



# Quarterly report

4th Quarter 2014



## Highlights

- All time high sales
  - First quarterly revenue above NOK 60 million
  - 47 per cent sales growth on annual basis
  - While reducing operating expenses
- Improved margins
  - 6 per cent EBITDA margin in quarter and full year
- For the full year earnings before tax (EBT) was best ever

## Key figures

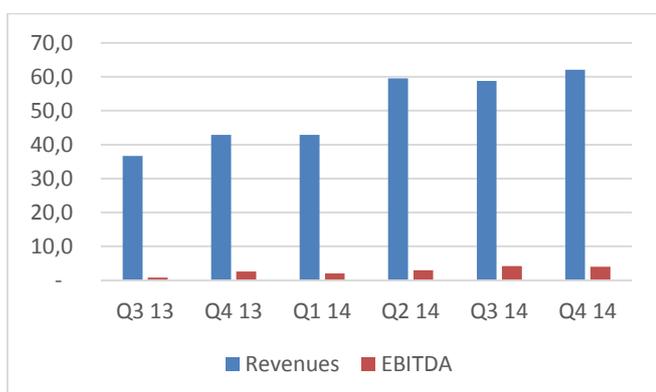
(NOK mill)	Q4 2014	Q4 2013	2014	2013
Operating revenues	61.9	42.9	223.1	151.8
Gross profit	14.8	12.9	54.3	47.3
EBITDA	4.0	2.6	13.2	7.7
Operating result (EBIT)	1.6	1.3	4.7	1.2
Earnings before taxes (EBT)	0.4	-0.9	2.7	-1.7
Gross margin (%)	23.9%	30.0%	24.4%	31.2%
EBITDA margin (%)	6.5%	6.1%	5.9%	5.1%

Full year 2013 results included MNOK 2.6 in non-recurring, other revenues

## Financial results

Navamedic's strong sales growth continued in the fourth quarter. The fourth quarter 2014 was the best quarter to date in terms of revenues.

The EBITDA margin remained above 5 per cent for the third consecutive quarter, and ended at 6.5 per cent. The EBITDA margin for the full year was 5.9 per cent.



Revenues and EBITDA development over the last six quarters.

Navamedic's revenues in the fourth quarter were NOK 61.9 million, compared to NOK 42.9 million in the fourth quarter of 2013. The gross margin ended at 23.9 per cent, which is lower than the 30.0 per cent margin in the corresponding quarter the previous year, but an improvement from the gross margin of 22.5 per cent in the previous quarter.

Operating expenses were NOK 10.8 million in the fourth quarter, compared to NOK 10.3 million in the same period of 2013. In the quarter sales grew with close to NOK 20 million, while operating expenses only grew with NOK 0.7 million.

EBITDA came in at NOK 4.0 million for the quarter, up from NOK 2.6 million in the same period last year. The result represents an EBITDA margin of 6.5 per cent (6.1 per cent).

The fourth quarter results were adversely affected by the unfavourable development in the EUR exchange rate in the fourth quarter, as purchases are generally made in EUR, while revenue to a large extent occur in Scandinavian currencies.

Pre-tax profit was NOK 0.4 million in the fourth quarter, compared to NOK -0.9 million in the same period the previous year.

For the full year of 2014, revenues were NOK 223.1 million, up 47 per cent from NOK 151.8 million in 2013. The gross margin for the full year was 24.4 per cent (31.2 per cent).

EBITDA for the full year was NOK 13.2 million, up from NOK 7.7 last year (which included NOK 2.6 million of non-recurring revenues).

Operating expenses for the full year was NOK 41.0 million down NOK 1 million from 2013. This reduction realized is

despite Navamedic's strong sales growth. This development demonstrates the Company's scalable business model and the economies of scale now available.

The full year results were also affected by the unfavorable currency development in the fourth quarter. However, EBITDA for 2014 ended at NOK 13.2 million, which is a 71 per cent increase from the 2013 EBITDA of NOK 7.7 million. Currency fluctuations had a negative effect on the result of approx. NOK 2 million.

Earnings before taxes for 2014 ended at NOK 2.7 million, compared to NOK -1.7 million the previous year. 2014 became the first year in more than ten years with a positive pre-tax result.

Cash flow from operations was positive in the fourth quarter (NOK 0.4 million). However, cash flow from operations for the full year was negative, due to increased inventory, caused by the strong expansion of the product portfolio during most of 2014. The cash flow from operations for the year was NOK -10.8 million, compared to NOK -15.7 million in 2013.

## Operational update

Navamedic's strong sales development in the fourth quarter was generated by volume growth as well as successful price increases. The introduction of new products from Navamedic's partner Aspen was the main factor behind the volume growth, but also the non-Aspen products in the portfolio saw growth in the fourth quarter.

The company's main asset is its regional sales and distribution power and network. Our local sales teams currently represent 3 in Norway, 4 in Sweden, 4 in Denmark and 3 in Finland.

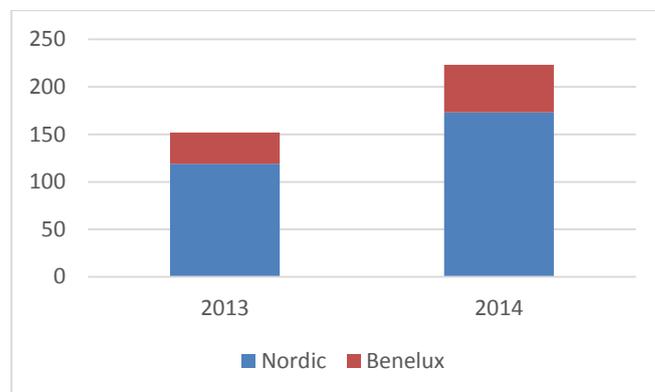
The team in Finland is the newest team in the company and have demonstrated how well this business model works growing from being only a small share of total sales till today to be at par with Denmark and Norway. The Finnish team has only been in operation fully for 18 months.

The Nordic markets represented 78 per cent of Navamedic's revenues in the fourth quarter 2014, while the remaining 22 per cent of the revenues were generated in the Benelux markets. Revenues from the Benelux region have increased, partly caused by price increases. This has also had a positive effect on profitability in Benelux. However, the margins remain limited and Navamedic's strategic priority is further development of its Nordic business. The Company's footprint is stronger and margins in general are more attractive in the Nordics.

In the Nordic region Sweden is the most important market with 36 per cent of the Group's total revenues. Denmark, Finland and Norway each represent 13-14 per cent of revenues.

12 new products were included in Navamedic's product portfolio during 2014. The portfolio currently counts more than 110 pharmaceutical and health care products.

All of Navamedic's segments performed well in the fourth quarter with increased sales and improved profitability.



*Geographical distribution, 2013 and 2014 full year*

## The Aspen partnership

Navamedic has since 2010 enjoyed a partnership with Aspen of South Africa, one of the largest pharmaceutical manufacturers in the Southern hemisphere.

Navamedic's portfolio of Aspen products has grown steadily over the last few years, and represented approximately 60 per cent of total sales in 2014. Navamedic is currently a distributor of Aspen products in the Nordic and Benelux region. The contract with Aspen in the Nordic market was extended in 2014, and the next renewal is due in 2016.

Even though Aspen is Navamedic's main supplier, the Company's profit margins on the Aspen products are lower than on the rest of the Navamedic portfolio.

Navamedic's strategy going forward is to focus on the Nordic markets. The Company's role as a distributor for Aspen in the Benelux region will be terminated on 1 August 2015, at which time Aspen will assume direct responsibility for sales in the region. Navamedic will in the short term see reduced revenues as a result of the termination. However, Aspen is prepared to compensate the reduced volumes by providing additional products for distribution in the Nordic markets.

## Pharma

The pharma portfolio holds a variety of products and has been Navamedic's main growth area over the last few years. The Company has defined five strategic product groups and these have performed according to expectations in the fourth quarter. In particular, the female care product group showed excellent performance in the quarter.

The portfolio includes generic, branded and patented pharmaceuticals as well as medical devices. The products are sold to hospitals, through pharmacies and directly to medical professionals. The business segment is exposed to a variety of purchasing regimes, where the market conditions are

subject to various product category business practices and different national regulations.

Generic pharmaceuticals of various categories have since 2011 been an important part of Navamedic's pharma portfolio.

The generics market has changed significantly over a short period of time, and the Company has therefore revised its previous strategy. Going forward, only generic pharmaceuticals found attractive by the Company under current market conditions will be included in the portfolio.

The Pharma business segment had revenues of NOK 42.2 million in the fourth quarter 2014, compared to NOK 33.3 million in the same period of 2013, a growth of 27 per cent. EBITDA for the quarter reached NOK 1.6 million, which is an increase from the previous year's EBITDA of NOK 1.2 million. The pharma segment's EBITDA margin for the fourth quarter 2014 was 3.8 per cent.

### Medical nutrition

The Medical nutrition business segment consists of products for the treatment of inborn errors of metabolism (IEM). It includes the distribution agreement with Vitaflo International (a subsidiary of Nestlé) for the Nordic region. The current contract period runs until 2018.

The Company has introduced a product for patients suffering from of epilepsy. The ketogenic diet is a high-fat, adequate-protein, low-carbohydrate diet that in medicine is used primarily to treat difficult-to-control (refractory) epilepsy in children.

Medical nutrition saw a sales growth in the fourth quarter 2014 compared to the same quarter last year. The business segment had revenues of NOK 7.3 million in the fourth quarter, compared to NOK 6.3 million in the corresponding quarter of 2013. EBITDA for the fourth quarter was NOK 1.3 million, compared to 1.0 million in the same quarter the previous year. The Medical nutrition business segment had an EBITDA margin of 17.9 per cent in the fourth quarter 2014.

### Consumer care

The Consumer care product portfolio includes a variety of non-prescription drugs and health care products, mainly sold through pharmacies and drugstores. The portfolio includes Navamedic owned as well as in-licensed brands. Future sales are secured through pharmacy chain agreements in the four largest Nordic countries.

Ovesterin (topical estrogen therapy products), a part of the Aspen portfolio contributed significantly to the sales increase in the quarter. Ovesterin represents annual sales of more than NOK 30 million in the Nordic markets. The success of this product has also opened new possibilities with the pharmacy chains.

The expanded joint marketing of Ovesterin in the Nordic region reflects the strong partnership between Navamedic and Aspen.

Revenues for the Consumer care business segment in the fourth quarter were NOK 12.4 million, compared to NOK 3.4 million in the fourth quarter of 2013. EBITDA was NOK 1.1 million, compared to NOK 0.4 million in the fourth quarter of 2013. The EBITDA margin for the Consumer care segment was 8.9 per cent in the fourth quarter 2014.

## Financial position

Navamedic enjoys a strong equity position and has no interest bearing long term debt.

Navamedic's cash holdings were NOK 6.2 million (NOK 2.2 million) at quarter end. NOK 27.4 of the Group's credit facilities were utilized, leaving the Group's net borrowings at NOK 21.2 million (NOK 10.3 million) at quarter end.

The Company's short term receivables were higher at the end of the fourth quarter 2014 than in 2013, reflecting the general increase in sales.

Following increased sales volumes, Navamedic's current liabilities increased to NOK 95.7 million at the end of the fourth quarter compared to NOK 64.2 million in the fourth quarter of 2013. The short term debt included NOK 27.4 million in bank debt compared to NOK 12.5 million in the same quarter in 2013.

Navamedic's total assets have increased from NOK 179.5 million last year to NOK 213.2 at the end of the fourth quarter 2014. The Company's equity ratio at the end of the fourth quarter was 52 per cent (60 per cent).

NOK million	Revenues Q4 14	Revenues Q413	Q4 14 EBITDA	Q4 13 EBITDA
Pharma	42.2	33.3	1.6	1.2
Medical nutrition	7.3	6.3	1.3	1.0
Consumer care	12.4	3.4	1.1	0.4
Total	61.9	43.0	4.0	2.6

## Strategy

Navamedic's strategy is to improve profitability through sales growth leveraging the Company's expertise and sales capabilities.

The Navamedic team has outstanding industry experience and enjoys in-house expertise in key areas which make us an attractive sales and marketing partner. These include:

- **Pharmaceuticals;** in-depth product know-how in defined product areas.
- **Regulatory affairs;** the Navamedic team includes expertise on regulatory product requirements and procedures as well as purchasing regimes in seven different countries.
- **Logistics;** Navamedic efficiently distributes more than 110 products to pharmacy chains, hospitals, health product stores and physicians in seven countries.
- **Marketing and sales;** Navamedic's sales team members have been in their respective markets for many years and enjoy strong relationships with major customers and key opinion leaders.

Based on these capabilities, Navamedic's strategy contains three main elements:

1. Develop Navamedic into a more focused company going forward. Navamedic shall focus on key product groups, in its core market, the Nordic region.
2. Highly selective approach to portfolio expansion. New products additions will mainly be within strategic product groups which offer attractive margins and where Navamedic has competitive advantages. The strategic product groups are:
  - Female care
  - Urology
  - Dermatology
  - Oral medicine
  - Medical nutrition

3. An active growth strategy, where growth will be secured through expanding the product portfolio and the network of manufacturing partners, while also secure owned products through acquisitions. Obtaining ownership of owned products, where Navamedic controls the entire value chain, is a main priority.

## Outlook

Navamedic's strategy is to improve profitability through increased sales of its existing and new product portfolio, and leveraging the Company's distribution and sales capabilities.

Navamedic's focus is to prioritize its efforts on high margin products in key areas. This has enabled the Company in 2014 to successfully increase its profitability with increased EBITDA and EBITDA margin.

Navamedic will in 2015 continue to focus on strengthening its product portfolio and will prioritize efforts in the Nordic region. In the Nordics Navamedic's product margins are higher and sales and marketing capabilities are strong. The Company's contract with Aspen for the Benelux will not be renewed in mid-2015 and the parties are now evaluating new product opportunities in the Nordics. The Company expects a continued healthy EBITDA and EBITDA margin growth in 2015.

The Company is actively seeking non organic growth opportunities either through acquisition of small companies or through strategic partnerships. Ownership of products is a key priority to secure a robust company. Through the mandate obtained at the last Annual General Meeting, the Company can issue 30 % of its equity which will enable it to move swiftly when the right opportunity is identified.

## Consolidated Income Statement

<i>(In NOK '000)</i>	<b>Q4 2014</b>	<b>Q4 2013</b>	<b>2014</b>	<b>2013</b>
<b>Operating revenues</b>	<b>61 943</b>	<b>42 921</b>	<b>223 068</b>	<b>151 773</b>
Cost of goods sold	47 116	30 046	168 809	104 450
<b>Gross profit</b>	<b>14 827</b>	<b>12 875</b>	<b>54 259</b>	<b>47 323</b>
<i>Gross profit %</i>	<i>23,9 %</i>	<i>30,0 %</i>	<i>24,3 %</i>	<i>31,2 %</i>
Other revenues	-	-0	-	2 631
Payroll expense	5 227	4 520	19 431	20 189
Other operating cost	4 326	5 433	19 104	21 116
Other (losses)/gains - net	1 272	304	2 514	908
<b>Operating costs</b>	<b>10 825</b>	<b>10 258</b>	<b>41 049</b>	<b>42 213</b>
<b>EBITDA</b>	<b>4 001</b>	<b>2 617</b>	<b>13 210</b>	<b>7 741</b>
<i>EBITDA %</i>	<i>6,5 %</i>	<i>6,1 %</i>	<i>5,9 %</i>	<i>5,1 %</i>
Depreciation	7	7	14	30
Amortization	2 390	1 307	8 546	6 463
Write offs	-	-	-	-
<b>OPERATING RESULT (EBIT)</b>	<b>1 604</b>	<b>1 304</b>	<b>4 650</b>	<b>1 248</b>
<b>Financial income and expenses</b>				
Financial income	608	836	2 211	1 120
Other financial income	-	-	-	-
Financial expenses	-	-	-	-4
Other financial expenses	-1 852	-3 062	-4 164	-4 033
<b>Net financial result</b>	<b>-1 244</b>	<b>-2 226</b>	<b>-1 953</b>	<b>-2 918</b>
<b>ORDINARY RESULT BEFORE TAX</b>	<b>360</b>	<b>-922</b>	<b>2 698</b>	<b>-1 669</b>
Tax on ordinary result	-988	-314	-1 392	401
<b>NET PROFIT</b>	<b>-629</b>	<b>-1 236</b>	<b>1 306</b>	<b>-1 268</b>

## Consolidated Statement of Financial Position

<i>(In NOK '000)</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Fixed and Intangible Assets</b>		
<b>Fixed Assets</b>		
Intangible assets	80 318	85 773
Deferred tax assets	9 220	11 154
Tangible assets	52	14
<b>Non-current assets</b>	<b>89 590</b>	96 941
Inventories	67 401	40 314
Short term receivables	50 034	39 978
Cash at hand, in banks	6 177	2 245
<b>Currant assets</b>	<b>123 612</b>	82 537
<b>Total assets</b>	<b>213 202</b>	179 478
<b>Equity and liabilities capital and reserves</b>		
Paid in capital	139 384	138 879
Other equity	-28 152	-31 622
<b>Total equity</b>	<b>111 232</b>	107 257
<b>Liabilities</b>		
Deferred tax	6 263	8 026
<b>Non-currant liabilities</b>	<b>6 263</b>	8 026
Trade account payables	60 190	38 140
Short term debt to Financial Instututions	27 380	12 483
Other short term debt	8 137	13 572
<b>Currant liabilities</b>	<b>95 707</b>	64 194
<b>Total liabilities</b>	<b>101 970</b>	72 220
<b>Total shareholders equity and liabilities</b>	<b>213 202</b>	179 478

## Consolidated Statement of Changes in Equity

	Paid in capital	Other paid in capital/ reserves	Translation differences	Retained earnings	Total
<i>NOK 1000</i>					
<b>Balance at 1. January 2013</b>	<b>138 224</b>	<b>-362</b>	<b>1 870</b>	<b>-42 615</b>	<b>97 117</b>
Issue of shares, net of share issue cost	888	-		206	1 094
Translation difference	-	-	10 315	-	10 315
Net profit of the period	-	-		-1 268	-1 268
<b>Balance at 1 January 2014</b>	<b>139 112</b>	<b>-362</b>	<b>12 185</b>	<b>-43 677</b>	<b>107 258</b>
Issue of shares, net of share issue cost	-	-			-
Share option scheme	505	-	-	-	505
Translation difference	-	-	2 163	-	2 163
Net profit of the period	-	-	-	1 306	1 306
<b>Balance at end period</b>	<b>139 617</b>	<b>-362</b>	<b>14 348</b>	<b>-42 371</b>	<b>111 232</b>

## Consolidated Statement of Cash Flow

<i>(In NOK '000)</i>	Q4 2014	Q4 2013	2014	2013
Profit (loss) before tax	363	-922	2 698	-1 669
Taxes paid	-138	-875	-2 698	-2 911
Depreciation	2 394	1 313	8 560	6 493
Changes in inventory	-1 573	5 279	-27 087	-26 824
Changes in receivables	-1 140	-3 027	-7 021	-14 483
Changes in payables	2 891	-4 728	22 051	20 747
Changes in other current items	-2 363	1 924	-7 316	2 996
<b>Net cash flow from operations</b>	<b>435</b>	<b>-1 036</b>	<b>-10 814</b>	<b>-15 651</b>
<b>Cash flow from investments</b>				
Purchase/disposal of intangible assets	0	-341	-813	-2 250
<b>Net cash flow from investments</b>	<b>0</b>	<b>-341</b>	<b>-813</b>	<b>-2 250</b>
<b>Cash flow from financing</b>				
Short term debt to Financial Institutions	-1 703	-3 781	14 897	12 483
Share capital	0	350	505	888
<b>Net cash flow from financial activities</b>	<b>-1 703</b>	<b>-3 431</b>	<b>15 402</b>	<b>13 371</b>
Changes in currency	1 466	2 681	156	3 151
Net change in cash	198	-2 128	3 931	-4 530
Cash and cash equivalents start period	5 979	4 373	2 245	3 624
<b>Cash and cash equivalents end period</b>	<b>6 177</b>	<b>2 245</b>	<b>6 177</b>	<b>2 245</b>

# Explanatory notes

## General information

Navamedic ASA is a public limited 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 44, 1366 Lysaker, Norway. Navamedic comprises Navamedic ASA and the wholly owned subsidiary Navamedic AB in Sweden. .

## 1. Nature of operation

Navamedic's strategy is to be a specialty pharma company with a focus on sales and distribution in the Nordic and Benelux regions. 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. An increasing number of products are being sold under the Navamedic brand. The company is in the process of taking a major position on the growing market for generic pharmaceuticals in the Nordic and Benelux regions.

Navamedic currently represents more than 110 products from over 20 manufacturers.

Navamedic's largest partner is Aspen, Africa's largest pharmaceutical manufacturer and one of the five largest generics pharmaceutical companies in the world, with distribution in more than 100 countries.

A key partner is also Torrent Pharmaceuticals, one of India's leading generics manufacturers.

## 2. Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2013 (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. The Board of Directors approved the interim financial statements on 26 February 2015.

Navamedic has NOK as its functional currency and presentation currency. 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 may not add up to the totals.

## 3. Summary of significant accounting policies

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 31 December 2014, and have not been applied in preparing these consolidated financial statements:

IFRS 9 Financial instruments becomes 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 do 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 2017 pending EU endorsement. 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. Earnings per share

	Q4 2014	Q4 2013	2014	2013
Result allocated to shareholders (in NOK '000)	(629)	(1 236)	1 306	(1 268)
Weighted average of outstanding shares (in '000)	8 562	8 512	8 562	8 512
Earnings per share (NOK per share)	-0,07	-0,15	0,15	-0,15

#### Diluted earnings per share:

	Q4 2014	Q4 2013	2014	2013
Result allocated to shareholders (in NOK '000)	(629)	(1 236)	1 306	(1 268)
Weighted average of outstanding shares (in '000)	8 562	8 587	8 562	8 587
Earnings per share (NOK per share)	-0,07	-0,14	0,15	-0,15

Earnings per share (EPS) are calculated on the basis of the profit/loss for the year after tax but excluding other comprehensive items. The result is divided by a weighted average number of outstanding shares over the year, reduced by acquisition of treasury shares. 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. Anti-dilution effects are not taken into consideration. As of 30 of June 2014 all options in the employee options scheme are exercised and paid for.

#### 5. Segment information

For 2013, Navamedic's financial reporting will display three business segments: Pharma Products, Medical Nutrition and Consumer Care. Previously Navamedic has provided financial information for two business areas; Generics and Vitaflo. The reporting structure will reflect the Company's business and product composition. Several of the products which in 2013 were placed in the Vitaflo portfolio, are products compliant with Navamedic's definition of generic drugs. The new Pharma segment will consist of various categories of generics as well as patented and branded drugs.

Within the three business areas the company operates in these product groups:

- Female Care
- Medical Nutrition
- Oral Medicin
- Urology
- Dermatology
- Tender/Hospital
- Rheumatology
- Oncology
- Cardiology
- Antibiotics
- Immunology
- Abuse
- Neurology
- Endocrinology
- Gastro

The product groups combine growth possibilities and high profit potential with Navamedic's core expertise and distribution capabilities.

#### **Consumer care**

The business 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 (Dermatologi)
- Ovestin and Vitakalk g, (Female Care)
- Bifolac and Importal, (Gastroenterology)
- Aftamed, Gelerovoice and Dentofix, (Oral Medicin)

### **Medical Nutrition**

The Medical Nutrition business area is a traditional market segment. Navamedic is the Nordic distributor for the UK based Company Vitaflo International Ltd 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.

Vitaflo International Ltd. has a research and development team that constantly endeavour to use the latest process technology, raw materials and packaging to guarantee that we offer the most nutritionally up-to-date and acceptable consumer-friendly products. Vitaflo conduct clinical trials on all their products at leading centres around the world.

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 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 market protein substitutes.

### **Pharma Products**

Navamedic's Pharma product segment includes Navamedic's newly launched commodity generics business and other pharmaceuticals previously included in the Vitaflo portfolio. The product segment covers subscription pharmaceuticals sold in pharmacies as well as hospital pharmaceuticals.

Navamedic aims to become one of Scandinavia's top suppliers of various pharmaceutical products. Navamedic's expertise in this area is unrivalled in the Nordic region. Management has been involved in the generics sector since its beginning and has more than 100 years of combined generics experience.

#### **Generics -definition**

Generic medicines, Generics, are medicines that have lost patent protection.

Typically, generic medicines cost far less than the original, patented brands, thereby creating affordable, high quality medicines for national healthcare systems and patients. With the growing use of and increased reliance on generic medicines, and due to its large number of strategic alliances, Navamedic is well positioned to deliver high quality, cost-effective medicines for the Nordic and Benelux markets in all sub groups described above.

In other words, a traditional generic medicine is essentially the same as the original medicine, incorporating the active pharmaceutical ingredient (API) for which the patent protection has expired. The generic is typically sold under a common, rather than brand, name. In a typical generics market scenario, a medicine goes off patent and competitors rapidly penetrate the market within weeks. This results in a significant price decrease, the product becomes a commodity, and the market share and revenues shift from the innovator medicine to the generic competitors.

#### **Three sub-groups**

Generic drugs can typically be divided in three sub-groups, all known as generics.

- Commodity generics  
Generic medicines as described above. Generally sold via government managed monthly, bi-monthly or quarterly tenders. This sub-group is characterized by high competition, high volumes and rapidly decreasing prices. Drugs in this category can be fully and freely substituted against similar drugs purely based on price.

These medicines are often also referred to as unbranded formulations and are sold under their chemical names as both over the counter and prescription forms. Examples of commodity generics are; candesartan, donepezil, montelukast and olanzapine.

- **Hospital generics**  
Hospital generics consist of fluids and injectables and generally sold via time limited tenders direct to hospitals. This sub-group is characterized by less competition and somewhat higher market prizes than commodity generics due to a relative more difficult in manufacturing process.

While price competition in the sub-group of commodity generics tend to be fierce from expiration of innovators patent protection, the hospital generics segment tend to be less exposed to rapid price erosion. Typical examples of hospital generics are; ciprofloxacin solution for infusion, fluconazole infusion, furosemide solution for injection and propofol infusion.

- **Branded generics**  
Generic medicines as described above but where a drug manufacturing company has attached its brand name and may have invested in its marketing to differentiate it from other generic brands. Often the old original medicin being generisized. Examples of branded generics; Zyloric (allopurinol), Lanoxin (digoxin), Imuran (azathioprine) and Eusaprim (trimetoprim+sulfa).

## 6. Related party transactions

Navamedic is relying on services provided by fourth parties, as a result of its organisational set-up. None of these fourth parties are considered as related parties.

## 7. Credit risk and foreign currency risk

### *Credit risk*

Navamedic trades only with recognised, creditworthy fourth 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 Q4 2014, there is no offset of bad debt.

### Maturity profile on short-term receivables as per 31 December 2014:

NOK 1000	Not due	Less than 3 months	3 to 12 months	Total
Trade receivables	31 618	11 818	728	44 164
Other receivables	5 870			5 870
<b>Total receivables</b>	<b>37 488</b>	<b>11 818</b>	<b>728</b>	<b>50 034</b>

### *Foreign currency risk*

Navamedic has transactional currency exposure arising from sales and purchases in currencies other than the functional currencies (NOK and SEK). The major portion of sales is currently in SEK. In relation to normal operations, Navamedic has not implemented any hedging positions to reduce currency risk.

## 8. Tangible assets

NOK 1000	Q4 2014	Q4 2013	2014	2013
Carrying value at the beginning of the period	3	18	14	30
Additions	52	-	52	10
Depreciation in the period	-3	-7	-14	-30
Exchange differences	-	3	-	4
<b>Carrying value at the end of the period</b>	<b>52</b>	<b>14</b>	<b>52</b>	<b>14</b>

## 9. Intangible assets

NOK 1000	Q4 2014	Q4 2013	2014	2013
Carrying value at the beginning of the period	74 529	85 907	85 773	81 202
Additions/disposal (-)	-	332	813	2 241
Amortization in the period	-2 390	-1 307	-8 546	-6 463
Exchange differences	8 180	841	2 278	8 793
<b>Carrying value at the end of the period</b>	<b>80 319</b>	<b>85 773</b>	<b>80 318</b>	<b>85 773</b>

## 10. Deferred tax and deferred tax assets

### Defferd Tax Assets

NOK 1000	Q4 2014	Q4 2013	2014	2013
Carrying value at the beginning of the period	11 154	12 285	11 154	10 953
Income statement charge	-1 934	-1 131	-1 934	201
<b>Carrying value at the end of the period</b>	<b>9 220</b>	<b>11 154</b>	<b>9 220</b>	<b>11 154</b>

### Defferd Tax

NOK 1000	Q4 2014	Q4 2013	2014	2013
Carrying value at the beginning of the period	5 848	8 521	8 026	8 519
Income statement charge	-935	-572	-2 216	-1 814
Exchange differences	1 350	77	453	1 321
<b>Carrying value at the end of the period</b>	<b>6 263</b>	<b>8 026</b>	<b>6 263</b>	<b>8 026</b>

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority.

## 11. Share options

As per 30 December the company has 30 000 Share options outstanding. On the 14<sup>th</sup> of November 2014 the intrim CEO Håkan Joephsson was granted 30 000 share options at an exercise price of NOK 12.50 pr. Share.

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

The option program has had the following expiry date and exercise prices:

Share options	Price	2014	2013	2012
September, 2013	12,5	30 000		
May, 2012	5,4			100 000
February, 2013	7,3			50 000
May, 2013	6,9			25 000
September, 2013	6,9			50 000
January, 2013	9,5		30 000	30 000
February, 2013	11,0		20 000	20 000
February, 2014	13,5		12 500	12 500
June, 2014	12,0		12 500	12 500
<b>Total share options outstanding</b>		<b>30 000</b>	<b>75 000</b>	<b>300 000</b>

## 12. Bank arrangement and credit facility

The Company has access to bank agreements and credit facilities totalling NOK 45 million to cover credits and guarantees. NOK 29.1 million of the credit facility was utilized at the end of the fourth quarter. Towards a selective group of suppliers the company has issued letter of credit of a total of NOK 3.1 million. This standby letter of credit is issued as security for the applicant's payment obligations under distribution agreements.

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

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

## 14. Shareholder Information

As of 31 December 2014 the Company had 545 share owners. The total numbers of outstanding shares were 8,562,051.

CEO Håkan Josephsson owns 21 thousands shares and holds 30 thousands share options. CFO Bjørn Lindholt owns 56 thousand shares and 34 thousand shares via Zeppo AS.

The largest shareholders are:

NOBELSYSTEM SCANDINA	1 820 595	21,3
WEIFA AS	405 046	4,7
ADVANCE INVEST & CON	267 500	3,1
HARDING INVEST AS	244 400	2,9
DANSKE INVEST NORGE	232 860	2,7
SANDVOLD SHIPPING IN	216 000	2,5
KRAEBER VERWALTUNG G	214 850	2,5
SALTO MEDIA AS	207 000	2,4
DIRECTMARKETING INVE	206 844	2,4
STORVESTRE RIKARD AR	150 200	1,8
LID OLAV TARJEI HIOR	150 000	1,8
MP PENSJON PK	149 708	1,7
ROSENFONN INVESTERIN	129 162	1,5
SILAN INVEST AS	120 594	1,4
RO LARS	120 000	1,4
RØTTINGSNES BERNT OL	109 141	1,3
JGB EIENDOM AS	101 011	1,2
EILERAAS KARL ANSKAR	100 500	1,2
BATJAK AS	100 000	1,2
MARLENA HOLDING AS	80 000	0,9
	5 125 411	59,9 %

Fornebu, 26 February 2015

Johan Reinsli (sign)  
Chairman

Masha Strømme (sign)  
Board Member

Halvor Stenstadvold (sign)  
Board Member

Synne H. Røine (sign)  
Board Member

Svein Erik Nicolaysen (sign)  
Board Member

Håkan Josephsson (sign)  
CEO

