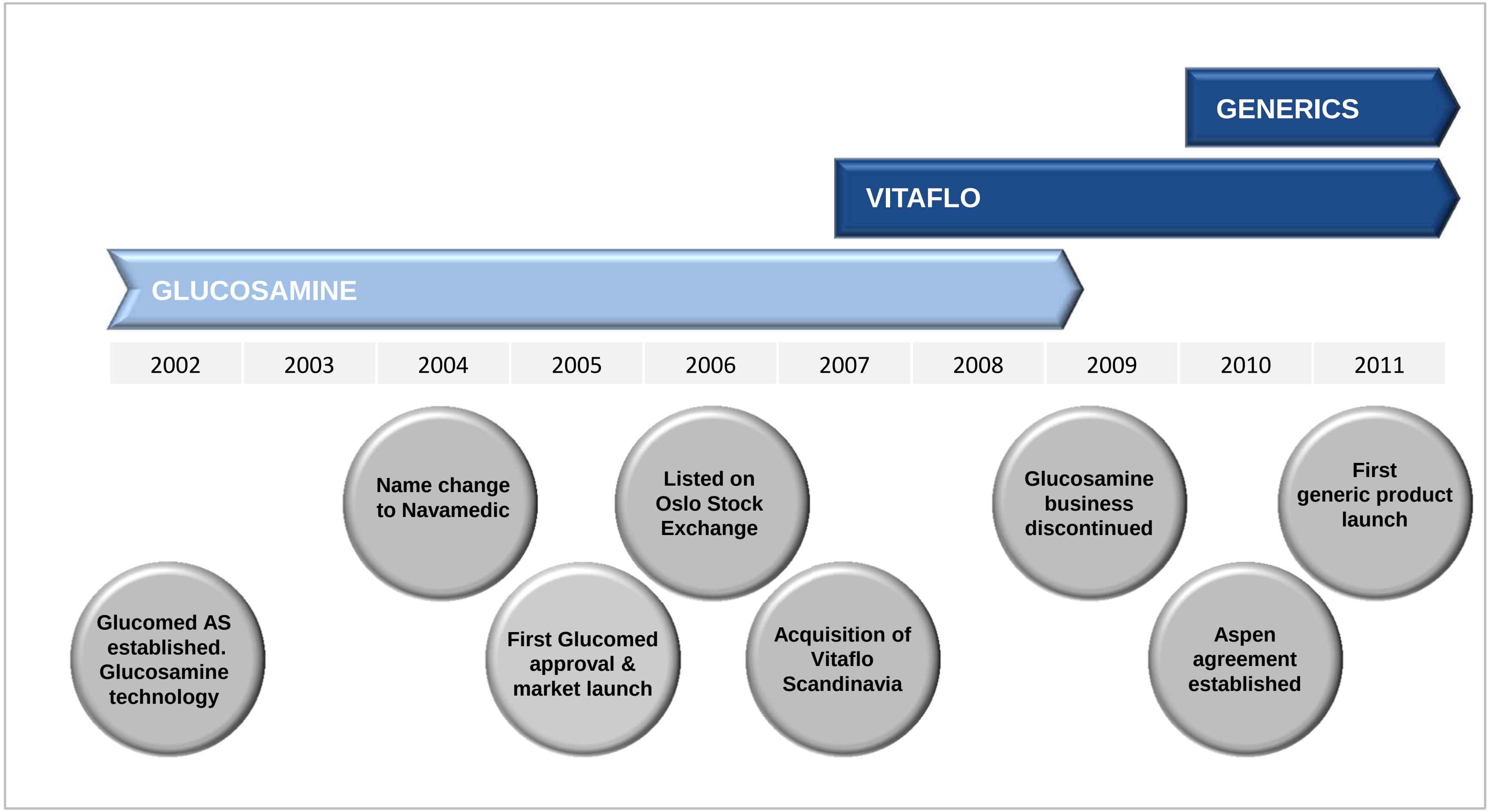
Navamedic

Building a Nordic Generics Company

Nordic Health Care Conference
6 December 2011

The rebirth of Navamedic



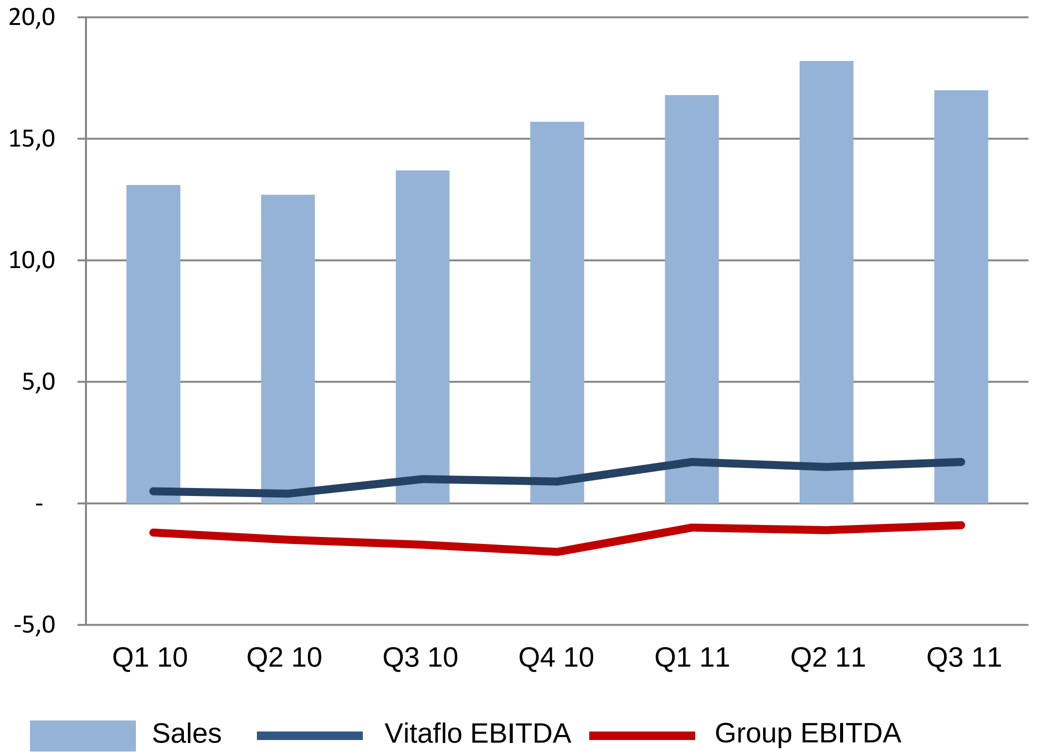
Why invest in Navamedic?

- High growth company from 2012 onwards
- Attractive margins in dynamic segments
- Diversified portfolio
  - More than 50 healthcare products from 14 producers
  - Fast growing position in the generics market; 10 products by end 2012
  - Access to pipeline of generics products
- Refocusing and turnaround completed
- Attractive risk/ reward profile

Dual track strategy established 2010

- Develop the Generics Business Area into one of top five in the Nordic markets
  - Target products with volume and margin potential
  - Build a broad portfolio of generic drugs in the Nordic and Benelux regions
  - Pipeline secured through Aspen partnership
- Further develop the Vitaflo Business Area
  - An efficient distributor of speciality pharma and healthcare products in the Nordic region
  - Strong top and bottom line growth
- Investments in developing the generics business partly carried by Vitaflo cash flow

Dual track strategy successfully implemented



All sales are attributable to Vitaflo

- Strategy:
  - *Vitaflo volume growth*
  - *Generics build-up*
- Successful sales growth in Vitaflo business
  - *32% Jan-Sep 2011*
  - *Close to 10% EBITDA margin*
- Generics development costs and investments partly supported by Vitaflo
- 2010-2011 developments according to plan
- Average cash outflow in 2011 is NOK 1.5 million per month

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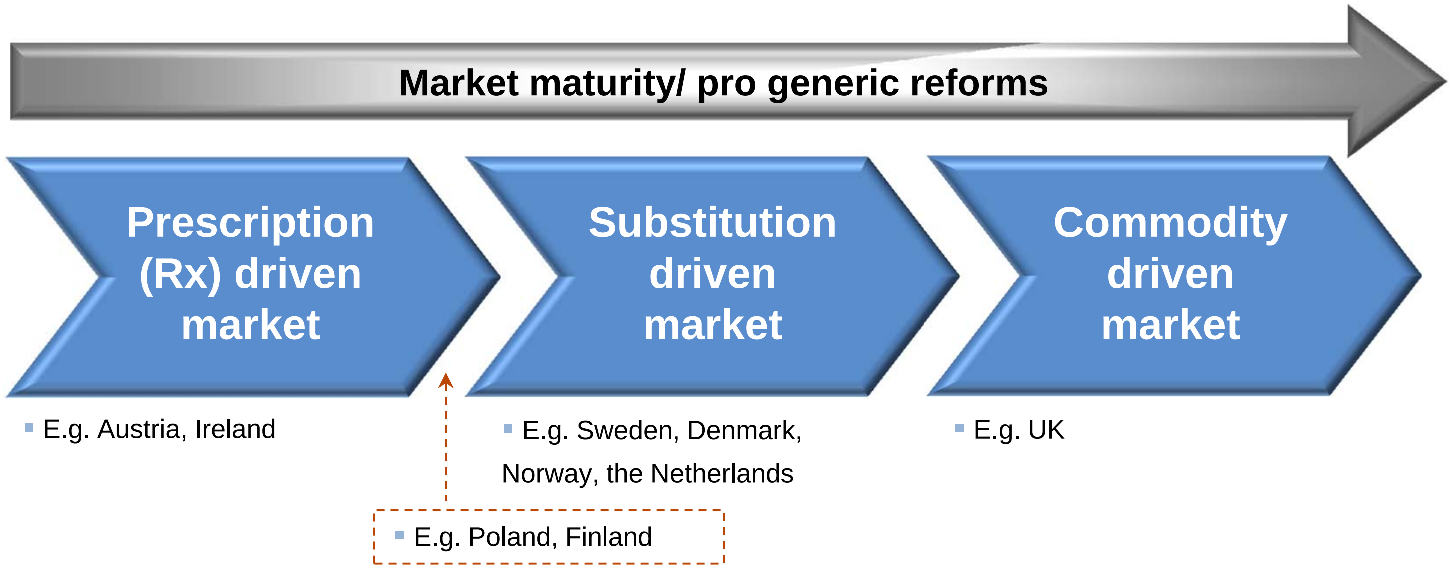
Generics: Attractive and challenging

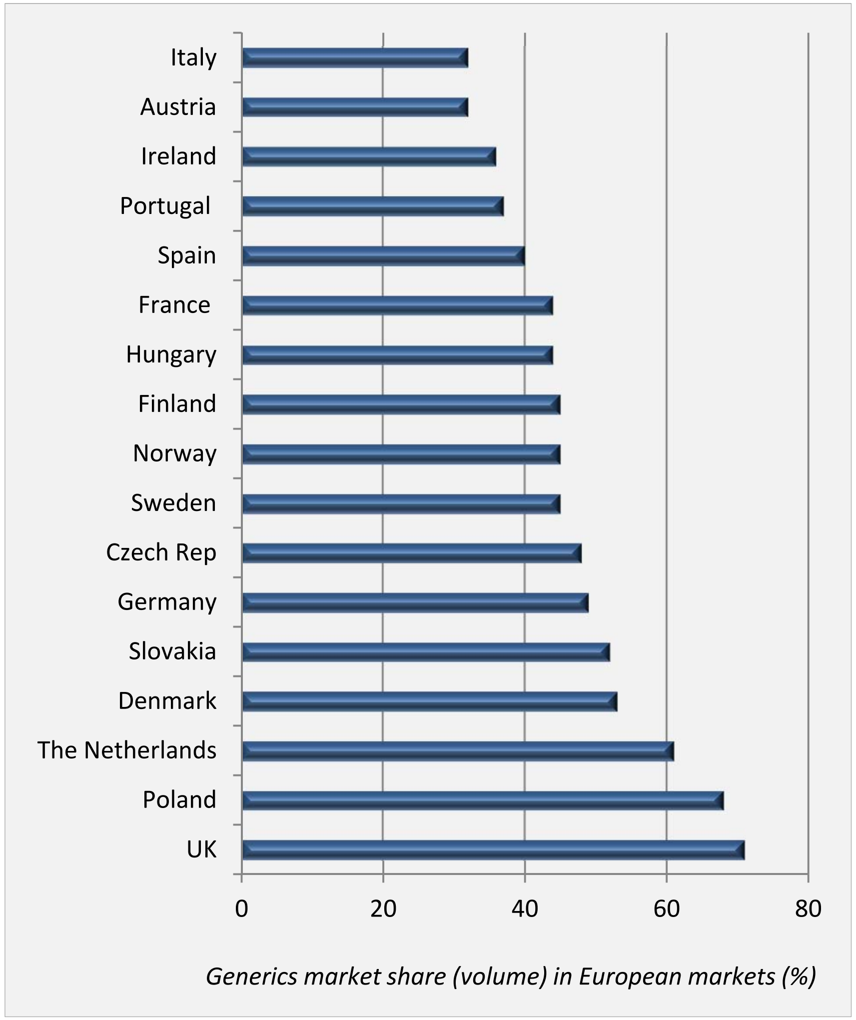
- Generic substitution gains momentum throughout Europe
  - Significant savings potential
  - Large number of patents expire over next years
  - 10-15 per cent annual sales growth
- Attractive business model
  - Limited development costs; price advantage over original product
  - Healthy margins
- Generics expertise a requirement
  - Access to pipeline a key factor
  - Regulatory and logistics expertise vital
  - No harmonization of national purchasing regimes
  - First to file – first to market

Europe moves towards a ”payer’s market”



- Market characteristics largely a reflection of national regulatory regimes
- Pro-generic regulatory reforms develop continously, creating momentum for generic drugs

Significant volume share potential



- All markets experience continued volume growth, even UK
- Norway saw the strongest volume growth 2009-2010: more than 25%
- Generics volume share in the Nordic markets is 45-53%; strong upside potential
- Fierce price competition in mature generics markets (e.g. UK – 71% volume share)
- No major player has identified the Nordic region as a core market

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Enormous health budget savings

Generic substitution currently provides a **€ 25 bn** annual savings in the EU
(Norway savings € 0.25 bn)

Generic substitution provides price cuts of **30-98%** after patent expiry

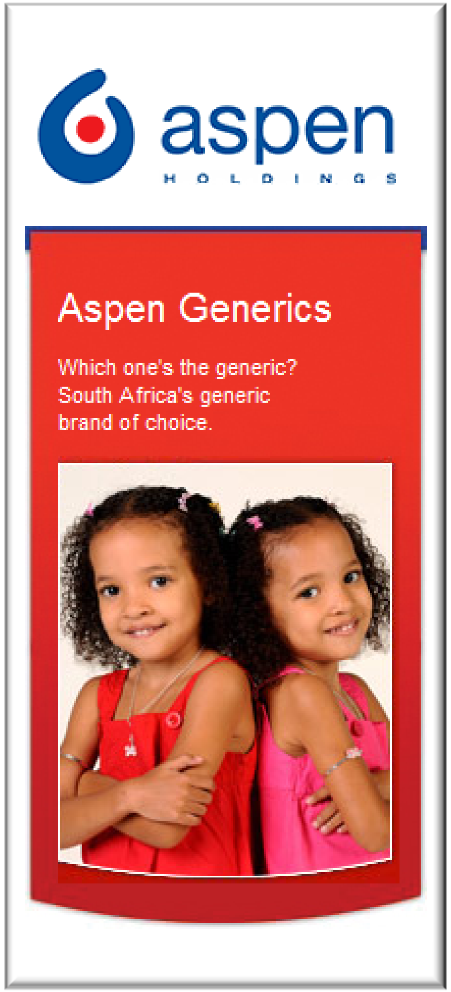
A highly competitive generics market

Generics currently represent **50%** of volume share and **18%** of value share
(EU average)

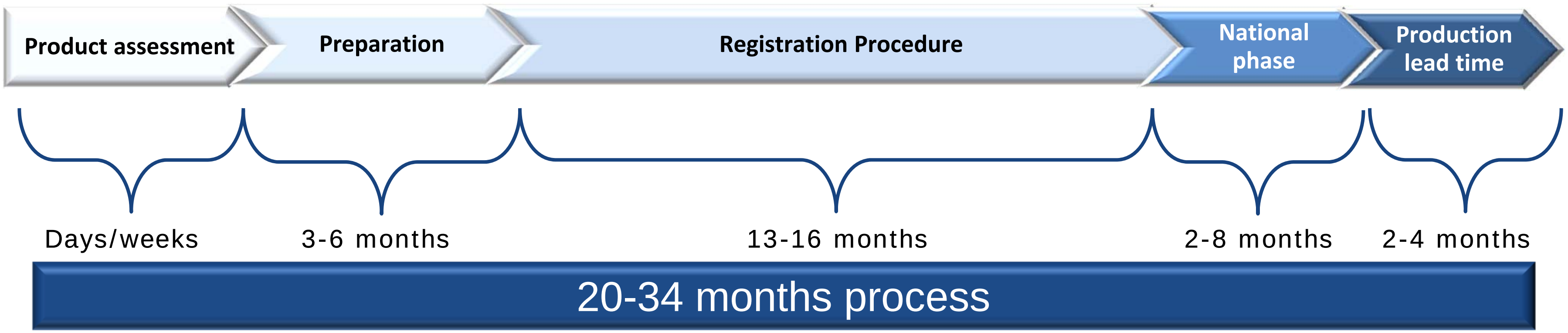
More than **700** companies offer generics to the European market. Sometimes up to **20** companies compete on the major molecules

Aspen agreement secures pipeline

- In 2010 Navamedic partnered with one of the world's largest manufacturers of generic drugs - Aspen Pharma (SA)
  - The agreement gives Navamedic exclusive rights to market and sell Aspen products in the Nordic and Benelux markets
  - Aspen product portfolio contains more than1 000 products
  - All major indication areas covered
  - Aspen not exclusive supplier, other partners available



More than two years pre-market process



- Average process cost per generics candidate: NOK 2.5 million
  - Internal costs, consultants, translations
  - Regulatory fees in each country
- NOK 28 million costs and investments in 2011

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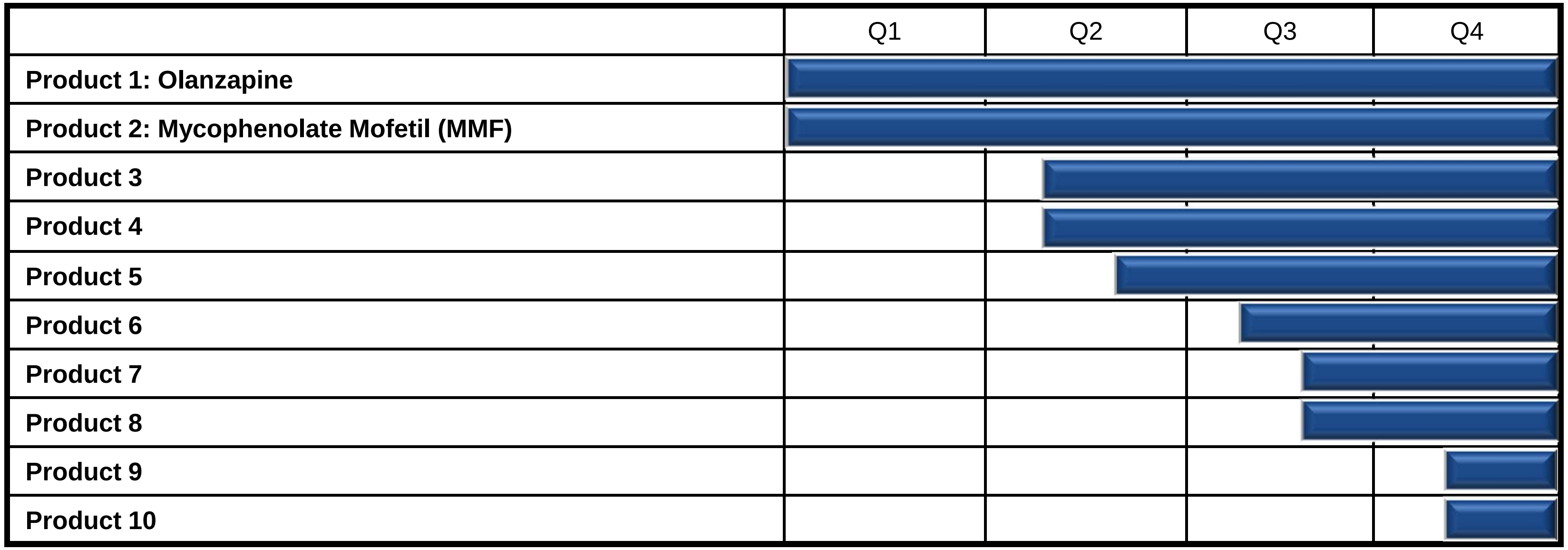
First generics launched in October 2011

- Olanzapine (replacing Ely Lilly's Zyprexa)
  - Anti psychotica
  - Initial markets: Finland, Netherlands
  - Available generic market: NOK 70 million
- Mycophenolate Mofetil – MMF (replacing Roche's CellCept)
  - Immunosuppressant (post transplants)
  - Initial markets: Sweden, Denmark, Finland
  - Available generic market: NOK 160 million
- Moderate revenue growth expected from 2012
- Currently13 products moving towards approval

2012 roll-out: Eight new products

- Moving into 2012 with two generic products in the market
- A total of ten products in the market by end 2012



- Careful market approach; exploring price and volume potentials

Generics targets

	2011	2012	2013	2014
Products in the market	2	10	18	26
Available market (MNOK)	30	740	910	1,300

Among top 5 in the Nordics in 2015

Main Nordic competitors - generics

Teva/ Ratiopharm
EUR 159 million

Actavis
EUR 111 million

Sandoz
EUR 91million

Mylan
EUR 33 million

2010 sales

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Vitaflo: Turned around and growing

- Distributor of healthcare products in the Nordics markets
  - More than 50 products from 14 manufacturers
- Product portfolio rebalanced and growing
  - More than 30 per cent sales growth in 2011
  - 10-20 per cent sales growth to be maintained
- Profitability improved
  - EBITDA margin improved from 5 to 9 per cent in 2011
  - Targetting margin above 10 per cent
- Vitaflo cash flow partly financing generics build-up

Vitaflo targets

	2011	2012	2013	2014	2015
Vitaflo sales (MNOK)	70	82	95	105	115
EBITDA (MNOK)	7	10	12	14	15
EBITDA margin	10%	12%	13%	13%	13%

Priorities going forward

- Roll out generics product line according to plan
  - Two first products already in market
  - Additional eight products in 2012
- Secure a robust and attractive pipeline of future generics products
  - Developing the Aspen relationship
  - Broadening the sourcing base
- Continue the development of Vitaflo
  - Growing volumes
  - Improving margins
- Build strong growth and profitability from end 2012 onwards

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Thank you for your attention

Q4 and full year 2011 results to be presented 12 February, 2012

Appendix: Financials I

	Navamedic Group			Generics Business Area			Vitaflo Business Area		
MNOK	*Jan-Sep 2011*	*Jan-Sep 2010*	*Full year 2010*	*Jan-Sep 2011*	*Jan-Sep 2010*	*Full year 2010*	*Jan-Sep 2011*	*Jan-Sep 2010*	*Full year 2010*
Sales	**52.0**	39.4	55.1	**0.0**	0.0	0.0	**52.0**	39.4	55.1
EBITDA	**-2.9**	-4.5	-6.5	**-7.9**	-6.4	-7.8	**4.9**	1.9	2.8
EBITDA margin	**-5.6%**	-11.4%	-11.8%				**9.4%**	4.8%	5.1%
EBT	**-7.8**	-9.8	-15.4						

- *All sales are attributable to Vitaflo products*
- *Vitaflo sales growth was 32 per cent in the first nine months of 2011*
- *The Generics Business Area capitalised investments of MNOK 9.8 in the first nine months of 2011 in addition to MNOK 7.9 in costs*

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Appendix: Financials II

MNOK	*30 Sep 2011*
Fixed assets	**95.5**
Current assets	**21.7**
- of which is cash	***0.5***
Total equity	**92.4**
Long term debt	**10.4**
Short term debt	**14.4**
Total balance	**117.2**

MNOK	*Jan-Sep 2011*
Cash at beginning of period	**14.1**
Net cash flow from operations	-3.6
Net cash flow from investments	-9.9
Net cash flow from financing	0.0
Net currency effects	-0.2
Net change in cash during period	-13.6
Cash at end of period	**0.5**

- *MNOK 15 credit facility unused per 30 Sep*
- *No interest bearing debt per 30 Sep*
- *Equity ratio at 79 per cent*

Average 2011 burn rate: MNOK 1.5/ month

Quarterly net change in cash 2011:
- *Q1: NOK -1.0 million*
- *Q2: NOK -6.6 million*
- *Q3: NOK -6.0 million*