

Q3 2019

Third quarter results 2019 Navamedic ASA

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Navamedic – Q3 highlights

Double digit topline growth

REVENUE

48.8 MNOK

Up 10.2% YoY

GROSS MARGIN

30.6%

34.9% Q318

EBITDA

0.2 MNOK

3.3 MNOK Q318

Amounts are for continuing operations, EBITDA differs from P&H segment due ongoing separate listing process of the Medtech segment.



Medical nutrition and Obesity categories driving growth



Separate listing of Medtech division – Observe Medical prospect launched today



Launch of Alflorex® for IBS in Denmark in Q4 2019



Launch of GeloRevoice in Norway



- Highlights

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- Operational update

- Observe Medical

- Financials

- Summary and outlook

Navamedic at a glance

Nordic pharma company with high growth ambitions



Navamedic - a supplier of high-quality products, delivered to hospitals and through pharmacies, meeting the specific medical needs for patients and consumers



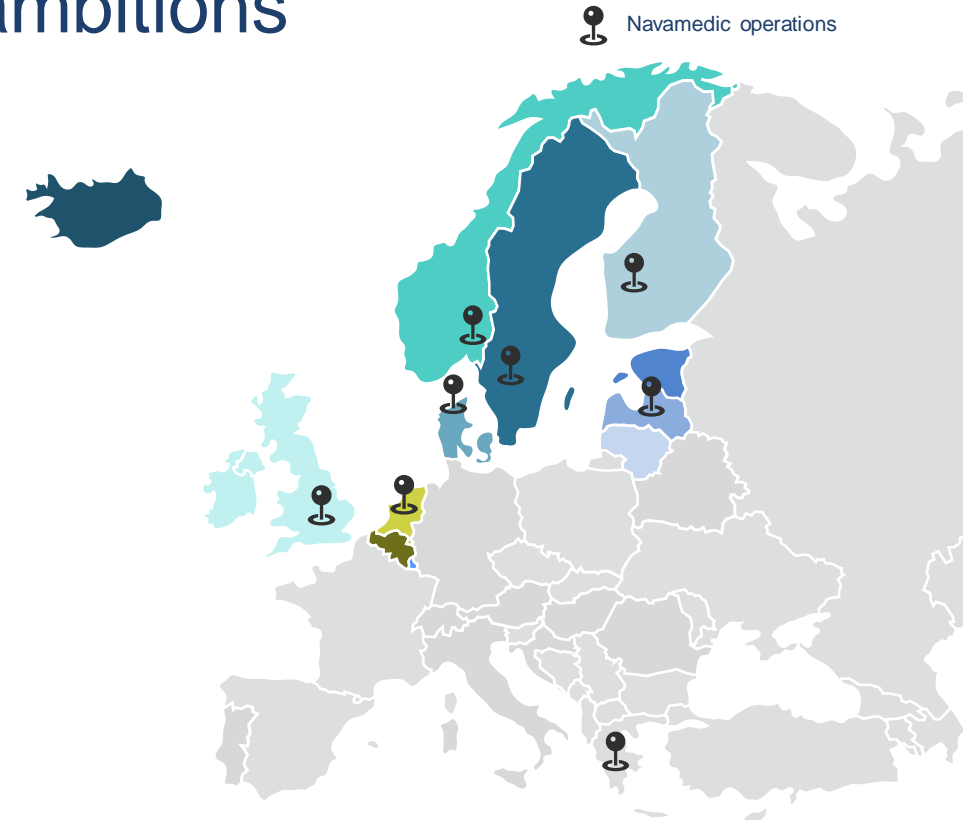
Presence in all Nordic countries, the Baltics and Benelux. Sales in UK, Ireland and Greece. Headquartered in Oslo, Norway



Strong competence in regulatory, reimbursement, marketing and sales. A full-service provider securing market access through our local competence. Experienced management team, with proven track record



Ambitious growth strategy, high-potential pipeline and M&A capabilities



Our strategy

Building a leading Nordic pharma company with a North European footprint

1

Strengthen the core

Untapped potential within existing products, categories and territories
Ongoing negotiations for attractive new distribution agreements

2

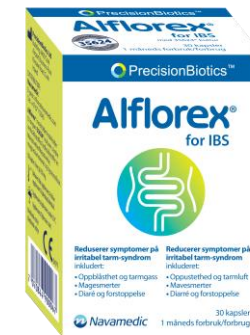
Secure and increase the value through ownership to products and brands

Innovative pipeline for in-licensing of new RX or OTC*, including products with RX to OTC switch potential
Develop own brands

3

Growth through M&A

Bolt-on acquisitions of product, brands and portfolios
Acquisitions of smaller companies where Navamedic has the competence of creating further growth, through broadening our categories and/or geographical territory



The preferred partner

Highly scalable pharma marketing and distribution platform and competence-driven value creation across categories



State-of-the-art market access platform

Maximising product potential throughout the value chain, based on economies of scale, sales excellence and regulatory expertise



Leading category competence

Adding value to our partners and customers through our leading category and therapy specific competence



Understanding what patients need

Adding value to patients by understanding their situation and challenges, helping them in continuing their treatment programs through guidance and inspiration, resulting in improved treatment and increased customer loyalty



Products

Medical nutrition and Obesity still driving the growth

Q3 2019
YoY
rev. growth

CARDIOLOGY		5%
MEDICAL NUTRITION		18%
OBESITY		58%
UROLOGY & WOMEN'S HEALTH		-17%
OTHER		3%

Operational highlights per category

- Nitrolingual contributing to Cardiology growth in Q3
- Strong performance of newly launched products and continued growth of main products
- Mysimba continues its strong performance
- Increased competition and lower sales of Gepan
- Improved campaigning. GeloRevoice main growth driver.

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Observe Medical ASA

Listing on Monday 4 November 2019



Separate listing on
Oslo Axess, 4 November



Prospectus and Investor
Presentation available at
www.observemedical.com



Navamedic ASA a major
shareholder



New CEO onboard

Observe Medical ASA at a glance

Simplifies patient care – prevents infections



Observe Medical develops innovative medical technology products that benefit patients and healthcare professionals



Global potential for the company's main product Sippi®, an automatic and digital urine meter approved for sale in Europe and registered for sale in the US



Launch phase for the next generation, Sippi®BLE, which comprises a digital urine meter with wireless connection to the hospital's digital patient data management system



Several tier 1 clients secured, with large pipeline of identified target customers

Existing customers

<p>Customer 1</p> <ul style="list-style-type: none"> Standard Sippi® Customer since 2014 14 base units, 100% installation 	
<p>Customer 2</p> <ul style="list-style-type: none"> Standard Sippi® Customer since 2015 5 base units, 50% installation 	
<p>Customer 3</p> <ul style="list-style-type: none"> Standard Sippi® 3 base units, 30% installation 	
<p>Customer 4</p> <ul style="list-style-type: none"> Standard Sippi® 8 base units, 60% installation 100% installation after PDMS conversion 	
<p>Customer 5</p> <ul style="list-style-type: none"> Regional hospital Standard Sippi® 4 base units, 30% installation 	
<p>Customer 6</p> <ul style="list-style-type: none"> Regional hospital Standard Sippi® 4 base units, 60% installation 	

Potential customers currently in sales funnel

<p>Customer 7</p> <ul style="list-style-type: none"> Start at Thoracic ICU, tests ongoing 100+ ICU beds 	
<p>Customer 8</p> <ul style="list-style-type: none"> Start at Neuro ICU, tests ongoing 	
<p>Customer 9</p> <ul style="list-style-type: none"> Tests of iMDsoft in test environment 	
<p>Customer 10</p> <ul style="list-style-type: none"> University clinic Trend setting hospital in region 	
<p>Customer 11</p> <ul style="list-style-type: none"> Group of hospitals Test start at one ward at first hospital in Q4 2019 	
<p>Customer 12</p> <ul style="list-style-type: none"> University hospital 100+ ICU beds 	

Large, global market potential for Sippi® and SippBag™ - launch in Autumn 2019

Sippi® market scope

Market potential

- Automated urine meter for ICUs¹⁾, ORs²⁾ and wards
- Potential: 0.5m base units and 20m disposable units p.a.
- > NOK 4bn market globally³⁾



SippBag™ market scope

Market potential

- Urine bags for hospitals, care centres and home care
- Potential: 500m bags p.a.
- > NOK 20bn market globally³⁾



Launch plan



Nordics and Germany

2019

1



USA and Canada

2021

2



Rest of the World
(selected markets)

2021

3

Launch plan



Nordics and Germany

2020

1



USA and Canada

2021

2



Rest of the World
(selected markets)

2021

3



Sippi® – Simplifies Patient care – Prevents Infections

www.observemedical.com

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Financials

Pharma and Healthcare segment¹

<i>(in NOK million)</i>	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Year 2018
Operating revenues	48.8	44.3	141.5	132.1	183.9
Gross profit	14.9	15.5	43.6	44.2	60.8
Gross margin	30.6 %	34.9 %	30.8 %	33.4 %	33.1 %
EBITDA before other items	3.4	5.0	8.7	12.2	15.6
Other items	2.6	1.5	5.2	5.6	6.1
EBITDA	0.8	3.5	3.5	6.6	9.5

1) The amounts for P&H including the parent company differ from consolidated continuing operations due to group internal income and expenses that have been eliminated in the consolidated income statements.

- P&H segment on track focusing on profitable products and leveraging on the growth platform
- Positive Q3 revenue development, driven by strong performance in Obesity and Medical Nutrition
- Gross profit % decreased due to changes in product mix
- EBITDA development affected by added resources and focus on business development
- Other items are external expenses related to corporate projects outside scope of ordinary operations. Similarly to Q2, these costs are related to the demerger and listing process of Observe Medical. Almost all external costs related listing process are reported in the parent company/P&H segment

Financials

Key consolidated profit and loss figures¹

<i>(in NOK million)</i>	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Year 2018
Operating revenues	48.8	44.3	141.5	132.1	183.9
Gross profit	14.9	15.5	43.6	44.2	60.8
<i>Gross profit %</i>	<i>30.6 %</i>	<i>34.9 %</i>	<i>30.8 %</i>	<i>33.4 %</i>	<i>33.1 %</i>
Operating costs	-14.7	-12.2	-42.0	-38.2	-52.3
EBITDA	0.2	3.3	1.6	5.9	8.5
<i>EBITDA %</i>	<i>0.4 %</i>	<i>7.4 %</i>	<i>1.1 %</i>	<i>4.5 %</i>	<i>4.6 %</i>
Depreciation and amortization	-0.8	-0.6	-2.6	-1.8	-2.3
Operating result (EBIT)	-0.6	2.7	-1.0	4.2	6.2
Net financial result	-1.9	0.6	-3.7	-0.7	-2.7
Result before tax, continuing operations	-2.5	3.3	-4.7	3.5	3.5
Income tax	0.1	-0.6	-0.8	-0.4	0.3
Net result from continuing operations	-2.5	2.7	-5.5	3.1	3.8
Net result from discontinued operations	-2.1	-4.3	-9.0	-11.7	3.5
Net result from total operations	-4.6	-1.6	-14.5	-8.6	7.3

1) Group external profit and loss items related to the Medtech division to be demerged have been re-presented as "discontinued operations". Net result from discontinued operations does not include depreciation and amortisation of fixed and intangible assets related to the Medtech division from 1 July 2019.

- P&L figures re-presented for discontinued operations
- Lower EBITDA in Q3 mainly due to increased strategic project cost of MNOK 2.6 (MNOK 1.5 in Q3 2018) and added resources and focus on business development. YTD strategic project cost of MNOK 5.2 (MNOK 5.6)
- Increased Net Finance cost mainly due to currency
- Net result from discontinued operation improved due to stopped depreciation and amortization in Q3 2019

Financial position

Assets¹

<i>(in NOK million)</i>	30.09.2019	31.12.2018
Intangible assets	7.3	30.1
Goodwill	59.1	79.6
Deferred tax assets	9.3	9.9
Tangible assets	1.9	0.1
Non-current assets	77.6	119.7
Inventories	37.1	38.1
Trade and other receivables	36.0	38.9
Prepaid taxes	8.1	7.0
Cash at hand, in banks	13.8	11.0
Assets held for distribution	55.2	NA
Current assets	150.2	95.1
Total assets	227.8	214.7

1) Group external assets and liabilities related to the Medtech division are presented as "held for distribution" at 30 September 2019. Fixed and intangible assets held for distribution have not been depreciated or amortised from 1 July 2019.

- Main changes in intangible assets, goodwill and total current assets due to reclassification to assets held for distribution
- Increase in tangible assets due to recognition of IFRS 16 right of use assets related to lease agreements

Financial position

Equity and liabilities

<i>(in NOK million)</i>	30.09.2019	31.12.2018
Equity	91.7	99.3
Contingent consideration	0.0	12.2
Long term part of license liabilities	8.5	10.2
Loans and borrowings incl. Lease liabilities	0.8	0.0
Deferred tax	0.2	0.2
Non-current liabilities	9.5	22.6
Trade and other payables	52.4	41.1
Short term liabilities to financial institutions and lease liabilities	29.7	32.6
Short term part of license liabilities	8.5	6.6
Income taxes payable	1.9	2.1
Short term liabilities	18.2	10.5
Liabilities held for distribution	16.0	NA
Current liabilities	126.7	92.8
Total shareholders equity and liabilities	227.8	214.7

- Equity ratio of 40.2%
- Contingent consideration reclassified to current liabilities held for distribution
- Non-current loans and borrowings at 30 September are IFRS 16 lease liabilities
- Increased short term liabilities are due increased accrued strategic project cost, product licence obligations and public taxes and duties

Financials

Cash flow Group – total operations¹

(in NOK million)

	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Year 2018
Net cash flow from operating activities	4.8	8.4	11.2	-28.6	-36.0
Net cash flow from investing activities	-0.9	-0.2	-1.7	-1.1	-2.2
Net cash flow from financing activities	3.1	2.8	-5.5	18.8	20.4
Changes in currency	-0.1	0.3	-0.9	-2.4	-1.4
Net change in cash	6.9	11.2	3.0	-13.3	-19.2
Cash and cash equivalents	14.0	16.9	14.0	16.9	11.0

1) Cash and cash equivalents at 30 September 2019 in the cash flow statement include cash and cash equivalents that are included in assets held for distribution in the statement of financial position.

- Positive cash flow from operating activities in Q3, mainly due to reduced other current assets and increased accounts payable, offset by increased inventory
- Significant repayment to previous partner Aspen of MNOK 18.7 during 2018.

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● **Summary and outlook**

Ambition

Building a leading Nordic pharma company with a North European footprint

- Navamedic is leveraging its strong position, expertise and highly scalable market access platform to **accelerate growth** through:
 - **Untapping the potential** within existing products, categories and territories, and strengthening its portfolio with new distribution agreements
 - Our **innovative pipeline** for in-licensing of new RX or OTC products and **acquisitions** where Navamedic has the competence of creating further growth
- And become a **leading Nordic pharmaceutical company with a North European footprint**



Q&A

Appendices

Appendix

Condensed consolidated statement of comprehensive income

<i>(in NOK '1000)</i>	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Year 2018
Operating revenues	48 841	44 309	141 494	132 121	183 916
Cost of materials	-33 898	-28 840	-97 905	-87 951	-123 111
Gross profit	14 943	15 468	43 589	44 170	60 804
<i>Gross profit %</i>	30.6 %	34.9 %	30.8 %	33.4 %	33.1 %
Payroll expense	-6 746	-5 416	-20 886	-18 956	-26 115
Other operating cost	-8 002	-6 765	-21 138	-19 265	-26 160
Operating costs	-14 748	-12 181	-42 024	-38 221	-52 275
EBITDA	195	3 287	1 565	5 950	8 529
<i>EBITDA %</i>	0.4 %	7.4 %	1.1 %	4.5 %	4.6 %
Depreciation	-263	-12	-973	-38	-54
Amortization	-578	-572	-1 580	-1 730	-2 258
Operating result (EBIT)	-646	2 702	-987	4 181	6 218
<i>Financial income and expenses</i>					
Net financial result	-1 901	605	-3 711	-656	-2 736
Result before tax continuing operations	-2 547	3 307	-4 698	3 526	3 482
Income taxes, continuing operations	65	-626	-795	-421	273
Net profit / loss (-) continuing operations	-2 483	2 682	-5 493	3 105	3 755
Net profit / loss (-) discontinued operations	-2 067	-4 283	-9 005	-11 741	3 529
Net profit / loss (-) Total operations	-4 550	-1 601	-14 498	-8 637	7 284
<i>Other comprehensive income that may be reclassified subsequently to profit or loss</i>					
Currency translations differences	550	1 259	-6 455	-11 236	-4 795
Total comprehensive income for the period	-4 000	-342	-20 953	-19 872	2 489

Appendix

Condensed consolidated statement of cash flows

<i>(In NOK '000)</i>	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Profit/loss(-) before tax	-4 614	-975	-13 703	-8 216	7 011
Taxes paid	-794	-904	-1 751	-5 570	-5 335
Depreciation, amortization and write off	937	1 640	4 691	4 720	6 212
Interest and contingent consideration without cash effect	1 067	1 081	2 213	2 853	-13 483
Changes in inventory	-4 827	868	-1 461	2 894	6 552
Changes in trade receivables	-1 362	7 345	1 857	8 922	1 842
Changes in trade payables	11 442	2 047	12 224	-24 173	-31 023
Changes in other current items	2 994	-2 727	7 108	-10 051	-7 800
Net cash flow from operating activities	4 842	8 375	11 177	-28 619	-36 024
Cash flow from investments					
Purchase/disposal of tangible and intangible assets	-910	-222	-1 725	-1 115	-2 162
Net cash flow from investing activities	-910	-222	-1 725	-1 115	-2 162
Cash flow from financing				0	0
Short term liabilities to Financial Institutions	3 506	3 934	-3 886	21 054	25 218
Cash received/spend for issue of shares	0	0	-502	0	0
Long term liabilities to Financial Institutions	0	-1 158	0	-2 296	-4 851
Payments of lease liabilities	-415	0	-1 121	0	0
Net cash flow from financing activities	3 091	2 776	-5 509	18 758	20 368
Changes in currency	-119	294	-948	-2 368	-1 382
Net change in cash	6 904	11 223	2 995	-13 344	-19 200
Cash and cash equivalents start period	7 138	5 679	11 046	30 246	30 246
Cash and cash equivalents end period	14 042	16 902	14 042	16 902	11 046

- Reduced amortizations in Q3 2019 is due to fixed and intangible assets held for distribution have not been depreciated or amortised from 1 July 2019.

Appendix

Basis for preparation

This presentation provides financial highlights for the quarter for Navamedic Group. The financial information is not reported according to the requirements in IAS 34 (Interim Financial Reporting) and the figures are not audited. The same measurement principles as presented in the Annual Report 2018 have been used preparing this presentation, with the exception of accounting for lease contracts (IFRS 16 implemented 1 January 2019 by use of the modified retrospective approach).

Definitions of Alternative Performance Measures (APM)

The APMs are regularly reviewed by management and their aim is to enhance stakeholders' understanding of the company's performance. APMs presented may be determined or calculated differently by other companies.

APMs:

EBITDA is equal to earnings before interest, tax, depreciation and amortization. EBITDA is a sub-total in the condensed consolidated statement of comprehensive income.

EBITDA margin is equal to EBITDA as a percentage of total operating revenues.

Gross profit is equal to total revenues minus cost of materials. Gross profit is a sub-total in the condensed consolidated statement of income.

Gross margin is equal to gross profit as a percentage of total operating revenues.

Equity ratio is equal to total equity as a percentage of total shareholders' equity and liabilities.

EBITDA before other items; In EBITDA before other items the costs related to strategic projects are not included.

Navamedic believe that the measure provides useful and necessary information to investors and other parties because it provides additional information on underlying growth of the business without the effect from one offs items.

Appendix

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