

Q2/17

**Interim report
Second Quarter and First Half 2017 Report**





Highlights for the second quarter

- Navamedic reported revenues of NOK 89.7 million in Q2 2017, up from 66.7 million in Q2 2016, representing a 34.4% growth
- Increased revenues and effects from cost control initiatives resulted in EBITDA of NOK 5.5 million in Q2 2017, compared to NOK -1.6 million in Q2 2016
- Strong cash generation and an end-of-quarter cash balance of NOK 41.8 million
- Revenue growth in the quarter fuelled by the successful addition of Imdur® in Navamedics portfolio, in addition to increased sales of Aspen products ahead of contract transfer
- Entered into agreement with Orexigen Therapeutics for launch and commercialisation of anti-obesity prescription treatment, Mysimba® (naltrexone HCl/bupropion HCl prolonged release), in the Nordics
- Sippi® progressing as planned, with two tenders won in Sweden, launch in Italy with positive feedback, clinical testing in Finland and Sweden, successful tests with Patient Data Management Systems (PDMS), and a number of scheduled clinical evaluations in European markets

Key Figures

(NOK mill)	Q2 2017	Q2 2016	YTD 2017	YTD 2016	2016
Revenue	89.7	66.7	167.8	127.5	274.3
Gross profit	20.4	14.3	37.7	31.3	70.0
EBITDA	5.5	-1.6	8.8	0,5	8.0
Operating Result (EBIT)	2.2	-13.9	2.3	-15.8	-14.6
Result before tax	-1.8	-14.3	-4.5	-18.7	-10.8
Gross margin	22.7 %	21.4 %	22.4 %	24.6 %	25.5 %
EBITDA margin	6.2 %	-2.4 %	5.3 %	0.4 %	2.9 %
Assets	273.0	297.1	273.0	297.1	287.7
Equity	109.1	105.0	109.1	105.0	105.7
Liabilities	163.9	192.0	163.9	192.0	181.9
Equity ratio	40.0 %	35.4 %	40.0 %	35.4 %	36.8 %

Comment from Tom Rönnlund, CEO of Navamedic

“Navamedic had a strong second quarter in 2017, with overall revenues up 34.4 percent compared to the same quarter last year and a strong cash generation. We continue to see a solid performance for our Pharma and Healthcare products business area and are continuously working to strengthen the portfolio with additional products and partnerships. During the quarter, we entered into an agreement with Orexigen Therapeutics for the distribution of the prescription anti-obesity pharmaceutical, Mysimba, in the Nordic countries, offering Nordic physicians a prescription alternative for treating obesity. We



believe the partnership with Orexigen opens up a significant market opportunity and revenue potential going forward and look forward to the Nordic market introduction later in the year.

Following the initiated distribution of Imdur last year, as part of our partnership with TopRidge Pharma, the product has continued to be an important revenue driver for the company, along with other prioritised brands. Imdur is now distributed in a total of thirteen countries across Europe and during the quarter we began preparations for distribution launch in Greece.

The second quarter also marked exciting developments in our Medtech business area and for our Sippi product family. This included the launch of Sippi in Italy, which is receiving initial positive feedback from the market, and winning two tenders in Sweden. During the quarter, we also initiated clinical testing in Finland and Sweden, carried out successful tests with a new Patient Data Management Systems, and began preparations for a number of clinical evaluations throughout Europe.

We are looking forward to continued exciting developments for Sippi and for our entire portfolio of products, and to explore additional market opportunities.”

Operational Review

About Navamedic

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

(NOK mill)	Pharma & Healthcare				Medtech				Sum Group			
	Q2		YTD		Q2		YTD		Q2		YTD	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Operating revenues	89,6	66,7	167,7	127,2	0,1	0,01	0,1	0,3	89,7	66,7	167,8	127,5
Gross profit	20,4	14,4	37,8	31,4	-0,0	-0,1	-0,2	-0,1	20,4	14,3	37,7	31,3
Gross margin	22,8 %	21,6 %	22,6 %	24,7 %					22,7 %	21,4 %	22,4 %	24,6 %
Operating costs	12,8	13,4	24,7	26,1	2,1	2,5	4,2	4,7	14,8	15,9	28,8	30,8
EBITDA	7,6	1,0	13,2	5,3	-2,1	-2,6	-4,3	-4,8	5,5	-1,6	8,8	0,5
EBITDA Margin	8,5 %	1,5 %	7,9 %	4,1 %					6,2 %	-2,4 %	5,3 %	0,4 %

Pharma and Healthcare Product Business

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

During the quarter, Navamedic further strengthened its pharmaceutical products portfolio by entering into a five-year agreement with Orexigen Therapeutics, Ltd. (Orexigen) for distribution of Mysimba® (naltrexone HCl/bupropion HCl prolonged release), a prescription anti-obesity pharmaceutical. The medication, which is approved in the European Union by the European Medicines Agency, is a centrally-acting anti-obesity product used in combination with diet and exercise, and will be marketed and sold throughout the Nordics, where 15-20 percent of the population is overweight or struggling with obesity. Navamedic has exclusive distribution rights in the region and will market the product for an initial period



of five years, with an option for Navamedic to renew for an additional five-year period. Expected launch is towards the end of 2017.

As part of the partnership with TopRidge Pharma and the strategy to distribute the angina prevention medicine, Imdur® (isosorbide mononitrate), to a wider European market, Navamedic began preparations for distribution in Greece and continues to work on additional European and international markets. The Greek market is in addition to the thirteen markets initiated in 2016 and Q1 2017. The strategic partnership and long-term distribution agreement with Top Ridge Pharma regarding Imdur® also represents significant opportunities for Navamedic's continued development, as potential future products from Top Ridge in Europe will be offered Navamedic on a first right basis.

Revenues in Navamedic's Pharma and Healthcare Product segment were NOK 89.6 million in the second quarter of 2017, compared to NOK 66.7 million in second quarter of-2016, representing a 34.3% growth. The sales growth was to a large extent driven by the addition of Imdur® in 2016, stronger than usual demand for Aspen products from wholesalers and pharmacies ahead of the contract transfer on July 1st, as well as good performance from the existing portfolio of products.

The gross margin in the segment increased to 22.8% in the second quarter of 2017, compared to 21.6% in the same quarter last year, mainly due to changes in the product mix. Operating costs were NOK 12.8 million, down from NOK 13.4 million in the second quarter in 2016, largely due to cost reduction initiatives initiated in the previous year. The EBITDA in the Pharma and Healthcare business area was NOK 7.6 million in the quarter, up from NOK 1.0 million, representing an EBITDA margin of 8.5%, compared to 1.5% one year earlier.

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

- Imdur® delivered on its revenue expectations this quarter, reflecting recently initiated markets, and making it Navamedic's largest single brand. Second quarter 2017 was Navamedic's strongest quarter with Imdur® revenues 8.2% higher than first quarter of 2017. Navamedic did not have Imdur® during second quarter of 2016.
- A part of the revenue increase in the second quarter is attributable to stronger than usual demand for Aspen products ahead of the contract transfer. Ovestin® had an 11.5% increase and Alkeran a 67.8% increase in revenues, compared to the second quarter in 2016.
- Also the Medical Nutrition portfolio and Uracyst®, a treatment of painful bladder syndrome, developed positively with 10.1% and 7.4% growth, respectively, compared to Q2 2016.

During the second quarter, Navamedic continued its marketing and distribution activities for new products added in 2016, including Imdur®, Nitrolingual® and Woulgan. All introductions are progressing according to plan. Commercial sales of Woulgan® is still at low levels, even though Woulgan® had strong growth in the quarter. Navamedic is focusing on ensuring inclusion of Woulgan in regional tenders, a prerequisite for future stronger sales results.

As communicated earlier, the second quarter marked the initiation of the transfer of the portfolio back to Aspen. The process progressed as planned during the quarter.

Medtech Business

Navamedic's proprietary product, Sippi®, offers a new standard for urine monitoring in hospitals by enabling automated digital measurement. Safe and accurate monitoring of patients' urine production is a vital parameter for all intensive care patients and for selected patients treated in other wards. In addition to this, Sippi® prevents biofilm build-up via its proprietary technology and alerts healthcare professionals if biofilm reaches critical levels.

The second quarter of 2017 marked a number of key developments for the Sippi® product family, including successful tests of Sippi-BLE (Low Energy Bluetooth) with iMDSoft's Patient Data



Management System (PDMS), Metavision, at Uppsala University Hospital in Sweden, which is scheduled to enter into the next phase of clinical trials in the coming months. Connectivity to the Metavision system comes in addition to Sippi's compatibility with GE Healthcare's PDMS, Centricity, which is currently undergoing live clinical testing at several clinics in Finland and Sweden. A number of clinics throughout Europe, including in the Czech Republic and the UK, have committed to initiate clinical testing during the second half of 2017.

New medical equipment usually needs a period of clinical trial tests to get the hospitals and the management of the ICU (Intensive Care Units) to favour the product. This is done by real live environment testing, using Sippi® with real patients under treatment at their ICU, before the final implementation decision. Sippi® is now in this clinical phase at several hospitals across Europe, and the company estimates the current trials to last for 3 to 6 months before a positive decision will be made.

Commercial expansion of Sippi® in Europe is continuing according to plan with strong developments throughout the quarter, including securing two tenders in Sweden and a successful initial introduction in Italy through a distribution agreement with SIM Italia, with positive feedback from the first clinics. Navamedic is continuing the commercial activities and working to attract the best partners in each market it has entered into.

As communicated in Q1 2017, Navamedic was granted a patent for its Sippcoat® technology, securing the use of silicone oil in urine handling systems in the EU. The company believes the patent further secures the future commercial potential for the technology of the Sippi® product family and considers Sippi's market opportunities to be significant, both as a proprietary system, and also through the ability to license to other companies for use in regular urine collection bags.

Financial Review

Revenues in the second quarter were NOK 89.7 million, an increase from NOK 66.7 million in the corresponding quarter of last year, representing a growth of 34.4%. The successful addition of Imdur® in Navamedic's portfolio was a strong growth contributor, as well as the continued good performance for existing prioritised brands.

EBITDA for the quarter was NOK 5.5 million, an increase from NOK -1.6 million in the second quarter of 2016. The key contributor to the improved EBITDA was the solid growth in revenues, with a simultaneous gross margin increase of 1.3 %-points, improving the gross profit from NOK 14.3 million to NOK 20.4 million. The reduced operating costs like consultancy cost and travel expenses, also contributed to the EBITDA improvement. Operating costs were down from NOK 15.9 million in the second quarter of 2016 to NOK 14.8 million in the second quarter of 2017.

The operating result (EBIT) was NOK 2.2 million in the period, up from NOK -14.0 million in the second quarter of 2016 when the company recorded an impairment of NOK 8.5 million. Net financials ended at NOK -4.1 million, a decrease from NOK -0.3 million in the second quarter of 2016. The change primarily follows financial expenses of NOK -4.8 million, which is an increase from NOK -1.9 million from the second quarter of 2016. The change is mainly due to exchange rate fluctuations.

The result before tax was NOK -1.8 million, an improvement from -14.3 in the second quarter of 2016. The total comprehensive income was NOK 4.9 million (NOK -17.6 million in second quarter 2016) following exchange rate fluctuations in the period of NOK 4.3 million (NOK -4.5 million in the second quarter 2016).

The group's cash flow from operating activities ended at NOK 42.2 million in the second quarter. The increase from second quarter 2016 is primarily due to changes in inventory of NOK 50.2 million, as a part of the Aspen transition process, partly offset by changes in payables of NOK -11.7 million. This effect will be more normalized over the next quarters. At the end of June 2017, a significant part of the



inventories of Aspen products not sold during the contract period was handed back to Aspen at cost price.

The group's cash flow from investing activities was NOK -1.3 million (NOK -0.9 million in the second quarter 2016). In second quarter 2017, Navamedic also made an up-front payment for new product rights relating to the new obesity product licensed from Orexigen Therapeutics. The group's cash flow from financing activities was NOK -14.5 million (NOK 16.8 million in the second quarter 2016). The cash outflow from financing activities in the second quarter of 2017 was a result of payments of debt to financial institutions, whilst the cash inflow in the second quarter of 2016 included a share issue with NOK 11.3 million.

The company started the second quarter with cash of NOK 15.9 million and ended the quarter with a cash balance of NOK 41.8 million (NOK 32.9 million per 30.6 2016). The increased cash position is primarily due to reduction of inventory in the handover process to Aspen.

For the first half year of 2017, Navamedic reported revenues of NOK 167.8 million (NOK 127.5 in the first half year 2016), representing a growth of 31.6%. The sales growth was to a large extent driven by the addition of Imdur® to the company's portfolio in 2016 and continuous focus on introducing new products to the market. In addition, several of the established products in the portfolio have also increased revenues. Navamedic has during the quarter entered a few new markets including the UK.

EBITDA was NOK 8.8 million (NOK 0.5 million in the first half year in 2016) primarily following revenue growth and cost reductions. There are reductions on several cost elements, in large part as a result of a general focus on cost reduction. Compared to the first half year in 2016, the main cost reduction are consultancy cost, marketing and travel expenses.

The gross margin and EBITDA margin was at 22.4% (24.6% for the corresponding period in 2016) and 5.3% (0.4% for the corresponding period in 2016), respectively.

The result before tax was NOK -4.5 million (NOK -18.7 million in the first half year 2016) as net financials increased to NOK -6.8 million (NOK -2.9 million in the first half year 2016). The net loss for the period was NOK -2.2 million (NOK -17.7 million in the first half year 2016).

The Group had a net cash flow from operating activities in the first half of the year 2017 of NOK 32.9 million (NOK -10.2 million for the same period in 2016), and net cash flow from investing activities of NOK -1.6 million (NOK -1.2 million for the same period in 2016). The net cash flow from financing activities was NOK -16.3 million (NOK 32.7 million for the same period in 2016), resulting in a cash balance of NOK 41.8 million at 30 June 2017 (NOK 32.9 million at 30 June 2016). The cash situation is temporarily high due to the final settlement with Aspen not being done as per 30.6 2017. In addition, a credit facility will be reduced by around 7.8 MNOK in the second half of 2017.

The company has a total balance of NOK 273.0 million (NOK 287.7 million at 31.12 2016), of which non-current assets was NOK 133.6 million (NOK 132.8 million at 31.12 2016). Current assets were reduced to NOK 139.4 million from NOK 154.9 million at 31.12 2016. The change is primarily due to reductions in inventory as a result of handover of inventories to Aspen, increase in receivables due to higher revenues, and increase in cash.

The company has current liabilities of NOK 120.7 million compared to NOK 143.4 million at 31.12 2016. The change is mainly a result of reductions in trade account payables and in short term liabilities to financial institutions. Reduction in trade account payables is partly a result not replacing inventories for future sales of Aspen products. The reduction in liabilities to financial institutions is due to reclassification of debt to non-current assets and repayment of debt.

Non-current liabilities is NOK 43.2 million 30.6 2017, an increase from NOK 38.6 million compared to 31.12 2016. Changes in contingent consideration is due to accrued interest of NOK 2.1 million. In addition, reclassification of short term debt to long term debt gives a net effect on non-current liabilities of NOK 2.4 million.



At the end of the second quarter, Navamedic had an equity of NOK 109.1 million (NOK 105.7 million per 12.12 2016), representing an equity ratio of 40.0%, compared to 36.8% at the beginning of the year.

Risks and uncertainties and Related parties

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 ended 30.6 2017 which will have a significant impact on Navamedic's short term revenues. The changes in the portfolio product mix are also expected to have short-term negative impact on the EBITDA, even if part of revenues are compensated by the initiated distribution of Imdur®. The market roll-out of the Sippi® product family is also demanding resources and the timing and rate of market uptake is an inherent risk. Navamedic has 44.2% of its assets financed by current liabilities. There are risks regarding future sufficient funding for rapid and efficient launch and development the Sippi® portfolio and if Navamedic's Pharma and Healthcare business does not meet its financial goals or its banking covenants. To continue building an even stronger business, Navamedic is focused on launching new products and entering into new partnerships. The 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.

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

Outlook

Navamedic is going through a period of adjustment and change related to the discontinuation of the Aspen agreement. At the same time, new exciting products are being added to our portfolio, Sippi is progressing well in clinical evaluations, there is potential additional commercial value in the new patents related to SippCoat, and our operations are more streamlined than ever before. These developments make Navamedic believe that the company is very well positioned for continued future growth.

The partnership with Top Ridge Pharma Limited proceeds per plan and the company expects to initiate Imdur® distribution in selected additional European markets during 2017. The annual revenue potential from Imdur® is in the range of NOK 70-100 million.

Navamedic is working closely with Top Ridge Pharma to evaluate new products and opportunities for commercialisation in Europe. This with the aim for Top Ridge to use Navamedic as a platform for further growth in Europe, and for Navamedic to further grow its business across several geographies.

The discontinuation of the significant Aspen partnership by the end of the second quarter of 2017 is expected to have short-term revenue and EBITDA impact.

The company's strategy is to offset the effects of the discontinued Aspen contract by boosting its portfolio with additional products and partnerships. The company is working on a pipeline of new and exciting original products with launches scheduled for the coming 6-24 months, aiming to offset the effects of the discontinued Aspen partnership, bringing the company back on a growth track in the medium-term perspective.

One pipeline example is the recent agreement with Orexigen Therapeutics, reaffirming Navamedic's position as a leading Nordic partner for launching new and innovative products with significant future revenue potential from research based pharmaceutical companies.



The company remains committed to executing its strategy of ongoing commercialisation and continued development of the Sippi® product family, creating opportunities for multiple future revenue streams.

While development of a technology-based proprietary products takes time, and initial sales have been lower than expected, the commercialisation continues to be on track. Based on the 2017 developments, a multimarket growth platform in place and the introduction of the wireless version of Sippi® the company expects to gradually enter into an accelerated growth path towards the long-term annual revenue potential for Sippi® of over NOK 250 million. The potential for the line extension covered by the Sippcoat patents is not included herein.

Forward looking statements

This report contains statements regarding the future in connection with the Group's growth initiatives, profit figures, outlook, strategies and objectives. In particular, the section "Outlook" contains forward-looking statements regarding the Group's expectations. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual results and developments deviating substantially from what has been expressed or implied in such statements. These factors include the risk factors relating to the Group's activities described in Navamedic ASA's Annual Report 2016.

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 2017 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, 27 July 2017

Kathryn M. Baker (sign)
Chairman

Johan Reinsli (sign)
Board Member

Kari Stenersen (sign)
Board Member

Huaizheng Peng (sign)
Board Member

Jostein Davidsen (sign)
Board Member

Svein Erik Nicolaysen (sign)
Deputy Board Member

Tom Rönnlund (sign)
CEO

**Condensed consolidated statement of comprehensive income**

<i>(In NOK '000)</i>	Q2	Q2	YTD	YTD	
	2017	2016	2017	2016	2016
Operating revenues	89 661	66 710	167 834	127 500	274 298
Cost of materials	-69 302	-52 411	-130 162	-96 184	-204 260
Gross profit	20 359	14 299	37 673	31 316	70 038
Payroll expense	-7 589	-7 436	-15 375	-15 087	-31 333
Other operating cost	-7 247	-8 446	-13 473	-15 732	-30 675
Operating costs	-14 836	-15 882	-28 848	-30 820	-62 008
EBITDA	5 523	-1 583	8 825	496	8 030
Depreciation	-102	-76	-199	-190	-357
Amortization	-3 175	-3 785	-6 289	-7 602	-13 711
Impairment	-	-8 528	-	-8 528	-8 528
OPERATING RESULT (EBIT)	2 246	-13 972	2 336	-15 824	-14 566
Financial income and expenses					
Financial income	1 881	3 002	3 258	3 117	6 703
Change fair value contingent consideration	-1 074	-1 363	-2 152	-2 627	4 051
Financial expenses	-4 860	-1 929	-7 935	-3 356	-7 037
Net financial result	-4 053	-290	-6 829	-2 866	3 717
RESULT BEFORE TAX	-1 807	-14 262	-4 492	-18 689	-10 849
Tax on ordinary result	2 331	1 183	2 304	1 468	192
NET PROFIT / LOSS	524	-13 079	-2 188	-17 222	-10 658
Other comprehensive income that may be reclassified subsequently to profit or loss					
Currency translations differences	4 361	-4 535	5 590	-8 518	-14 543
Total comprehensive income for the period	4 885	-17 614	3 401	-25 740	-25 201
Attributable to owners of Navamedic ASA	524	-13 079	-2 188	-17 222	-10 658
Attributable to owners of Navamedic ASA	4 885	-17 614	3 401	-25 740	-25 201
Basic and diluted earnings per share (NOK)	0,05	-1,35	-0,20	-1,80	-1,04



Condensed consolidated statement of financial position

<i>(In NOK '000)</i>	30 June 2017	30 June 2016	31 December 2016
Assets			
Intangible assets	40 114	50 834	43 607
Goodwill	81 428	80 747	78 001
Deferred tax assets	11 098	10 271	10 262
Tangible assets	955	830	917
Non-current assets	133 596	142 681	132 787
Inventories	22 790	54 970	61 343
Trade and other receivables	70 035	60 438	63 683
Prepaid income taxes	4 788	6 076	3 057
Cash and cash equivalents	41 813	32 922	26 801
Current assets	139 427	154 405	154 883
Total assets	273 022	297 087	287 670
Equity and liabilities			
Equity			
Equity	109 131	105 049	105 730
Total equity	109 131	105 049	105 730
Liabilities			
Contingent consideration	25 720	30 246	23 568
Long term financial liabilities	13 647	14 846	13 031
Borrowings from Financial Institutions	2 483	11 250	0
Deferred tax	1 302	2 769	1 957
Non-current liabilities	43 152	59 111	38 556
Trade account payables	56 274	68 009	62 341
Short term liabilities to Financial Institutions	40 086	45 956	58 854
Short term financial liabilities	2 110	4 108	4 086
Income taxes payable	1 953	1 630	2 707
Other short term liabilities	20 316	13 223	15 396
Current liabilities	120 740	132 927	143 384
Total liabilities	163 891	192 037	181 940
Total shareholders equity and liabilities	273 022	297 087	287 670



Condensed consolidated Cash Flow Statement

<i>(In NOK '000)</i>	Q2 2017	Q2 2016	YTD 2017	YTD 2016	2016
Profit (loss) before tax	-1 807	-14 263	-4 492	-18 689	-10 611
Taxes paid	-3 737	256	-4 276	-1 813	-997
Depreciation, amortization and write off	3 277	12 389	6 488	16 320	22 596
Interest and currency without cash effect 1)	1 813	842	2 768	2 230	-4 285
Changes in inventory	50 200	-6 936	38 552	-10 323	-16 696
Changes in accounts receivables	-1 739	-949	-6 416	-7 193	-12 837
Changes in trade accounts payables	-11 728	15 328	-6 012	12 509	6 842
Changes in other current items	5 953	-5 613	6 329	-3 246	1 480
Net cash flow from operating activities	42 232	1 055	32 941	-10 204	-14 508
Cash flow from investments					
Purchase/disposal of tangible and intangible assets	-1 274	-926	-1 606	-1 203	-1 676
Net cash flow from investing activities	-1 274	-926	-1 606	-1 203	-1 676
Cash flow from financing					
Short term liabilities to Financial Institutions	-13 260	5 455	-13 803	23 399	36 297
Cash received for issue of shares	0	11 340	0	11 340	8 944
Long term liabilities to Financial Institutions	-1 242	0	-2 483	-2 083	-13 333
Net cash flow from financing activities	-14 502	16 795	-16 286	32 656	31 909
Changes in currency	-531	-344	-38	-625	-1 221
Net change in cash	25 925	16 590	15 011	20 624	15 724
Cash and cash equivalents start period	15 887	16 332	26 801	12 298	12 298
Cash and cash equivalents end period	41 813	32 922	41 813	32 922	26 801

- 1) Interest without cash effect relates to interest calculated on a liability for a license agreement and fair value adjustment of contingent consideration, and currency without cash effect relates to the liability for a license agreement.

Condensed consolidated statement of Changes in Equity

<i>NOK 1000</i>	Share capital	Share premium	Translation differences	Retained earnings	Total
Balance at 1 January 2016	9 450	99 236	27 031	-17 438	118 280
Issue of shares, net of share issue cost	1 418	11 091	-	-	12 509
Translation difference	-	-	-8 518	-	-8 518
Net loss of the period	-	-	-	-17 222	-17 222
Balance at 30 June 2016	10 868	110 327	18 513	-34 660	105 049
Balance at 1 January 2017	10 868	110 480	12 478	-28 096	105 730
Issue of shares, net of share issue cost	-	-	-	-	-
Translation difference	-	-	5 590	-	5 590
Net loss of the period	-	-	-	-2 188	-2 188
Balance at 30 June 2017	10 868	110 480	18 067	-30 284	109 131



Explanatory Notes to the Financial Statements

General information

Navamedic ASA is a public limited liability company domiciled in Norway. The business of the Group is associated with development, distribution, marketing and sales of pharmaceutical products and related technical medical equipment. The Company's shares are listed on the Oslo Stock Exchange under the ticker NAVA. The Company's registered office is Fornebuveien 42, 1366 Lysaker, Norway. Navamedic Group comprises Navamedic ASA and the 100% owned subsidiaries Navamedic AB (Sweden), Navamedic A/S (Denmark), Navamedic efh (Iceland) and Observe Medical International AB (Sweden) (Including the subsidiaries Observe Medical APS (Denmark) and Navamedic Medtech AB (Sweden)).

1. Nature of operation

Navamedic is a distributor of pharmaceuticals, medical device and Medtech products focusing on sales to hospitals, physicians and pharmacies, mainly in the Nordic region. The company collaborates with a number of manufacturers in bringing their products within selected therapeutic areas to the market. Navamedic aims at being the partner of choice for pharma and medical device manufacturers looking to enter European markets, with main focus in the Nordic region. In 2015 all the shares of Observe Medical International AB were acquired. Observe Medical has developed Sippi®, its own proprietary medical technology product for use in hospitals. At 30 June 2017, Navamedic offers more than 80 products from approximately 20 suppliers.

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016 (the Annual Financial Statements), as they provide an update of previously reported information. The accounting policies used are consistent with those used in the Annual Financial Statements. The condensed consolidated interim financial statements have not been subject to an audit. Navamedic's Board of Directors and CEO approved these condensed consolidated interim financial statements on 27 July 2017.

NOK is Navamedic ASA's functional currency and the presentation currency for the consolidated financial statements. In the absence of any statement to the contrary, all financial information is reported in NOK thousands. As a result of rounding adjustments, the figures in the financial statements and notes may not add up to the totals.

3. Summary of significant accounting policies

The accounting policies applied for the condensed consolidated interim financial statements are consistent with the financial statement for the year ended 31 December 2016. See the Annual Financial Statements note 2.1.1. for discussion of new standards, amendments to standards and interpretations that are not effective for the Group for the periods ending 31 December 2016 and 30 June 2017.

4. Earnings per share

Earnings per share (EPS) are calculated on the basis of net profit (loss) (result allocated to shareholders of the company). This result is divided by a weighted average number of outstanding shares over the periods, reduced by treasury shares (none for the periods presented).

<i>NOK 1000</i>	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Result allocated to shareholders	524	-13 079	-2 188	-17 222	-10 658
Weighted average of outstanding shares	10 868	9 715	10 868	9 583	10 230
Earnings per share	0,05	-1,35	-0,20	-1,80	-1,04



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

5. Segment information

Navamedic's 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 pharmaceuticals, medical devices and medical nutrition products that Navamedic sell, market and distribute to hospitals, patients and pharmacies, bought from product suppliers and manufacturers in the markets where Navamedic operates.

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 consists of several strong own and in-licensed brand names in Navamedic's respective knowledge areas.

Some important Consumer product brands are:

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

In **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
- Imdur, used to prevent angina attacks (chest pain)

Revenues increased compared to the same periods in 2016. The revenue increase is mainly due to the introduction of Imdur and increase in revenues from Aspen products and other established products. The increased revenues and gross profit, together with reductions of operational cost, led to improvement of the EBITDA compared to the same periods in 2016.

Pharma and Healthcare Products business, *Revenues and EBITDA*:

(NOK 1000)	Q2 2017	Q2 2016	YTD 2017	YTD 2016	2 016
Revenue	89 585	66 697	167 696	127 189	273 684
EBITDA	7 624	1 009	13 173	5 266	18 649
EBITDA Margin	8,5 %	1,5 %	7,9 %	4,1 %	6,8 %

**Medtech business – Sippi®**

With the acquisition of Observe Medical in the third quarter 2015, Navamedic expanded into a new business area. After the acquisition, Navamedic is the product- and IPR (Intellectual Property Right) owner of a product with global potential. Observe Medical has developed an automated, digital urine meter, Sippi®, which saves time for healthcare personnel, and may improve accuracy and patient safety, compared to other method. Sippi® has been under development since 2009, and has received approval for hospital use in Europe and the United States.

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

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

Medtech business – Sippi®, Revenues and EBITDA

(NOK 1000)	Q2 2017	Q2 2016	YTD 2017	YTD 2016	2 016
Revenue	76	13	138	311	614
EBITDA	-2 101	-2 592	-4 349	-4 770	-10 619

Total**Navamedic Group, Revenues and EBITDA**

NOK 1000	Q2 2017		Q2 2016		YTD 2017		YTD 2016	
Segment	Revenues	EBITDA	Revenues	EBITDA	Revenues	EBITDA	Revenues	EBITDA
Pharma & Healthcare	89 585	7 624	66 697	1 009	167 696	13 173	127 189	5 266
Medtech	76	-2 101	13	-2 592	138	-4 349	311	-4 770
Sum Group	89 661	5 523	66 710	-1 583	167 834	8 825	127 500	496

6. Credit risk, foreign currency risk, operational risk and liquidity risk**Credit risk**

Navamedic trades only with recognized, creditworthy third parties, of whom most companies are large, profitable pharmaceutical companies, wholesalers, in addition to public healthcare sector. Receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts has been on a minimum. As per 30 June 2017, there is little provision for bad debt.

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

NOK 1000	Not due	Less than 3 months	3 to 12 months	Total
Trade receivables	38 729	20 245	9 515	68 489
Other receivables	1 547			1 547
Total receivables	40 276	20 245	9 515	70 035

Foreign currency risk

Navamedic has transactional currency exposure arising from sales and purchases in currencies other than the functional currencies of the entities (NOK, SEK and DKK). Purchases of products from manufacturers are made in several currencies; mainly EUR, but also USD, CAD and GBP. Sales are mainly made in Scandinavian currencies and EUR. The net impact of currency fluctuations on Navamedic's financial results is currently at a level which in the Company's opinion does not call for currency hedging measures.



Operational risk

Navamedic is dependent on agreements for distribution rights from vendors. The company's largest distribution contract is with Aspen Pharma. The main contract with Aspen for distribution of products in the Nordics, will not be renewed from July 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 revenue and earnings in the pharma and healthcare business. However, Navamedic will focus on developing its 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.

Liquidity risk

A large part of the Group's bank financing is short-term, including overdraft facilities that may be terminated by the bank with six months' notice. At the same time, the Group has significant amounts of short term receivables and inventories, and the bank has security in these assets. Consequently, the short term bank financing should be regarded as part of the Group's working capital. The level of inventories is to secure timely deliveries of products. The high level of inventories and receivables and short term financing implies a risk that the Group could encounter difficulty in meeting obligations associated with financial liabilities, should the bank require immediate repayment or should any other significant negative events occur. Navamedic will evaluate if inventories and receivables can be reduced, and if longer term financing should be established. See also note 11.

7. Tangible assets

NOK 1000	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Carrying value at the beginning of the period	962	436	917	531
Additions/disposal (-)	-	481	193	513
Depreciation in the period	-102	-76	-199	-190
Exchange differences	96	-11	44	-24
Carrying value at the end of the period	955	830	955	830

8. Intangible assets and goodwill

NOK 1000	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Carrying value at the beginning of the period	121 608	144 421	121 608	151 272
Additions/disposal (-)	1 207	3 565	1 413	3 809
Amortization in the period	-3 175	-3 785	-6 289	-7 602
Impairment	-	-8 528	-	-8 528
Exchange differences	1 903	-4 092	4 811	-7 371
Carrying value at the end of the period	121 542	131 580	121 542	131 580

Impairment reviews

See note 7 to the consolidated financial statements for 2016.

Navamedic conducted a review of impairment indicators and did not identify any indicators which would give rise to a change in impairment compared to December 31, 2016.



9. Deferred tax and deferred tax assets

Deferred Tax Assets

NOK 1000	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Carrying value at the beginning of the period	10 713	9 079	10 262	9 151
Recognised in equity	-	650	-0	650
Recognised in profit or loss	124	550	558	484
Exchange differences	261	-8	278	-14
Carrying value at the end of the period	11 098	10 271	11 098	10 271

Deferred Tax

NOK 1000	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Carrying value at the beginning of the period	1 620	3 864	1 957	4 464
Recognised in profit or loss	-626	-977	-979	-1 462
Exchange differences	308	-118	324	-233
Carrying value at the end of the period	1 302	2 769	1 302	2 769

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

10. Share options

In second quarter 2017, no share options were issued. As per 30 June 2017, the company has no share options outstanding. In 2016, 50,000 options were forfeited. In 2016, a cost of options of NOK 118,000 was recognized.

11. Bank arrangement, credit facilities and other financial liabilities

To finance part of the acquisition of Observe Medical, the Company entered into a term loan of SEK 15 million in October 2015, to be repaid over 3 years. Interest is 3.84% p.a. In addition, the company has other bank agreements and drawing facilities of SEK 60 million to cover credits and guarantees. SEK 35.2 million of these facilities was utilized at 30 June 2017. The drawing facilities will be reduced by SEK 8 million to SEK 52 million in the second half of 2017, after the Aspen products are handed back to Aspen.

The borrowing agreements from the bank has the following main financial performing covenants per 30 June 2017: EBITDA for the Navamedic group above SEK 2.3 million in 2017 and EBITDA above SEK 12 million in 2018.

In addition to bank borrowings, Navamedic has an unsecured loan facility of NOK 13.1 million that can be provided from one of our partners and suppliers (Top Ridge Pharma), to be used for dedicated purposes.

See the annual financial statements for 2016 for description of the financial liabilities relating to contingent consideration and a license agreement.

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

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



13. Shareholder Information

The largest shareholders per 30 June 2017 were:

	Shares	Ownership
NOBELSYSTEM SCANDINAVIA	2 890 000	26,59 %
TOPRIDGE PHARMA	1 417 522	13,04 %
RO LARS	542 000	4,99 %
SEED CAPITAL	462 887	4,26 %
ROSENFONN INVESTERING	310 948	2,86 %
DANSKE INVEST NORGE	262 660	2,42 %
HARDING INVEST AS	244 400	2,25 %
KRAEBER VERWALTUNG	214 850	1,98 %
BUKKEVIK INVESTERING	213 661	1,97 %
DIRECTMARKETING INVEST	206 844	1,90 %
LID OLAV TARJEI HIORTH	180 000	1,66 %
LAVIN AB	167 598	1,54 %
EILERAAS KARL ANSKAR	150 000	1,38 %
MP PENSJON PK	149 708	1,38 %
NORDNET BANK AB	140 843	1,30 %
RØTTINGSNES BERNT OLAV	109 141	1,00 %
JGB EIENDOM AS	101 011	0,93 %
BATJAK AS	100 000	0,92 %
KAASBØLL ROLF	100 000	0,92 %
AVANZA BANK AB	99 545	0,92 %
Total 20 largest shareholders	8 063 618	74,20 %

Fornebu, 27 July 2017

Kathryn M. Baker (sign)
Chairman

Johan Reinsli (sign)
Board Member

Kari Stenersen (sign)
Board Member

Huaizheng Peng(sign)
Board Member

Jostein Davidsen(sign)
Board Member

Svein Erik Nicolaysen (sign)
Deputy Board Member

Tom Rönnlund (sign)
CEO

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Definitions of Alternative Performance Measures (APM)

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

APMs:

- EBITDA is equal to earnings before interest, tax, depreciation and amortization.
- EBITDA margin is equal to EBITDA as a percentage of total operating revenue.
- Gross profit is equal to total revenue minus cost of material.
- Gross margin is equal to gross profit as a percentage of total operating revenue.
- Equity ratio is equal to total equity as a percentage of total shareholders' equity and liabilities.