
10.	LID OLAV TARJEI HIORTH	171 000	2,0 %
11.	MP PENSJON	149 708	1,7 %
12.	RO,LARS	130 000	1,5 %
13.	ROSENFONN INVESTERING	129 162	1,5 %
14.	SILAN INVEST	120 594	1,4 %
15.	RØTTINGSNES, BERNT OLAV	109 141	1,3 %
16.	EILERAAS,KARL ANSKAR	101 100	1,2 %
17.	JGB EIENDOM AS	101 011	1,2 %
18.	BATJAK AS	100 000	1,2 %
19.	AALL FINANS	93 470	1,1 %
20.	NORDNET BANK	92 601	1,1 %
20 largest shareholders		5 042 851	58,9 %

The Board of Directors and CEO

Fornebu, 29 October 2015

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