

Q4/16

Fourth Quarter 2016 Report





Highlights for the fourth quarter

- Navamedic reported all-time high quarterly and annual sales revenues
 - 24.8% growth in Q4 2016 to NOK 81.6 million (NOK 65.4m in 2015)
 - 10.5% growth FY 2016 to NOK 274.5 million (NOK 248.3m in 2015)
- EBITDA of NOK 5.7 million in Q4 2016, compared to NOK -0.1 million in Q4 2015
- First full quarter of sales of Imdur® (isosorbide mononitrate) in the Nordic markets and initiation of distribution in Netherlands and the Baltic states during the quarter
- Finalisation of first production batch of wireless version of Sippi®

Key Figures

(NOK mill)	Q4 2016	Q4 2015 ¹⁾	2016	2015 ¹⁾
Revenue	81.6	65.4	274.3	248.3
Gross profit	22.6	15.5	70.0	60.9
EBITDA	5.7	-0.1	8.0	8.8
Operating Result (EBIT)	2.6	-4.8	-14.6	-3.8
Result before tax	9.1	-10.6	-10.5	-10.3
Gross margin	27.7 %	23.7 %	25.5 %	24.5 %
EBITDA margin	7.0 %	0.2 %	2.9 %	3.6 %
Assets	291.6	275.6		
Equity	105.5	118.3		
Liabilities	186.1	157.3		
Equity ratio	36.2%	42.9%		

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

Comment from Tom Rönnlund, CEO of Navamedic:

“Navamedic had a strong finish to the year, with significant sales growth driven by the transfer of Imdur to Navamedic, and continued strong performance for our prioritised brands. Following our partnership with TopRidge Pharma, we initiated sales of Imdur in the Nordic markets late in the third quarter, and commenced the distribution in the Netherlands, Estonia, Latvia and Lithuania during the fourth quarter. Consequently, we recorded all-time high sales, both in the quarter, as well as for the full year. Our Pharma and Healthcare business area provided a solid EBITDA contribution to the group, while we made significant progress with our proprietary med-tech product, Sippi, for which we are entering the final development of the wireless communication software needed to fully automate patient monitoring of urine volumes in intensive care wards.”



Operational Review

About Navamedic

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

	Pharma and Healthcare		Medtech*		Group	
	Q4 2016	Q4 2015	Q4 2016	Q4 2015	Q4 2016	Q4 2015
<i>(NOK mill)</i>						
Revenue	81.5	65.3	0.15	0	81.6	65.4
Gross profit	22.6	15.5	-0.05	0	22.6	15.5
Gross margin	27.8%	23.7%	-32.1%	0.0%	27.7%	23.7%
Operating cost	13.7	12.9	3.2	2.7	16.9	15.6
EBITDA	8.9	2.6	-3.2	-2.7	5.7	-0.1
EBITDA Margin	11.0%	4.0%	-	-	7.0%	-0.2%

*The Medtech business segment was established in Q3 2015 via the acquisition of Sippi® (Observe Medical)

Pharma and Healthcare Product Business

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

Navamedic expanded the distribution of the angina prevention medicine Imdur® (isosorbide mononitrate) into four additional countries during the fourth quarter, commencing operations in Netherlands, Estonia, Latvia and Lithuania, in addition to the Nordic markets being initiated in late Q3 2016. The strategic partnership and long-term distribution agreement with Top Ridge Pharma regarding Imdur®, represents significant opportunities for Navamedic's continued development, as future products for Europe will be offered Navamedic on a first right basis.

Sales revenues in Navamedic's Pharma and Healthcare Product division were NOK 81.5 million in the fourth quarter of 2016 compared to NOK 65.3 million in Q4 2015, a 24.8% growth compared to the same quarter last year.

The business area continued its growth in the Nordic markets, following the addition of Imdur® and other new products earlier in the year, as well as continued growth in prioritised product areas. In the Nordic region alone, revenues grew by 37.0%, compared to the same period in 2015.



Gross margin in the division increased from 23.7% in the fourth quarter of 2015 to 27.8% in the fourth quarter of 2016, mainly due to changes in the product mix. Operational expenses were NOK 0.8 million higher in the quarter, compared to the previous year, including restructuring charges of NOK 0.7 million. Thus, EBITDA in the Pharma & Healthcare business area ended at NOK 8.9 million in the quarter, up from NOK 2.6 million last year, representing an EBITDA margin of 11.0%, and a significant improvement in one year.

In Q4, Navamedic highlights the following developments within the Pharma and Healthcare Product Business portfolio:

- *Imdur*[®] recorded sales of NOK 21 million in the quarter, reflecting recently initiated markets, and making it Navamedic's largest single brand.
- *Ovestin* had a weaker quarter in the Nordics, with a 3.1% reduction in revenues, compared to Q4 2015. For the full year, however, *Ovestin*[®] grew by 3.5% compared to 2015. This is a solid performance by a mature brand in a market leading position. *Ovestin*[®] is one of the products Navamedic will hand back to Aspen during the first half of 2017.
- The Medical Nutrition portfolio continued with good sales revenue growth in Q4, delivering 18.6% higher sales revenue compared to Q4 2015. The growth for the full year was 17.4% compared to 2015.
- *NYDA*[®], a head lice treatment sold in pharmacies, had a bit of a slowdown in growth compared to earlier quarters, but still grew by 14.7% compared to Q4 2015. This was partly an effect of stock-up in Norwegian pharmacies earlier in the year.
- *Uracyst*[®], for treatment of painful bladder syndrome, experienced continued strong growth. Revenues were up by 28.6% compared to Q4 2015, driven by higher demand, as well as price increases implemented earlier in the year.
- Geographically, performance in the quarter was strong in the Nordic countries, driven by revenue growth in Denmark, Norway, Finland and Sweden. This is mainly a result of new products in 2016, like *Imdur*[®], and various product additions from Aspen and Pohl-Boskamp.

During Q4, Navamedic continued its activities for its portfolio of new products added in 2016, including *Imdur*[®], *Nitrolingual*[®] and *Woulgan*[®]. All introductions have progressed well and according to plan. *Nitrolingual*[®] overachieved its full year sales estimate significantly, despite being a well-established brand. Sales of *Woulgan*[®] picked up in the quarter, as specialist sites are beginning to use the product after several positive clinical real-life evaluations of the product. Commercial sales of *Woulgan*[®] are still low, but it is expected that newly approved tenders will drive an increase in demand going forward.

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 first batch of *Sippi*[®] with built-in bluetooth for connectivity to electronic patient journal systems was produced in the fourth quarter and is now in stock. The company continues to get positive feedback from the hospitals that have tested and begun to use *Sippi*[®] on a wider scale. Several hospitals are interested in implementing *Sippi*, but wish to wait for the version with wireless connectivity capabilities. Hence, Navamedic has a strong pipeline of customers waiting for wireless electronic Patient Data Management System (PDMS) connectivity.



Due to delays at one sub-supplier, the company has experienced a slight delay in the development of the necessary connectivity software to be able to transfer data to different PDMS-versions. The objective was to be up and running with live tests at hospitals during late Q4, but is delayed into Q1 2017. There are a number of clinics lined up to start live tests once the development of the software is complete.

Sippi® will be the only system on the market able to deliver data on urine output automatically into a PDMS, which finally automates the monitoring of the vital parameter fluid balance. All fluid input is today electronically recorded and visible online every minute in the electronic patient journal. The output of the fluid balance though, is still an analogue process and updated every hour manually. With Sippi® providing automatic real-time fluid balance, treating physicians will more rapidly be able to detect trends and effects of medication administered to the patient.

Navamedic has also conducted analysis and market research on the US urine-meter market. The Sippi® system can be sold in the US market with pre-attached catheter, warranting limited development work before a future US launch. Feedback from interviewed customers are in line with the positive responses received from European customers and Navamedic is engaged in dialogues with high quality US market suppliers.

As communicated post the closing of the fourth quarter 2016, Navamedic announced the grant of a patent securing the use of silicone oil in urine handling systems in the EU. The company believes the future commercial potential for the SippiCoat®-technology is significant and could be licensed to other companies for use in normal urine bags or allow its own development of such bags in the future.

In the fourth quarter, Navamedic also initiated the launch of Re5-NTS, an innovative, non-invasive treatment device based on patented Danish technology, for patients with refractory depression. Navamedic has signed an exclusive distribution agreement for the Nordic markets for this new treatment concept in a disease area with a significant unmet medical need. In the initial phase of the launch, Navamedic has deployed more than 25 machines at specialised depression clinics across Denmark, currently engaged in treating patients as a part of a clinical evaluation with patients. Navamedic expects to launch Re5-NTS in additional Nordic markets throughout 2017.

Financial Review

Revenues in the fourth quarter ended at NOK 81.6 million, up from NOK 65.4 million in the corresponding quarter of last year, representing a growth of 24.8 %. These all time high revenues were driven by the transfer of Imdur® to Navamedic, as well as continued strong performance for prioritised brands.

EBITDA for the quarter ended at NOK 5.7 million, an increase from NOK -0.1 million in the fourth quarter of 2015. The EBITDA improvement reflects increased revenues and higher gross margin.

Operating costs increased from NOK 15.6 million to NOK 16.9 million. In addition to development cost of Sippi®, there have been costs related to the roll-out of Imdur® in several countries and restructuring costs of NOK 0.7 million.

Results before tax were NOK 9.1 million in the fourth quarter, compared to NOK -10.6 million in the fourth quarter 2015. In addition to the increased revenue and gross profit, change in fair value contingent consideration to the former owners of Observe Medical, including interest per 30.9.2016 have had a positive impact on the financial result of NOK 8 million.

Revenues for the full year 2016 reached NOK 274.3 million, up from NOK 248.3 million in 2015, driven by a number of new launches, including Imdur®, throughout the year.



The EBITDA in 2016 was NOK 8.0 million, a decrease from NOK 8.8 million last year. The decrease in EBITDA is mainly related to the full year impact of development and launch costs in the Medtech business area, as well as restructuring costs in the Pharma and Healthcare business. Observe Medical was not a part of Navamedic in the first seven months of 2015 and Navamedic therefore had lower consolidated expenses in 2015.

The result before tax was NOK -10.5 million in 2016, compared to NOK -10.3 million in 2015. Improved gross profit and a positive change in the fair value of contingent consideration was offset by the development cost of Sippi, an impairment of NOK 8.5 million related to Aspen product, and marketing permissions that were recognised in 2016.

There has been an increasing revenue growth throughout 2016. As a result of this accelerating growth trend, inventories and receivables are holding up more cash per 31.12.2016 than at the same time last year. The cash position at the end of the quarter was NOK 26.9 million, compared to NOK 12.3 million at 31 December 2015. The group's cash flow from operating activities was NOK -7.0 million in the fourth quarter of 2016, compared to NOK -1.9 million in Q4 2015. The group's cash flow from financing activities was NOK 3.2 million. Repayment of long-term debt was made, and short term liabilities were leveraged to finance the change in working capital in the fourth quarter.

For 2016, the net change in cash was 14.6 MNOK, driven by the issue of shares and increased payables.

Inventories and receivables have increased in 2016, mainly due to high sales activity and the initiation of Imdur® distribution.

As per 31.12 2016 NOK 5.0 million was reclassified from long-term debt to short-term debt. The reason for the temporary reclassification, was that Navamedic in the fourth quarter of 2016 received a bank waiver lasting until 31.3 2017. Per February 2017, the bank and Navamedic have agreed on new covenant terms for 2017 and 2018. Installments follow the original termsheet.

See note 12 for more information.

Outlook

Navamedic's transformational journey continues, driving growth both through the inflow of new products and partnerships, and through the continued commercialisation of Sippi®. After acquiring Sippi® in 2015, Navamedic has transformed into a company with both a pan-Nordic pharmaceutical and medical device distribution business, combined with the ownership of a patented Medtech product with global potential.

Navamedic aims to build a stronger and more profitable business for the future, which includes necessary transformative actions and activities in current operations. To position itself for growth beyond the discontinuation of the Aspen collaboration during the first half of 2017, the company continues to execute on its strategy to source additional products in order to grow and expand its distribution portfolio. There are currently several interesting potential collaborations in the pipeline.

The partnership agreement, initiated in 2016 with TopRidge Pharma Limited, represents an exciting opportunity for Navamedic's growth. After having commenced the distribution of Imdur® in nine European markets during 2016, the companies are jointly evaluating additional market opportunities for 2017. The agreement on distribution of Imdur® is expected to partly offset revenue loss from the non-renewal of the



Aspen partnership by the end of Q2 2017. The annual revenue potential from Imdur® lies in the range of NOK 70-100 million, depending on the number of markets Navamedic will handle for the brand.

After the closing of the fourth quarter, a short prolongation of the Aspen agreement was signed, extending the final date of the transfer of the portfolio back to Aspen to June 30, 2017. A significant drop in revenues, and a short term EBITDA pressure is expected in 2017 and 2018, as a result of the discontinued partnership, and as Navamedic continues to build its partnership portfolio with additional products and partnerships. The agreement with TopRidge Pharma sets the stage for long-term cooperation and growth, including potential further product and market expansion within the agreement, and the opportunity to draw on a credit facility to support Navamedic's future growth.

While Navamedic is not satisfied with the sales of Sippi® in 2016, the company has significant future expectations in the innovative technology Sippi® represents, with future annual sales potential above NOK 250 million. 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. The first batch of wireless Sippi® units were produced in Q4 and the company is fully engaged in the development of necessary software links to relevant Patient Data Monitoring Systems (PDMS) to ensure full automation and digitalization of urine volume monitoring. After having developed and certified the communication protocols with two leading PDMS systems, the company moved into clinical tests with the first two PDMS-systems during Q1 2017. When these tests are completed, Navamedic expects sales to increase throughout the year.

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 2015.

Fornebu, 14 February 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>	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Operating revenues	81 609	65 377	274 298	248 349
Cost of goods sold	-59 039	-49 890	-204 260	-187 448
Gross profit	22 569	15 487	70 038	60 901
<i>Gross profit %</i>	<i>27,7 %</i>	<i>23,7 %</i>	<i>25,5 %</i>	<i>24,5 %</i>
Other revenues	-	-	-	-
Payroll expense	-9 033	-8 757	-31 333	-26 078
Other operating cost	-7 823	-6 842	-30 675	-25 990
Operating costs	-16 856	-15 599	-62 008	-52 068
EBITDA	5 713	-112	8 030	8 833
Depreciation	-88	-111	-357	-194
Amortization	-3 063	-4 527	-13 711	-12 461
Impairment	0	-	-8 528	0
OPERATING RESULT (EBIT)	2 562	-4 751	-14 566	-3 822
Financial income and expenses				
Financial income	233	1 243	6 703	2 726
Change fair value contingent consideration	7 113	-3 562	4 051	-3 562
Financial expenses	-773	-3 500	-6 655	-5 641
Net financial result	6 573	-5 818	4 099	-6 477
RESULT BEFORE TAX	9 135	-10 569	-10 467	-10 299
Tax on ordinary result	-1 324	-354	-192	-632
NET PROFIT 2)	7 811	-10 923	-10 658	-10 931
Attributable to owners of Navamedic ASA	7 811	-10 923	-10 658	-10 931
Basic and diluted earnings per share (NOK)	0,72	-1,16	-1,04	-1,22
Other comprehensive income that may be reclassified subsequently to profit or loss				
Currency translations differences	1 674	2 424	-14 795	12 682
Total comprehensive income for the period 2)	9 485	-8 499	-25 454	1 751
Attributable to owners of Navamedic ASA	9 485	-8 499	-25 454	1 751

1) Q4 and YTD 2015 figures are restated due to correction of error, see note 24 to the annual report for 2015.

2) All is attributable to owners of Navamedic ASA.



Condensed consolidated statement of financial position

<i>(In NOK '000)</i>	31 December 2016	31 December 2015
Assets		
Intangible assets	43 607	65 556
Goodwill	78 001	85 716
Deferred tax assets	11 191	9 151
Tangible assets	917	531
Non-current assets	133 716	160 954
Inventories	61 343	44 647
Short term receivables	69 674	57 654
Cash at hand, in banks	26 888	12 298
Current assets	157 905	114 598
Total assets	291 621	275 552
Equity and liabilities		
Equity		
Equity	105 488	118 280
Total equity	105 488	118 280
Liabilities		
Contingent consideration	23 568	27 619
Long term financial liabilities	13 031	15 243
Borrowings from Financial Institutions	0	13 333
Deferred tax	1 957	4 464
Non-current liabilities	38 556	60 659
Trade account payables	62 286	55 500
Short term liabilities to Financial Institutions	58 854	22 557
Short term financial liabilities	4 086	4 040
Short term liabilities	22 350	14 517
Current liabilities	147 576	96 613
Total liabilities	186 132	157 272
Total shareholders equity and liabilities	291 621	275 552

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



Condensed consolidated Cash Flow Statement

<i>(In NOK '000)</i>	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Profit (loss) before tax	9 135	-10 569	-10 467	-10 299
Taxes paid	1 648	711	-941	-2 462
Depreciation, amortization and write off	3 151	4 639	22 596	12 655
Interest and currency without cash effect 1)	-7 348	3 562	-4 285	3 562
Changes in inventory	-2 018	16 350	-16 696	22 754
Changes in receivables	-7 010	5 152	-13 333	-4 577
Changes in payables	-7 307	-19 873	6 787	-4 690
Changes in other current items	2 798	-1 863	2 462	5 686
Net cash flow from operating activities	-6 951	-1 892	-13 876	22 629
Cash flow from investments				
Purchase/disposal of tangible and intangible assets	-376	184	-1 676	-783
Investments in shares and acquisition	0	0	0	-23 541
Net cash flow from investing activities	-376	184	-1 676	-24 324
Cash flow from financing				
Short term liabilities to Financial Institutions	9 115	1 597	36 297	-4 823
Cash received for issue of shares 2)	-83	205	8 944	-160
Long term liabilities to Financial Institutions	-5 838	0	-13 333	13 333
Net cash flow from financing activities	3 194	1 802	31 909	8 350
Changes in currency	-595	1 322	-1 766	-534
Net change in cash	-4 728	1 416	14 591	6 121
Cash and cash equivalents start period	31 616	10 881	12 298	6 177
Cash and cash equivalents end period	26 888	12 297	26 888	12 298

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.

2) Costs related to the share issue in Q2 2016 is mainly paid in Q3 2016, and some in Q4.



Condensed consolidated statement of Changes in Equity

Equity

<i>NOK 1000</i>	Share capital	Share premium	Translation differences	Retained earnings	Total
Balance at 1 January 2015	8 562	90 284	14 349	-6 506	106 689
Issue of shares, net of share issue cost	888	8 952	-	-	9 840
Translation difference	-	-	12 682	-	12 682
Net profit of the period	-	-	-	-10 931	-10 931
Balance at 31 December 2015	9 450	99 236	27 031	-17 437	118 280
Balance at 1 January 2016	9 450	99 236	27 031	-17 438	118 280
Issue of shares, net of share issue cost 1)	1 418	11 244	-	-	12 662
Translation difference	-	-	-14 795	-	-14 795
Net profit of the period	-	-	-	-10 658	-10 658
Balance at 31 December 2016	10 868	110 480	12 236	-28 096	105 488

1) On 13 June 2016, the Company entered into a 8-year agreement with TopRidge Pharma Limited for distribution of angina prevention medicine, Imdur®, in European markets. In connection with entering into this agreement, 1,417,522 new shares were issued for cash of NOK 8 per share, in total cash of NOK 11.34 million. The cash issue price is estimated to be NOK 3.1 million lower than the estimated market value of the shares at the time of entering into the agreement, which is regarded as representing payment for an intangible asset by issue of shares. Costs related to the share issue at the end of Q3 2016 is approximately NOK 2.600 million before tax, and it is reduced by tax benefits of NOK 650 thousand.

2) Balance at 1 January 2015 and YTD Q4 2015 figures are restated due to correction of error, see note 24 to the annual report for 2015.



Explanatory Notes to the Financial Statements

General information

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

1. Nature of operation

Navamedic is a distributor of pharmaceuticals, medical device and Medtech products focusing on sales to hospitals, physicians and pharmacies, mainly in the Nordic region. 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 the third quarter 2015 all the shares of Observe Medical International AB were acquired. Observe Medical has developed Sippi[®], its own proprietary medical technology product for use in hospitals. Navamedic currently offers more than 80 products from 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 2015 (the Annual Financial Statements), as they provide an update of previously reported information. The accounting policies used are consistent with those used in the Annual Financial Statements. The interim report has not been subject to an audit. Navamedic's Board of Directors approved the condensed consolidated interim financial statements on 14 February 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 2015. See the Annual Financial Statements note 2.1.1. for discussion of new standards, amendments to standards and interpretations that are not effective for the Group for the periods ending 31 December 2015 and 31 December 2016.

4. Business combination

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

5. Earnings per share

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>	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Result allocated to shareholders	7 811	-10 923	-10 658	-10 931
Weighted average of outstanding shares	10 868	9 450	10 231	8 925
Earnings per share	0,72	-1,16	-1,04	-1,22

1) Results for Q4 and YTD 2015 are adjusted for correction of error, see note 24 to the annual report for 2015.

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

6. Segment information

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

Pharma and Healthcare Products business

The Pharma and Healthcare Product business consist of pharmaceuticals, medical devices and medical nutrition products that Navamedic sell, market and distribute to hospitals, patients and pharmacies on the behalf of 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)

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

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

Some important Pharma product brands are:

- Puri-Nethol brand, used for the treatment of acute leukemia
- Alkeran, cancer treatment
- Nitrolingual Spray, treatment for angina pectoris
- Eltroxin, treatment for heart failure
- Uracyst, a product for the treatment of Painful Bladder Syndrome
- Imdur, used to prevent angina attacks (chest pain)

Despite of the loss of the contract with Aspen for distribution in the Benelux area from 1 January 2016, revenues increased compared to the fourth quarter and year 2016 compared to the same periods in 2015. The revenue increase is helped by introduction of new Imdur and other products during the year. The Increased revenues led to improvement of the EBITDA.

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

(NOK 1000)	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Revenue	81 460	65 377	273 756	248 249
EBITDA	8 926	2 588	18 043	15 133
<i>EBITDA Margin</i>	11,0 %	4,0 %	6,6 %	6,1 %

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-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 today's method. Sippi® has been under development since 2009, and has received approval for hospital use in Europe and the United States.

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

The Medtech business 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. The purpose of this investment is to generate future revenue and profit.

Medtech business – Sippi®, Revenues and EBITDA

(NOK 1000)	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Revenue	149	0	542	100
EBITDA	-3 214	-2 700	-10 012	-6 300

Navamedic Group, Revenues and EBITDA

NOK 1000	Q4 2016		Q4 2015		YTD 2016		YTD 2015	
Segment	Revenues	EBITDA	Revenues	EBITDA	Revenues	EBITDA	Revenues	EBITDA
Pharma and Healthcare Products	81 460	8 926	65 377	2 588	273 756	18 043	248 249	15 133
Medtech	149	-3 214	0	-2 700	542	-10 012	100	-6 300
Sum Group	81 609	5 713	65 377	-112	274 298	8 030	248 349	8 833

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

Navamedic trades only with recognized, creditworthy third parties, of whom most companies are large, profitable pharmaceutical companies, 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 31 December 2016, there is little provision for bad debt.

Maturity profile on short-term receivables as per 31 Desember 2016:

**Short term receivables**

NOK 1000	Not due	Less than 3 months	3 to 12 months	Total
Trade receivables	37 251	18 229	6 594	62 074
Other receivables	7 601			7 601
Total receivables	44 852	18 229	6 594	69 675

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 made in Scandinavian currencies and EUR. The net impact of currency fluctuations on Navamedic's financial results is currently at a level which in the Company's opinion does not call for currency hedging mechanisms.

Operational risk

Navamedic is dependent on agreements for distribution rights from vendors. The company's largest distribution contract is with Aspen Pharma. From 1 January 2016, the distribution of Aspen products in the BeNeLux market was not renewed, which had had a negative effect on part of revenues and profits in 2016. In the fourth quarter and year 2016 the revenue loss was offset by new launches in the Nordic market. The main contract with Aspen for distribution of products in the Nordics, will not be renewed from 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 promising strategic partnership and long-term distribution agreement with TopRidge Pharma, as well as the development and commercialization of Sippi®. Navamedic also continue to evaluate further expansion of our product and partnership portfolio.

8. Tangible assets

NOK 1000	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Carrying value at the beginning of the period	801	634	531	52
Acquisition	-	-	-	626
Additions/disposal (-)	193	-	778	-
Depreciation in the period	-88	-111	-357	-194
Exchange differences	11	8	-35	47
Carrying value at the end of the period	917	531	917	531

9. Intangible assets and goodwill 1)

NOK 1000	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Carrying value at the beginning of the period	122 552	158 731	151 272	91 835
Acquisition	-	-3 843	-	60 840
Additions/disposal (-)	183	-107	4 016	783
Amortization in the period	-3 063	-4 527	-13 711	10 274
Impairment 2)	-	-	-8 528	-
Exchange differences	1 935	1 018	-11 442	-12 461
Carrying value at the end of the period	121 607	151 272	121 608	151 271

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



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

10. Deferred tax and deferred tax assets ¹⁾

Deferred Tax Assets

NOK 1000	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Carrying value at the beginning of the period	10 562	9 499	9 151	10 900
Acquisition	-	224	-	224
Recognised in equity	-51	-	599	-
Recognised in profit or loss	723	-356	1 497	-1 996
Exchange differences	-43	-216	-55	23
Carrying value at the end of the period	11 191	9 151	11 192	9 151

Deferred Tax

NOK 1000	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Carrying value at the beginning of the period	2 270	5 864	4 464	6 263
Recognised in profit or loss	-332	-476	-2 165	-1 815
Exchange differences	19	-924	-342	16
Carrying value at the end of the period	1 957	4 464	1 957	4 464

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

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

11. Share options

In 2016 0 share options were issued. As per 31 December 2016, the company has 0 share options outstanding. In 2016, 50.000 options are forfeited. In 2016 a cost of options of NOK 118 thousand was recognized.

12. 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 4% p.a. In addition, the company has other bank agreements and drawing facilities of SEK 60 million to cover credits and guarantees. SEK 50.1 million of these facilities was utilized at the end of 2016. The borrowing agreements from the bank had the following covenants during 2016;

- EBITDA above NOK 15 million in 2016.

It was per 31.12 2016 no covenant requirements relating to subsequent years. Navamedic have had a good dialog with the bank regarding operational priorities, restructuring and the expansion costs related to the Sippi product. The bank provided a waiver from the 2016 EBITDA requirement and Navamedic has agreed on the following new covenant;

- EBITDA above NOK 2.3 million in 2017 and EBITDA above NOK 12 million in 2018. Due to the negotiations with the bank not being finalized per 31.12 2016 and the waiver lasting until 31.3.2017, MNOK 5.0 was by 31.12 2016 reclassified from long term liabilities to short term liabilities. This is a short-term reclassification required by IFRS and will be reverted for the Q1 2017 reporting.

In addition to bankloans 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 product expansion purposes. Towards a selected group of suppliers, the company has issued letter of credit of a total of NOK 0.3 million. This standby letter of credit is issued as security for the applicant's payment obligations under distribution agreements.

See the annual financial statements for 2015 for description of the financial liabilities relating to contingent



consideration and a license agreement. The estimated change in fair value reduced the carrying value of the contingent consideration by NOK 8.0 million in the fourth quarter 2016. (A reduction of NOK 4.1 million for the year 2016). The change represents reduced estimated milestone payments to the former owners of Observe Medical. The change in estimated fair value of the contingent consideration has been presented on a separate line item "change in contingent consideration" in the profit and loss statement. In addition there are elements of reduced interest.

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

Navamedic changed board of directors in January 2017, obtained a new patent, and agreed on new terms for 2017 and 2018 with the bank.

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

14. Shareholder Information

The largest shareholders per 31 December 2016 were:

	Shares	Ownership
NOBELSYSTEM SCANDINA	2 735 000	25,17 %
TOPRIDGE PHARMA	1 417 522	13,04 %
SEED	462 887	4,26 %
LAVIN	292 598	2,69 %
DANSKE INVEST NORGE	262 660	2,42 %
RO LARS	250 000	2,30 %
HARDING INVEST AS	244 400	2,25 %
KRAEBER VERWALTUNG G	214 850	1,98 %
SANDVOLD SHIPPING IN	213 661	1,97 %
DIRECTMARKETING INVE	206 844	1,90 %
NORDNET BANK AB	203 341	1,87 %
LID OLAV TARJEI HIOR	180 000	1,66 %
EILERAAS KARL ANSKAR	150 000	1,38 %
MP PENSJON PK	149 708	1,38 %
AVANZA BANK AB	145 724	1,34 %
ROSENFONN INVESTERIN	129 162	1,19 %
RØTTINGSNES BERNT OL	109 141	1,00 %
DANSKE BANK A/S	103 049	0,95 %
JGB EIENDOM AS	101 011	0,93 %



BATJAK AS	100 000	0,92 %
20 largest shareholders	7 671 558	70,59 %

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

Fornebu, 14 February 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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