

Q2 2019

Second quarter and half year results
Navamedic ASA

Highlights for the first half year 2019¹⁾

- In the first half of 2019, revenues increased by 5.6% to NOK 92.7 million (NOK 87.8 million).
- Strong uptake of the anti-obesity drug Mysimba® across the Nordics with significant sales revenue growth to NOK 11.2 million in the first half 2019 (NOK 5.1 million). Continued positive feedback from clinicians and patients. Successful launch of Imdur® in Greece, expected to contribute to annual revenues above NOK 8 million.
- Change in revenue mix resulted in a gross margin of 30.9% in the first half of 2019 (32.7%).
- Navamedic group EBITDA from continuing operations for the first half 2019 was NOK 1.4 million (NOK 2.7 million), the decrease is primarily due to demerger project cost and increased focus on business development.
- Acquisition of Novicus Pharma brings in extensive experience and a pipeline of new products, expertise in driving growth through owned and in-licensed products and further acquisitions of brands.
- Proposed demerger and separate listing of the Medtech division, under the name Observe Medical on Oslo Stock Exchange is expected to take place in the fourth quarter of 2019. The division is commercialising Sippi®, a unique proprietary system for digital, wireless, urine measurement in global markets, with significant long-term revenue opportunities in excess of NOK 250 million annually.
- Post quarter events: On 5 August 2019, the Extraordinary General Meeting of Navamedic approved the plan for demerger and separate listing of the Medtech division, under the name Observe Medical.

Key figures¹⁾

NOK million	Q2 2019	Q2 2018	YTD 2019	YTD 2018	2018
Revenue	47.2	45.2	92.7	87.8	183.9
Gross profit	16.2	15.8	28.6	28.7	60.8
<i>Gross margin</i>	34.4 %	34.9 %	30.9 %	32.7 %	33.1 %
EBITDA before other items 2)	3.5	5.6	4.0	6.8	14.6
EBITDA	0.9	5.6	1.4	2.7	8.5
Operating Result (EBIT)	0.0	5.0	-0.3	1.5	6.2
Net result continuing operations	-1.4	4.2	-3.0	0.4	3.8
Net result total operations	-4.5	0.3	-9.9	-7.0	7.3
Assets	211.0	209.6	211.0	209.6	214.7
Equity	95.4	77.2	95.4	77.2	99.3
Liabilities	115.6	132.4	115.6	132.4	115.4
Equity ratio	45.2 %	36.8 %	45.2 %	36.8 %	46.3 %

1) Due to the signing of the agreement to demerge the Medtech division, profit and loss items for the group are now presented as relating to continuing and discontinued operations. The results for the consolidated continuing operations differs from the segment information for the P&H division. This is because the segments include intra-group income and expenses that have been eliminated on consolidation. Furthermore, group external assets and liabilities related to the Medtech division are presented as "held for distribution" at 30 June 2019. See note 10 for further information.

2) Other items are expenses incurred for projects not related to the ongoing activities. EBITDA before other items is EBITDA (reported as a separate line item in the consolidated statement of comprehensive income) excluding these expenses.

Comment from the CEO

“Since joining Navamedic as CEO from 1 January, I have truly enjoyed working with our team, customers, the new board and owners to implement the new strategy aiming at embarking our future growth journey.

We are aligned on the way ahead and have experienced a hectic first half year with several important initiatives. As we continued to build on our core business to provide a highly efficient market access platform for pharma companies, we also announced a key strategic decision: The demerger and separate listing of the Medtech division to take place during the fourth quarter of 2019.

The division is commercialising Sippi®, a new standard for urine monitoring which enables automated digital measurement. We believe in Sippi®, because 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 through its proprietary technology and alerts healthcare professionals if biofilm reach critical levels.

Sippi® is addressing two major problems in the health care industry: Hospital acquired infections and stressed out personnel allowed too little time to spend on patients. As the next generation digital, wireless, urine measurement and infection prevention system, Sippi® is approaching attractive markets with a unique, clinically validated and regulatory approved product which meets a significant medical need. We see significant long-term global market opportunities for the proprietary Sippi® product family ahead, estimated to above NOK 250 million annually.

The two divisions, Pharma and Medtech, are distinctly different with limited synergies. Medtech/Sippi® has a global market potential while Pharma is focused on the Northern European market. Medtech/Sippi® is targeting hospitals and mainly ICU’s, while Pharma is targeting primary care, pharmacies and consumers. Medtech/Sippi® is at the beginning of its commercial growth journey, while Pharma is a steady growing business. Both Medtech/Sippi® and Pharma deserve their own platforms to

prosper and grow, enabled by the proposed demerger and separate listing of Medtech/Sippi®.

On 5 August, the Extraordinary General Meeting of Navamedic approved the demerger and separate listing of the Medtech division, and we expect the demerger to be completed in the beginning of November 2019.

In parallel, we continued our operational execution to leverage on Navamedic’s highly scalable pharma market access platform. We continued to deliver growth, mainly driven by the strong momentum in our Obesity category where our anti-obesity product Mysimba delivered another strong quarter growing sales by 54% compared to the first quarter of 2019. Our Medical Nutrition category also delivered strong operational performance in the quarter, resulting in sales growing by 10% in the first half of 2019 compared to the same period last year. In the Cardiology category, we had a successful launch of Imdur in Greece, expected to contribute to annual sales above NOK 8 million from 2020 in Greece.

These positive developments show early signs of the significant potential in our core business. We are looking forward to continue driving growth in our current product portfolio, in addition to introducing new products and to explore the arising M&A opportunities on our journey of becoming a leading Nordic pharmaceutical company.

Thank you for following Navamedic and we look forward to work with all our stakeholders during an eventful 2019 and beyond.”



Kathrine Gamborg Andreassen,
Chief Executive Officer

Operational review

Financial highlights

Navamedic ASA is a Norwegian medtech and pharmaceutical distribution and marketing company. The company distributes pharmaceutical and medical device products supplied from a number of manufacturers to hospitals and pharmacies in the European region. Navamedic currently reports two segments; Pharma and Healthcare (P&H) and Medtech. Navamedic is in process to demerge and separately list the Medtech division on Oslo Stock Exchange, which is preparing the global launch of the next generation digital urine meter, Sippi®. See note 10 for further description of discontinued operations and note 5 for reconciliation of the segments to the consolidated revenues and EBITDA for the group.

(in NOK million)	P&H incl. Nava. ASA				Medtech			
	Q2		YTD		Q2		YTD	
	2019	2018	2019	2018	2019	2018	2019	2018
Operating revenues	47,2	45,2	92,7	87,8	0,0	0,0	0,1	0,1
Gross profit	16,2	15,8	28,6	28,7	0,0	0,0	0,0	0,0
Gross margin	34,4 %	34,9 %	30,9 %	32,7 %	NA	NA	NA	NA
EBITDA before other items	4,5	5,8	5,3	7,3	-2,9	-2,3	-5,6	-4,6
Other items	2,6	0,0	2,6	4,1	0,0	0,0	0,0	0,0
EBITDA	1,9	5,8	2,7	3,2	-2,9	-2,3	-5,6	-4,6

Navamedic's strategy is to build a state-of-the-art market access platform for delivering healthcare products to patients, hospitals and pharmacies in the Nordics, with a solid presence in the other Northern European countries, leveraging strong and established regulatory, sales, and marketing capabilities in the hospital and pharmacy sectors.

In the first half of 2019, revenues in the Pharma and Healthcare business area were NOK 92.7 million, up from NOK 87.8 million in the same period last year, while the gross margin was 30.9%, compared to 32.7% in the corresponding period last year. The EBITDA in the Pharma and Healthcare business area ended at NOK 2.7 million in the first half of 2019, down from NOK 3.2 million in the same period last year. After the acquisition of Novicus Pharma in February 2019, more resources have been spent on R&D and business development. More resources have also been spent in the Medtech division to develop and position the product and company.

Turning to the operational development of the Pharma division's product categories, Medical Nutrition had revenues of NOK 23.1 million (NOK 20.9 million) in the first half of 2019, driven by strong performance for newly launched products. In the Obesity product category, uptake of the anti-obesity product Mysimba continued to be strong. Navamedic continued focusing on reimbursement and getting Mysimba into "standard of care", in addition to working on new concepts to maintain customer loyalty and secure new patients and consumers. Revenues in the first half of 2019 for the Obesity product category were NOK 11.2 million (NOK 5.1 million). The company's Urology product category had revenues of NOK 7.7 million (NOK 9.1 million) in the first half of 2019. In the Cardiology product category, revenues in the first half of 2019 ended at NOK 33.5 million (NOK 36.1 million), mainly driven by lower Nitrolingual sales compared to last year. An important highlight for the product category Cardiology was the successful launch of Imdur in Greece in May 2019. The category for Other products delivered revenues of NOK 17.2 million (NOK 16.6 million), mainly driven by improved campaigning for our consumer products and increased focus on and improved follow-up of pharmacies.

Financial review for the second quarter of 2019

Income Statement data

As a consequence of the signing of the demerger agreement on 19 June 2019, group external profit and loss items related to the Medtech division have been re-presented as "discontinued operations" for all periods presented in this report. The amounts include amortization of the fair value adjustment ("excess values") related to the purchase of Observe Medical International AB in 2015 and changes in fair value of the contingent consideration. The result from discontinued operations differs from the "stand alone" amounts reported for the Medtech division including excess values and contingent consideration. See note 10 for further information.

IFRS 16 leases was implemented on 1 January 2019, which increased assets and liabilities by NOK 2.4 million at implementation. The effects on the income statement in the second quarter 2019 was immaterial. Comparable figures have not been restated.

Revenues (continuing operations) in the second quarter of 2018 were NOK 47.2 million, an increase from NOK 45.2 million in the corresponding quarter last year, mainly driven by strong operating performance in the Obesity and Medical Nutrition product categories.

Cost of materials (continuing operations) saw a minor increase from NOK 29.4 million in the second quarter of 2018 to NOK 30.9 million in the second quarter of 2019. The gross margin decreased from 34.9% in the second quarter of 2018 to 34.4% this quarter, due to change in the product mix.

EBITDA (continuing operations) for the quarter was NOK 0.9 million, down from NOK 5.6 million last year, mainly driven by increased strategic project costs and increased personnel costs focusing on business development after the acquisition of Novicus Pharma in the first quarter of 2019. The cost of other items on NOK 2.6 million is external cost related to the demerger preparing for the IPO process of Observe Medical. These external costs are in the second quarter booked within the Pharma and Healthcare division. Internal cost related to the demerger and repositioning of Observe Medical allocated between Pharma and Healthcare and Medtech according to received services. The costs of using internal personnel in the Medtech division have therefore increased.

The operating result (EBIT) (continuing operations) for the second quarter was NOK 0.1 million, compared to NOK 5.0 million in the second quarter of 2018. Net financials (continuing operations) were negative NOK 0.9 million, a decrease from negative NOK 0.8 million in the second quarter of 2018.

The result before tax for continuing operations was negative NOK 0.9 million in the quarter, down from NOK 4.3 million in the second quarter of 2018.

The result after tax for continuing operations was negative NOK 1.5 million in the second quarter, down from NOK 4.2 million in the second quarter of 2018.

The result after tax for discontinued operations was negative NOK 3.1 million in the second quarter 2019, up from negative NOK 3.9 million in the second quarter of 2018.

The result after tax for total operations was negative NOK 4.6 million in the second quarter, a decline from NOK 0.3 million in the second quarter of 2018.

The total comprehensive income was negative NOK 6.3 million, compared to negative NOK 3.7 million in the second quarter of 2018, following currency translation differences in the period of negative NOK 1.7 million and negative NOK 4.0 million, respectively.

Cash flow statement data (total operations)

The group's cash flow from operating activities was negative NOK 2.8 million in the second quarter of 2019. The negative cash flow was affected by negative result from the Medtech division related to the commercialization of Sippi®, and a net negative effect from payments of trade payables, partially offset by reduced inventory and other current items. The inventory reduction is related to reduction of Imdur.

The group's cash flow from investing activities was negative NOK 0.5 million in the second quarter of 2019, as a result of investments in the Sippi® technology. The group's cash flow from financing activities was negative NOK 2.0 million due to reduced use of the credit facility and payments of leasing. See also note 6 for further comments regarding the short-term cash position.



Financial review for the first half of 2019

Income Statement data

As a consequence of the signing of the demerger agreement on 19 June 2019, external profit and loss items related to the Medtech division have been reclassified and presented in one line item "discontinued operations". See note 10. The remaining consolidated income and expense items related to continuing operations differs somewhat from the P&H segment. This is because the segments include intra-group income and expenses that have been eliminated on consolidation.

IFRS 16 leases was implemented on 1 January 2019, which increased assets and liabilities by NOK 2.4 million. In the first half year 2019, the effect of IFRS 16 was an increase in EBITDA of NOK 0.75 million, increased amortization of NOK 0.68 million and increased interest expenses of NOK 0.04 million. Comparable figures have not been restated.

For the first half of 2019, Navamedic reported revenues (continuing operations) of NOK 92.7 million, up from NOK 87.8 million in the first half of 2018, representing an increase of 5.5%, mainly driven by growth in the Obesity and Medical Nutrition product categories.

The EBITDA (continuing operations) in the first half of 2019 was NOK 1.4 million, compared to NOK 2.7 million in the first half of 2018. The decreased EBITDA is mainly due the acquisition of Novicus Pharma and more resources dedicated to product and business development initiatives.

The operating result (EBIT) (continuing operations) for the first half of 2019 was negative NOK 0.3 million, compared to NOK 1.5 million in the first half of 2018. Net financials were negative NOK 1.8 million, a decrease from negative NOK 1.3 million in the first half of 2018. The level of interest-bearing debt was lower in the first half of 2019. The result before tax for continuing operations was negative NOK 2.2 million in the first half of 2019, down from NOK 0.2 million in the same period last year.

The result after tax for continuing operations was negative NOK 3.0 million in the first half of 2019, down from NOK 0.4 million in the first half of 2018.

The result after tax for discontinued operations was negative NOK 6.9 million in the first half of 2019, up from negative NOK 7.5 million in first half of 2018.

The result after tax for total operations was negative NOK 9.9 million in the first half of 2019, a decline from negative NOK 7.0 million in the first half of 2018.

The total comprehensive income was negative NOK 16.9 million, compared to negative NOK 19.5 million in the first half of 2018, following currency translation differences in the periods of negative NOK 7.0 million and negative NOK 12.5 million, respectively.

Financial position data

External assets and liabilities related to the Medtech division are presented as "held for distribution" in separate line items in the "current" sections in the consolidated statement of financial position at 30 June 2019. These include the carrying values of the fair value adjustments ("excess values") related to the purchase of Observe Medical International AB in 2015 and the estimated fair value of the contingent consideration.

The consolidated total assets were NOK 210.9 million at 30 June 2019, down from NOK 214.7 million at year-end 2018, of which non-current assets were NOK 75.4 million. Current assets increased to NOK 135.6 million from NOK 95.1 million at 31 December 2018. The decrease in non-current assets and increase in current assets is primarily due to the reclassification to assets held for distribution (explained above).

Non-current liabilities are NOK 12.2 million per 30 June 2019, a decrease from NOK 22.6 million at 31 December 2018, primarily as a result of reclassification of contingent consideration to current liabilities held for distribution. Non-current loans and borrowings are lease liabilities recognised due to implementation of IFRS 16 at 1 January 2019. At the end of the first half of 2019, Navamedic had an equity of NOK 95.4 million, compared to NOK 99.3 million per 31 December 2018, representing an equity ratio of 45.2%. The equity reduction was due to the net loss and negative currency translation differences, partially offset by the capital increase due to the acquisition of Novicus.

The Group had current liabilities of NOK 103.4 million compared to NOK 92.8 million at 31 December 2018. The change is mainly a result of reclassification of liabilities held for distribution, partially offset by reductions in short term liabilities to financial institutions.

Cash flow statement

The Group had a net cash flow from operating activities (total operations) in the first half of 2019 of NOK 6.3 million, compared to negative NOK 37 million for the same period in 2018. In 2018, significant payments of trade payables, especially to Aspen, were made. Furthermore, changes in other working capital items contributed negatively in the first half of 2018, and positively in the first half of 2019. Net cash flow from investing activities ended at negative NOK 0.8 million, compared to negative NOK 0.9 million for the same period in 2018, while the net cash flow from financing activities was negative NOK 8.6 million, compared to positive NOK 15.9 million for the same period in 2018. The change in net cash from financing activities is mainly driven by the change in short term liabilities to financial institutions. The cash and cash equivalents were NOK 7.1 million for total operations at 30 June 2019, including NOK 0.6 million included in assets held for distribution.

Corporate developments

Novicus Pharma

On 13 February 2019, announced the acquisition of 100% of the shares in Novicus Pharma, which closed on 27 February 2019. As part of the transaction, the three founders of Novicus Pharma became key members of the Navamedic management team.

Proposed demerger and separate listing

Navamedic's two divisions, Pharma and Medtech, are distinctly different with limited synergies. Medtech/Sippi® has a global market potential while Pharma is focused on the Northern European market. Medtech/Sippi® is targeting hospitals and mainly ICU's, while Pharma is targeting primary care, pharmacies and consumers. Medtech/Sippi® is at the beginning of its commercial growth journey, while Pharma is a steady growing business. Both Medtech/Sippi® and Pharma deserve their own platforms to prosper and grow, and on 14 May 2019, Navamedic announced the proposed restructuring of Navamedic ASA, whereby the Medtech division is demerged from Navamedic ASA and merged into a newly incorporated entity, Observe Medical ASA, which will be sought listed on Oslo Axess upon completion of the demerger.

On 19 June 2019, the board of directors of Navamedic ASA and Observe Medical ASA announced that they have signed a joint demerger plan and resolved to propose to their respective general meetings that the shareholders shall approve the demerger of Navamedic ASA, whereby all of Navamedic ASA's shares in Observe Medical International AB are transferred to Observe Medical ASA together with an earn-out obligation (a contingent consideration) to the sellers of Observe Medical International AB related to Navamedic ASA's acquisition of Observe Medical International AB in 2015, while all other assets, rights and liabilities will remain with Navamedic ASA. The contingent consideration is further described in note 8.

After the quarter, on 5 August, the Extraordinary General Meeting of Navamedic approved the plan for demerger and separate listing of the Medtech division, and the demerger is expected to be completed in the beginning of November 2019.



Risks and uncertainties and related parties

Navamedic Pharma & Healthcare business is a pharmaceutical and medical device distribution business. The nature of such business is that the distributor obtains the marketing rights for a product in certain geography for a given period of time at certain conditions. Of key importance is to obtain long term agreements with as high margins as possible. Products sourced from product owners/suppliers can stand the risk to be taken over by the product owner/supplier at the end of the contractual period. This risk is natural and inherent in the business model and is compensated for by securing continuous inflow of new products to our portfolio.

For products owned by Navamedic, such as the Sippi® products, the risk is different and relates to available resources and competence to finalise a new global product and to invest in the global launch of the product. As stated in the outlook chapter below, separate initiatives are taken to secure a successful and timely launch and, through this, limit the execution risk for this global product opportunity.

There are risks regarding future sufficient funding for the launch of Sippi®

Navamedic procures goods for a significant amount from Top Ridge Pharma /CMS controlled companies (Imdur). TopRidge owns 11,94% of the shares in Navamedic. The terms in the agreements between the parties are based on arm's length principles.

Subsequent events

On 5 August 2019, the Extraordinary General Meeting of Navamedic approved the joint demerger plan dated 19 June 2019 for the demerger and separate listing of Navamedic's Medtech division. Subject to the satisfaction of the conditions precedent for the demerger, the demerger is expected to be completed and become effective in the beginning of November 2019. For more information on the details of the demerger and separate listing, please refer to the minutes from the Extraordinary General Meeting and other relevant stock exchange announcements.

On 5 August 2019, Navamedic announced the launch of Alflorex®, a unique product for irritable bowel syndrome (IBS), in Norway in September 2019. The company also have the territory rights to launch Alflorex® in Denmark and Iceland.



Outlook

Pharma and Healthcare

Navamedic's ambition is to build on its strong position to become a leading Nordic pharmaceutical company by leveraging the company's highly scalable pharma market access platform. Rising demand for Navamedic's main products, combined with a unique and exciting pipeline are key drivers for long-term growth. Navamedic sees a significant potential in adding more products to its existing distribution platform in the Nordics, the Baltics and the BeNeLux region. With a strong set-up for logistics and distribution, skilled account executives meeting specialists, general practitioners and pharmacies on a regular basis, we have the power to launch new prescription and non-prescription pharmaceutical products.

Navamedic will also work to keep more of its value creation internally, in parallel to creating sustainable shareholder value. Through in-licensing of distribution rights (marketing authorisations), development and acquisition of products, the company will increase its share of pharmaceutical products where Navamedic own the marketing rights and brands. After the acquisition of Novicus Pharma, Navamedic has strengthened its competence and capacity with regards to this and is building a portfolio of potential products for launch in the coming years. We are also systematically evaluating M&A opportunities.

Medtech

Based on a high-retention business model, Navamedic is approaching attractive markets with a unique, clinically validated and regulatory approved product which meets a significant medical need. Navamedic's Medtech business is targeting an attractive NOK 4 billion global market for Sippi® and a NOK 20 billion global market for Sippbag. The board has proposed a demerger and separate listing of the Medtech division during fourth quarter 2019.

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 2018 Annual Report.

Responsibility statement

We confirm to the best of our knowledge that the condensed consolidated financial statements for the period 1 January to 30 June 2019 have 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.

Oslo, 22 August 2019

Terje Bakken (sign)
Chair

Jostein Davidsen (sign)
Board member

Inger Johanne Solhaug (sign)
Board member

Narve Reiten (sign)
Board member

Cheng Lu (sign)
Board member

Kathrine Gamborg Andreassen
(sign)
CEO

Condensed consolidated statement of comprehensive income¹⁾

<i>(in NOK '1000)</i>	Q2 2019	Q2 2018	YTD 2019	YTD 2018	Year 2018
Operating revenues	47 221	45 207	92 653	87 812	183 916
Cost of materials	-30 972	-29 425	-64 007	-59 111	-123 111
Gross profit	16 250	15 782	28 646	28 702	60 804
Gross profit %	34,4 %	34,9 %	30,9 %	32,7 %	33,1 %
Payroll expense	-6 998	-6 551	-14 140	-13 539	-26 115
Other operating cost	-8 371	-3 616	-13 136	-12 500	-26 160
Operating costs	-15 369	-10 167	-27 276	-26 039	-52 275
EBITDA	880	5 615	1 371	2 662	8 529
EBITDA %	1,9 %	12,4 %	1,5 %	3,0 %	4,6 %
Depreciation	-337	-13	-710	-26	-54
Amortization	-498	-574	-1 002	-1 158	-2 258
Operating result (EBIT)	46	5 029	-341	1 479	6 218
<i>Financial income and expenses</i>					
Financial income	366	116	821	376	545
Financial expenses	-777	-104	-1 246	-595	-1 808
Net currency gain/losses	-518	-770	-1384	-1042	-1472
Net financial result	-929	-758	-1 810	-1 261	-2 736
Result before tax continuing operations	-883	4 271	-2 151	218	3 482
Income taxes, continuing operations	-566	-117	-860	205	273
Net profit / loss (-) continuing operations	-1 449	4 154	-3 010	423	3 755
Net profit / loss (-) discontinued operations	-3 100	-3 884	-6 938	-7 459	3 529
Net profit / loss (-) Total operations	-4 549	270	-9 949	-7 036	7 284
<i>Other comprehensive income that may be reclassified subsequently to profit or loss</i>					
Currency translations differences	-1 706	-3 967	-7 005	-12 495	-4 795
Total comprehensive income for the period	-6 255	-3 697	-16 953	-19 531	2 489
Basic and diluted EPS from continuing operations	-0,12	0,38	-0,26	0,04	0,35
Basic and diluted EPS from total operations	-0,38	0,02	-0,86	-0,65	0,67

- 1) Due to the signing of the demerger agreement on 19 June 2019, group external profit and loss items related to the Medtech division to be demerged have been re-presented as "discontinued operations" for all periods presented in this report. The results for continuing and discontinued operations differs from the amounts for the P&H and Medtech division, due to income and expenses between P&H and the divisions. See note 10 for further information.

Condensed consolidated statement of financial position²

<i>(in NOK '1000)</i>	30.06.2019	30.06.2018	31.12.2018
Intangible assets	5 593	29 858	30 060
Goodwill	58 753	74 614	79 550
Deferred tax assets	9 230	9 103	9 944
Tangible assets	1 787	527	109
Non-current assets	75 363	114 101	119 664
Inventories	33 130	42 672	38 146
Trade and other receivables	35 699	40 667	38 903
Prepaid income taxes	7 320	6 519	6 971
Cash at hand, in banks	6 506	5 679	11 046
Assets held for distribution	52 978	NA	NA
Current assets	135 632	95 538	95 067
Total assets	210 995	209 639	214 731
Equity	95 419	77 197	99 322
Total equity	95 419	77 197	99 322
<i>Liabilities</i>			
Contingent consideration	0	28 334	12 177
Long term part of license liabilities	10 221	9 575	10 235
Loans and borrowings	1 728	0	0
Deferred tax	202	480	213
Non-current liabilities	12 151	38 390	22 625
Trade and other payables	41 143	45 890	41 087
Short term liabilities to financial institutions	25 183	28 190	32 576
Short term part of license liabilities	6 359	6 359	6 601
Income taxes payable	1 850	1 182	2 064
Short term liabilities	13 770	12 432	10 457
Liabilities held for distribution	15 120	NA	NA
Current liabilities	103 425	94 052	92 784
Total liabilities	115 576	132 442	115 409
Total shareholders equity and liabilities	210 995	209 639	214 731

2) Group external assets and liabilities related to the Medtech division are presented as "held for distribution" at 30 June 2019. See note 10 for further information.

Condensed consolidated statement of cash flows (total operations)

<i>(in NOK '1000)</i>	Q2 2019	Q2 2018	YTD 2019	YTD 2018	Year 2018
Profit/loss(-) before tax for total operations 3)	-3 983	387	-9 089	-7 240	7 011
Taxes paid	-672	-1 089	-957	-4 666	-5 335
Depreciation, amortization and write off	1 833	1 481	3 754	3 079	6 212
Interest and contingent consideration without cash effect 4)	991	952	1 146	1 772	-13 483
Changes in inventory	13 229	-932	3 366	2 026	6 552
Changes in trade receivables	29	662	3 218	1 577	1 842
Changes in trade payables	-18 765	-4 489	782	-26 220	-31 023
Changes in other current items	4 494	-6 365	4 114	-7 324	-7 800
Net cash flow from operating activities	-2 843	-9 392	6 335	-36 995	-36 024
<i>Cash flow from investments</i>					
Purchase / disposal of tangible and intangible assets	-495	-612	-815	-893	-2 162
Net cash flow from investing activities	-495	-612	-815	-893	-2 162
<i>Cash flow from financing</i>					
Short term liabilities to financial institutions	-1 556	9 169	-7 393	17 120	25 218
Cash received/spend for issue of shares	-57	0	-502	0	0
Long term liabilities to financial institutions and other	0	-1 137	0	-1 137	-4 851
Payments of lease liabilities	-347	0	-706	0	0
Net cash flow from financing activities	-1 960	8 032	-8 600	15 982	20 368
Changes in currency	-316	-665	-829	-2 662	-1 382
Net change in cash	-5 615	-2 637	-3 908	-24 567	-19 200
Cash and cash equivalents start period	12 752	8 316	11 046	30 246	30 246
Cash and cash equivalents end period ⁵⁾	7 138	5 679	7 138	5 679	11 046
3)					
Profit/loss(-) before tax for continuing operations	-883	4 271	-2 151	218	3 482
Profit/loss(-) before tax for discontinued operations	-3 100	-3 884	-6 938	-7 459	3 529
Profit/loss(-) before tax for total operations	-3 983	387	-9 089	-7 240	7 011

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

5) Cash and cash equivalents at 30 June 2019 in the cash flow statement includes cash and cash equivalents that are included in assets held for distribution in the statement of financial position, see also note 10.

Condensed consolidated statement of changes in equity

<i>NOK 1000</i>	Share capital	Share premium	Translation differences	Retained earnings	Total
Balance at 1 January 2018	10 868	110 480	18 990	-43 638	96 700
Equity Share option plan	-	29	-	-	29
Translation difference	-	-	-12 495	-	-12 495
Net loss of the period	-	-	-	-7 036	-7 036
Balance at 30 June 2018	10 868	110 509	6 495	-50 674	77 197
Balance at 1 January 2019	10 868	110 480	14 194	-36 220	99 322
Equity share option plan	-	-	-	459	459
Transaction costs related to contribution of kind	-	-391	-	-	-391
Contribution in kind related acquisition of shares in Novicus Pharma AS	1 000	11 982	-	-	12 982
Translation difference	-	-	-7 005	-	-7 005
Net loss of the period	-	-	-	-9 949	-9 949
Balance at 30 June 2019	11 868	122 071	7 190	-45 710	95 419

Notes to the condensed consolidated interim 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 Henrik Ibsens gate 90, 0255 Oslo, Norway. Navamedic Group comprises Navamedic ASA and the 100% owned subsidiaries Navamedic AB (Sweden), 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 2019, Navamedic has a portfolio of more than 40 products that are sold through pharmacy chains, wholesalers, public health sectors and hospitals in 11 countries in the Nordic region and Europe.

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 2018 (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, except as described below for IFRS 16.

Due to the signing of the demerger agreement on 19 June 2019, group external profit and loss items related to the Medtech division to be demerged have been re-presented as "discontinued operations" for all periods presented in this report. The result from discontinued operations differs from the "stand alone" amounts for the Medtech division, including excess values and contingent consideration, because income and expenses between the Medtech division and the rest of the Navamedic group have not been re-presented as discontinued operations. Furthermore, group external assets and liabilities related to the Medtech division are presented as "held for distribution" at 30 June 2019. See note 10 for further information.

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 22 August 2019.

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. Change in accounting policies

IFRS 16 leases was implemented on 1 January 2019. The group has used the modified retrospective approach, and recognized right of use assets equal to the lease liabilities. Assets and liabilities increased by NOK 2.4 million at 1 January 2019, with no effect on equity. No lease contracts have been excluded as of 30 June 2019. In the first half year 2019, the effect of IFRS 16 was an increase in EBITDA of NOK 0.75 million, increased depreciation of NOK 0.68 million and increased interest expenses of NOK 0.04 million. Comparable figures have not been restated.

The actual effects of the implementation of IFRS 16 at 1 January 2019 may change as the new accounting principles are subject to change until the group issues the 2019 annual financial statements.

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). Dilutive EPS are the same as ordinary EPS for all periods presented in the table below.

<i>NOK 1000</i>	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Net profit / loss (-) continuing operations	-1 449	4 154	-3 010	423	3 755
Net profit / loss (-) discontinued operations	-3 100	-3 884	-6 938	-7 459	3 529
Net profit / loss (-) Total operations	-4 549	270	-9 949	-7 036	7 284
Weighted average of outstanding shares	11 868	10 868	11 542	10 868	10 868
Earnings per share continuing operations	-0,12	0,38	-0,26	0,04	0,35
Earnings per share discontinued operations	-0,26	-0,36	-0,60	-0,69	0,32
Earnings per share total operations	-0,38	0,02	-0,86	-0,65	0,67

5. Segment information

Navamedic's has two reporting segments: the *Pharma and Healthcare* division and the *Medtech* division (Observe Medical). The reporting structure reflects the company's business and product composition. The Pharma and Healthcare division is a continuation of the operation prior to the acquisition of Observe Medical. The tables below show the segments and reconciliation to the consolidated group, including the effect of reclassifications of discontinued operations.

<i>(in NOK million)</i>	P&H incl. Nava. ASA		Medtech		Reclassification of disc. Operations ¹⁾		Group, continuing operations	
	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018
Operating revenues	47,2	45,2	0,0	0,0	0,0	0,0	47,2	45,2
Gross profit	16,2	15,8	0,0	0,0	0,0	0,0	16,2	15,8
Gross margin	34,4 %	34,9 %	NA	NA	NA	NA	34,4 %	34,9 %
EBITDA before other items	4,5	5,8	-2,9	-2,3	1,8	2,1	3,5	5,6
Other items	2,6	0,0	0,0	0,0	0,0	0,0	2,6	0,0
EBITDA	1,9	5,8	-2,9	-2,3	1,8	2,1	0,9	5,6

<i>(in NOK million)</i>	P&H incl. Nava. ASA		Medtech		Reclassification of disc. Operations ¹⁾		Group, continuing operations	
	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018
Operating revenues	92,7	87,8	0,1	0,1	-0,1	-0,1	92,7	87,8
Gross profit	28,6	28,7	0,0	0,0	0,0	0,0	28,6	28,7
Gross margin	30,9 %	32,7 %	NA	NA	NA	NA	30,9 %	32,7 %
EBITDA before other items	5,3	7,3	-5,6	-4,6	4,3	4,1	4,0	6,8
Other items	2,6	4,1	0,0	0,0	0,0	0,0	2,6	4,1
EBITDA	2,7	3,2	-5,6	-4,6	4,3	4,1	1,4	2,7

<i>(in NOK million)</i>	P&H incl. Nava. ASA		Medtech		Reclassification of disc. Operations ¹⁾		Group, continuing operations	
	Year 2018		Year 2018		Year 2018		Year 2018	
Operating revenues	183,9		0,1		-0,1		183,9	
Gross profit	60,8		0,0		0,0		60,8	
Gross margin	33,1 %		NA		NA		33,1 %	
EBITDA before other items	15,6		-7,8		6,9		14,6	
Other items	6,1		0,0		0,0		6,1	
EBITDA	9,5		-7,8		6,9		8,5	

1) The column reclassification of discontinued operations are Navamedic group external income and expenses related to the Medtech division that are reclassified and included in the single line item "net profit / loss (-) discontinued operations". See note 10.

Pharma and Healthcare (P&H including Navamedic ASA)

The Pharma and Healthcare Product business consist of pharmaceuticals, medical devices and medical nutrition products that Navamedic market, sell and distribute to hospitals, pharmacies and patients, bought from product suppliers and manufacturers in Europe and other countries.

Navamedic has products in the Consumer care area which 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. Among the important consumer product brands are NYDA and Mygfri (Dermatology), Ellen and Vitakalk (Female care), and Aftamed, Gelerovoice and Dentofix (Oral medicine).

Within Medical Nutrition, Navamedic is a Nordic distributor of products purchased from the UK based company Vitaflor International Ltd, a subsidiary of Nestlé. Navamedic's vendor Vitaflor has 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 Syrup 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.

Among the important Pharma product brands are:

- Imdur, used to prevent angina attacks (chest pain, angina)
- Mysimba, prescription pharmaceutical for treatment of obesity (introduction late 2017)
- Gepan, a product for the treatment of Painful Bladder Syndrome
- Nitrolingual Spray, treatment for angina pectoris

- Elmiron, the only approved prescription pharmaceutical for treating Painful Bladder Syndrome (PBS) and Interstitial Cystitis (IC) (introduced Q3 2018)
- Importal, used for symptomatic treatment of constipation
- Epistatus, for seizure control in Epilepsy

Medtech

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 portfolio with global potential. Observe Medical has developed an automated, digital urine meter, Sippi®, which saves time for healthcare personnel, and improved accuracy and patient safety, compared to other methods. Part of the product portfolio is Sippcoat®, a patented technology for hindering retrograde contamination of bacteria (biofilm build-up), a huge unmet problem within the hospital market.

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.

In addition to launching Sippi® in selected European markets, the Medtech division is securing integration with various (new) patient data management systems (PDMS) to increase the market coverage.

On 5 August 2019, the Extraordinary General Meeting of Navamedic approved the joint demerger plan dated 19 June 2019 for the demerger and separate listing of Navamedic's Medtech division. Subject to the satisfaction of the conditions precedent for the demerger, the demerger is expected to be completed and become effective in the fourth quarter of 2019. Please see note 10 for more information.

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 and the 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 the last couple of years. As per 30 June 2019, loss on receivables and provision for bad debts are minor.

Maturity profile on short-term receivables as per 30 June 2019:

NOK 1000	Not due	Less than 3	3 to 12	Total
		months	months	
Trade receivables	19 445	12 633	772	32 850
Other receivables	2 848			2 848
Total receivables	22 294	12 633	772	35 699

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, and GBP. Sales are mainly made in Scandinavian currencies and EUR. The currency profile and 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

The company depends on distribution rights from suppliers. The company has distribution agreements with suppliers in which the term of the agreement varies from one to ten years. The company is dependent on renewing these agreements at market prices and on market terms and conditions, and is therefore in continuous dialogue with the suppliers to ensure they are renewed.

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 other significant negative events occur. See also note 11.

7. Share options

Key management personnel in Navamedic ASA receive parts of their salary as share-based remuneration.

Of the 2018 option program, 22,500 options were forfeited in the second quarter 2019, leaving 67,500 options outstanding at 31 June 2019.

During the second quarter 2019, a total of 400,000 new options were granted, divided into 275,000 Series A options and 125,000 Series B options. Each option, when exercised, will give the right to acquire one share in the Company. The options are granted without consideration. The exercise price is NOK 12 per share. Shares received from exercised options are subject to a lock-up period of 12 months for the Series A and 24 months for the Series B options. The lock-up obligations shall not prevent the option holders from selling an amount of the option shares necessary to finance the exercise price, as well as the tax payable as a consequence of the exercise of options.

For the Series A options, 1/3 of the options will vest every 12 months after the day of grant (as long as the option holder is still employed). However, all of the options shall be regarded as vested in the event that the value of the shares in the Company, on a volume-weighted basis, has been traded on the stock exchange or another regulated marketplace at a price equal to minimum NOK 24 for ten consecutive trading days. Options that have not been exercised will lapse 3,5 years after grant date.

For the Series B options, 100% of the options vested on the day of grant. Options that have not been exercised will lapse 31 March 2020.

The share price at grant date was NOK 16.8 per share. The estimated fair value at grant date was in total NOK 1.4 million of the Series A options and NOK 0.3 million for the Series B options. During the second quarter, the total estimated fair value of the Series B options, and NOK 0.1 million of the Series A options has been recognized as an expense, in total NOK 0.4 million. In addition, estimated social securities tax is also expensed over the estimated vesting periods.

During a period in July and August, the volume-weighted share price has exceeded NOK 24 for ten consecutive trading days, which implies that also all the Series A options has vested in the third quarter of 2019.

8. Bank arrangement, credit facilities and other financial liabilities

The Group has (through Navamedic AB) a factoring agreement of SEK 20 million and a drawing facility of SEK 25 million, in total SEK 45 million to cover credits and guarantees. SEK 27,4 million (NOK 25.2 million) of these facilities was utilized at 30 June 2019.

The borrowing agreements from the bank had no EBITDA covenant requirements at 30 June 2019.

The expected future payments related to the acquisition of Observe Medical in 2015 are discounted (by 18.3% annually) to arrive at an estimated fair value of the contingent consideration. The maximum payments are based on sales royalty on annual Sippi sales between NOK 7.5 million and 100 million on a scale from 7% to 15% for the years 2016-2023. Furthermore, there are six milestone payments based on sales targets to be reached within end of 2023, with the last agreed possible payment within end of 2026. Total maximum milestone payments over the period is NOK 125 million, in addition to royalties. Estimated fair value at 30 June 2019 is NOK 13.3 million, included as part of liabilities held for distribution. See notes 10 and 23 to the annual financial statements for 2018 for further description of the contingent consideration.

The Group is required to pay license fees for exclusive rights to commercialize certain products in a given geographical area during the term of the agreements. When the event that triggers the liability for such fees occur, the Group recognize an intangible asset at the value of the license payments. If parts are to be paid in future periods a liability is recognized, and the payments are discounted if the effect is significant. At 30 June 2019, the Group has recognized a NOK 16.6 million license liability for a license agreement for Aspen products to 2024. The corresponding intangible asset has been amortised and impaired in previous periods, with only NOK 0.3 million carrying value remaining at 30 June 2019.

The group has recognized lease liabilities due to implementation of IFRS 16 at 1 January 2019, with carrying amount of NOK 1.7 million at 30 June 2019.

9. Future major commitments or potential investments

The Group is required to pay license fees for some exclusive rights to commercialize some products in a given geographical area during the term of the agreements. The Group has in 2017 entered into agreements for the marketing and sales of two new products, which have milestones and royalty payments attached. Liabilities for milestone and royalty payments are and will be triggered when the first commercial sales are made, and further when certain sales milestones are reached. If the products reach commercialization and sales targets, the Group will recognize intangible assets and license liabilities.

There are sales milestone payments when revenues reach certain levels.

The agreements also include some payment to be made by the Group on reaching public reimbursement for patient or price approval in respective countries, which could sum up to EUR 61.000. The agreements also include some minimum annual purchases of the products to be made by the Group.

10. Discontinued operations and assets and liabilities held for distribution.

As a result of the demerger agreement on 19 June 2019, group external profit and loss items related to the Medtech division to be demerged have been reclassified as "discontinued operations" for all periods presented in this report. Furthermore, group external assets and liabilities related to the Medtech division are presented as "held for distribution" at 30 June 2019.

The Medtech division is consolidated according to normal consolidation principles, where Navamedic Group internal income and expenses are eliminated. Thereafter, external income and expense items are re-presented to a net amount as results from discontinued operations. The result from discontinued operations differs from the "stand alone" amounts calculated for the Medtech division including excess values and contingent consideration, as shown below. Details of the amounts for discontinued operations and assets and liabilities held for distribution are presented below.

Profit and loss items discontinued operations 1)

<i>(in NOK '1000)</i>	Q2 2019	Q2 2018	YTD 2019	YTD 2018	Year 2018
Operating revenues	33	19	60	51	106
Total operating costs incl. cost of materials	-1 877	-2 092	-4 393	-4 188	-6 994
EBITDA	-1 844	-2 073	-4 333	-4 137	-6 888
Depreciation, amortization, impairment	-999	-895	-2 042	-1 896	-3 901
Operating result (EBIT)	-2 842	-2 968	-6 375	-6 033	-10 789
Change fair value contingent consideration	-557	-1 074	-1 114	-2 148	14 009
Net other financial items	300	158	550	723	309
Net financial result	-257	-916	-564	-1 425	14 318
Result before and after tax discontinued operations 2)	-3 100	-3 884	-6 938	-7 459	3 529
Net expenses in Medtech division charged from Navamedic companies 3)					
Business service costs and rental expense	-1 039	-232	-1 290	-488	-935
Net interest costs	-258	0	-258	0	-320
Total Navamedic group internal expenses	-1 297	-232	-1 548	-488	-1 255
Net result Medtech division	-4 396	-4 115	-8 487	-7 947	2 274

1) The amounts include profit and loss items recognised in the separate financial statements of the previously unconsolidated Observe Medical International AB (OMI AB) group and includes also Navamedic's excess values and contingent consideration related to the acquisition of OMI AB in 2015

2) Navamedic group external profit and loss items related to the Medtech division to be demerged have been re-presented as "discontinued operations" for all periods presented in this report. The result from discontinued operations differs from the "stand alone" amounts for the Medtech division, including excess values and contingent consideration, because income and expenses between the Medtech division and the rest of the Navamedic group have not been re-presented as discontinued operations. Due to limitations in IAS 12 to recognise deferred tax assets on tax losses carried forward, no tax expense is reported relating to the Medtech division.

3) Refer to footnote 2). The net expenses that the Medtech division has been charged from other Navamedic group companies are related to business service costs, office rent and net interest expenses on net loans from Navamedic AB. The expenses are charged based on estimated consumption of services and loans. The increase in the second quarter of 2019 is primarily related to increased use of management and consultancy resources.

Assets and liabilities held for distribution 4)

(in NOK million)

	30.06.2019
Intangible assets	20 804
Goodwill	29 482
Tangible assets	48
Non-current assets	50 334
Inventories	1 650
Other current assets	362
Cash at hand, in banks	632
Current assets	2 644
Total assets held for distribution	52 978
Contingent consideration	13 291
Non-current liabilities	13 291
Short term liabilities	1 829
Current liabilities	1 829
Total liabilities held for distribution	15 120

4) Navamedic group external financial statement position items related to the Medtech division, including excess values and contingent consideration, has been reclassified to assets and liabilities held for distribution at 30 June 2019.

Navamedic group internal receivables and payables are eliminated on consolidation and are not shown in the consolidated financial statements or in assets and liabilities held for distribution. At 30 June 2019, the Medtech division had loans and other payables to other Navamedic companies, primarily to Navamedic AB, in the amount of NOK 31.7 million.

Cash flow from discontinued operations 5)

(in NOK million)

	YTD 2019	YTD 2018	Year 2018
Net cash flow from operating activities	-6 464	-3 171	-8 843
Net cash flow from investing activities	-522	-865	-1 949
Net cash flow from financing activities	7 023	3 125	9 483
Currency effects	-26	-70	-128
Net change in cash	11	-981	-1 438
Cash and cash equivalents beginning of period	621	2 059	2 059
Cash and cash equivalents end of period	632	1 078	621

5) These cash flow figures include cash flows between the Medtech division and other Navamedic group companies, primarily financing cash flows related to net loans and group contributions from Navamedic ASA, and some operating activities cash flow related to intercompany charges.

Accumulated translation differences in other comprehensive income related to the Medtech division, including excess values and goodwill, amounted to approximately NOK 1.5 million at 30 June 2019.

11 Business combination

On 27 February 2019, Navamedic ASA acquired all the shares and voting rights in Novicus Pharma AS. Navamedic issued 1 million shares as consideration, resulting in a total purchase price of NOK 13 million.

Novicus Pharma AS is a Norway based pharmaceutical company focusing on OTC products for the Norwegian and Nordic markets. The company was founded by three previous Weifa executives with extensive experience in developing and marketing of pharmaceutical products. Novicus Pharma AS is highly compatible with Navamedic's business model, and the acquisition is expected to contribute to Navamedic's addition of more products to its product portfolio, increased volumes through its logistics setup and strengthening of the Navamedic team with three employees coming with extensive industry experience. Prior to the transaction, Novicus Pharma AS' target was to establish a profitable growth company through its network of partners. In short time, the company has established a pipeline of products aiming to meet customer needs in the Nordics. After the transaction, one of these products has been launched in one of the larger pharmacy chains

in Norway. Novicus Pharma AS complements Navamedic and provides an opportunity to accelerate commercialization of the products in Novicus Pharma AS' pipeline.

The results for the Navamedic group would have been insignificantly affected if the acquisition date had been 1 January 2019. The purchase price has preliminary been allocated to Intangible assets. Goodwill is related to the value of the employees and the organization and expected future profits. No part of the goodwill is deductible for tax purposes.

Acquisition related costs that are not related to the issue of Navamedic shares has been expensed with NOK 0.5 million in the first half year of 2019.

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

After the reporting period ended on 30 June 2019 and up to the date these condensed consolidated financial statements have been approved for issue, the following events have been identified that require disclosure:

On 5 August 2019, the Extraordinary General Meeting of Navamedic approved the joint demerger plan dated 19 June 2019 for the demerger and separate listing of Navamedic's Medtech division. Subject to the satisfaction of the conditions precedent for the demerger, the demerger is expected to be completed and become effective in the beginning of November 2019. For more information on the details of the demerger and separate listing, please refer to the minutes from the Extraordinary General Meeting and other relevant stock exchange announcements.

During a period in July and August, the volume-weighted share price has exceeded NOK 24 for ten consecutive trading days, which implies that the 275,000 Series A options accelerated vesting in the third quarter of 2019, see note 7.

Oslo, 22 August 2019

Terje Bakken (sign)
Chair

Jostein Davidsen (sign)
Board member

Inger Johanne Solhaug (sign)
Board member

Narve Reiten (sign)
Board member

Cheng Lu (sign)
Board member

Kathrine Gamborg Andreassen
(sign)
CEO

Definitions of Alternative Performance Measures (APM)

Navamedic's financial information is prepared in accordance with international financial reporting standards as adopted by the EU (IFRS). In addition, the company presents alternative performance measures (APMs). 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 consolidated statement of comprehensive income.
- EBITDA margin is equal to EBITDA as a percentage of total operating revenues.
- EBITDA before other items are EBITDA excluding One-Off cost related restructuring or to strategic projects
- Gross profit is equal to total revenues minus cost of materials. Gross profit is a sub-total in the condensed consolidated income statement.
- 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.



Navamedic ASA
Henrik Ibsensgate 90
0255 Oslo

Telephone: +47 67 11 25 40
E-mail: firma@navamedic.com
www.navamedic.com