

Q2 2019

Second quarter and half year results 2019 Navamedic ASA

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Navamedic – Q2 highlights

Continued topline growth

REVENUE

47.2 MNOK

Up 4.4%

GROSS MARGIN

34.4%

34.9% Q218

EBITDA

0.9 MNOK

5.6 MNOK Q218



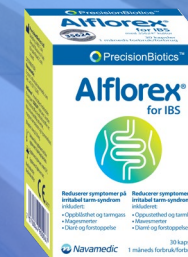
Continued growth in
Medical nutrition and
Obesity categories



Demerger and
separate listing of the
Medtech division
planned for Q4



Launching Alflorex®
for IBS in Norway in
September 2019



Navamedic at a glance

Nordic pharma and Medtech company with high growth ambitions



Navamedic ASA provides a state-of-the-art market access platform for delivering healthcare products to patients, hospitals and pharmacies in the Nordics



Navamedic is also commercializing Sippi®, our proprietary digital, wireless system for prevention of infections and urine measurement, to the global markets



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



Team of 30 people with strong competence in regulatory, reimbursement, marketing and sales.
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

1 Strengthen the core

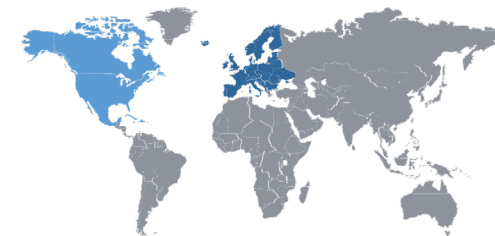
- Untapped potential within existing products, categories and territories
- Ongoing negotiations for attractive new distribution agreements
- Launch of Navamedic proprietary products, with RX to OTC switch potentials

2 Secure and increase the value through ownership to products and brands

- Innovative pipeline for in-licensing of new RX or OTC
- Develop own brands
- Acquisitions of portfolios or small companies

3 Commercialise Sippi® technology (separate listing planned for Q4 2019)

- Capitalise on the agreements in the Nordics and Germany
- Launch of Sippi® through existing partners in selected markets – US pri 1
- Partnering / out-licensing ROW



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● **Operational update**

- Separate listing of the Medtech division
- Financials
- Summary and outlook

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

Growth in all key categories

YoY 1H 2019
rev. growth

CARDIOLOGY		-7%
MEDICAL NUTRITION		10%
OBESITY		120%
UROLOGY & WOMEN'S HEALTH		-15%
OTHER		3%

Operational highlights per category

- Lower sales of Nitrolingual
- Successful launch of Imdur in Greece
- Strong performance of newly launched products and continued growth of main products
- Strong uptake of Mysimba, focus on reimbursement and access to «standard of care»
- Increased competition and lower sales of Gepan and Elmiron than expected
- Improved campaigning and follow-up of pharmacies

SIPPI®

Simplifies Patient care – Prevents Infections

-  Global potential for next generation digital, wireless, urine measurement and infection prevention system
-  Innovative, patented technology addressing a global market need
-  Ongoing commercialisation with long-term revenue potential



Addressing two major problems

Hospital acquired infections

- 2.5 million Europeans die every year from hospital acquired infections
- Treatment of infections is a major burden on hospital budgets
- Urinary infections is the nr 1 of all hospital acquired patient problems

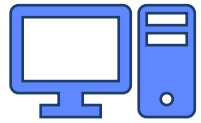
Source: The Norwegian Patient Safety Programme/The Norwegian Directorate of Health

Last manual mile at ICUs

- Urine monitoring is the last entrenchment of manual measurement at the ICUs
- Today, urine measurement is binding healthcare personnel's time and resources
- Resulting in stress and mistakes, and ultimately urinary infections



Sippi® Technology



PDMS



SippLink Wireless data transfer

Alert for biofilm
= replace bag

Biofilm prevention



Sippi®

Multiple market opportunities, addressing a global market representing 250 MNOK in annual revenue potential

Sippi®

- Automated urine meter for ICUs, OR*s and wards
- Launched at selected hospitals
- Potential: 500k base units + 20 mill disposables/year - a **NOK 4 billion market** globally



Sippbag®

- Urine bags in hospitals, care centres and for home use
- Launch or license ready in 2020
- Potential: 500 mill bags/year a **NOK 20 billion market** globally



*OR: Operating Room

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Demerger and separate listing

Rationale and future opportunities

Different businesses – limited synergies

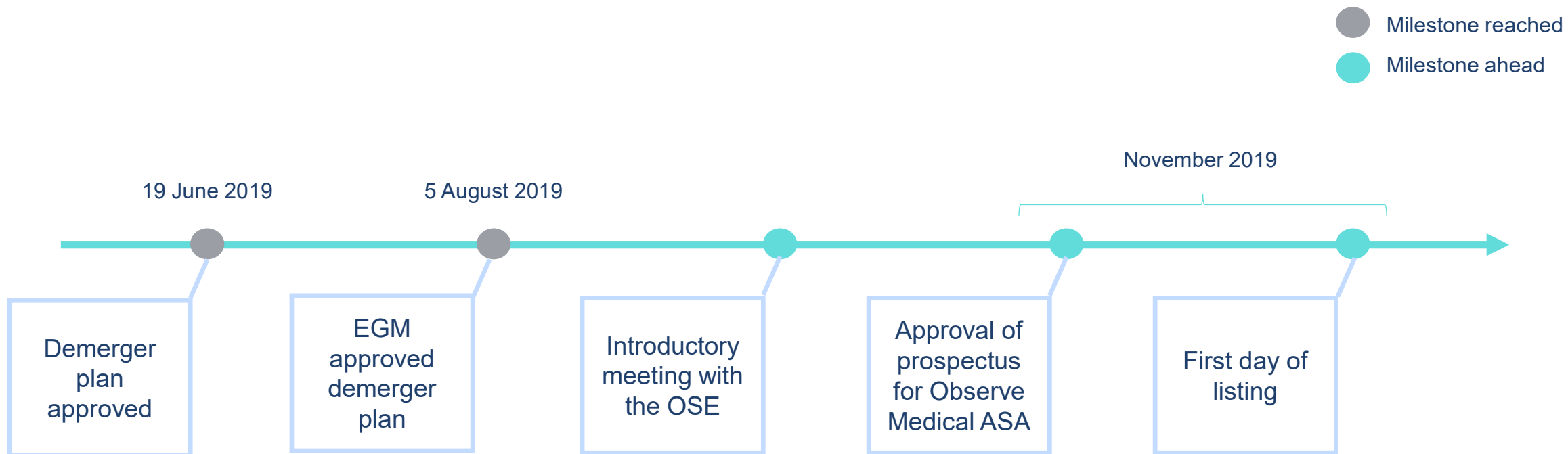
- Medtech/Sippi® has global market potential while Pharma is focused on the Northern European market
- Partners and target customers are different, while Pharma is targeting primary care, pharmacies and consumers, Medtech is targeting hospitals and mainly ICU's
- Medtech is a start-up, while Pharma is a steady P&L growth business

Accelerating growth from separate platforms

- In Pharma (Navamedic ASA), value-creating re-investments of profits through:
 - Investments in new distribution agreements utilizing our state-of-the-art market access platform and capabilities
 - In-licensing of new products, acquisition of portfolios or smaller companies where we see synergies and have the expertise to create added value and further growth
- In Medtech (Observe Medical ASA) we are ready to launch the new wireless Sippi® system and develop Sippbag® as a competitor to all traditional urine bags

Demerger and separate listing

Preliminary timeline



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Financials

Segments

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

1) The amounts for P&H including the parent company differ from consolidated continuing operations (and Medtech differs from consolidated discontinued operations), due to group internal income and expenses.

- Pharma segment on track focusing on profitable products and leveraging on the growth platform
- EBITDA development affected by increased resources and focus on business development
- Other items are external expenses for corporate projects not related to the ordinary operations. In Q2 these costs are related to the demerger and IPO process.

Financials

Key consolidated profit and loss figures ¹⁾

<i>(in NOK million)</i>	Q2 2019	Q2 2018	YTD 2019	YTD 2018	Year 2018
Operating revenues	47,2	45,2	92,7	87,8	183,9
Gross profit	16,2	15,8	28,6	28,7	60,8
<i>Gross profit %</i>	<i>34,4 %</i>	<i>34,9 %</i>	<i>30,9 %</i>	<i>32,7 %</i>	<i>33,1 %</i>
Operating costs	-15,4	-10,2	-27,3	-26,0	-52,3
EBITDA	0,9	5,6	1,4	2,7	8,5
Depreciation and amortization	-0,8	-0,6	-1,7	-1,2	-2,3
Operating result (EBIT)	0,0	5,0	-0,3	1,5	6,2
Net financial result	-0,9	-0,8	-1,8	-1,3	-2,7
Result before tax, continuing operations	-0,9	4,3	-2,2	0,2	3,5
Income tax	-0,6	-0,1	-0,9	0,2	0,3
Net result continuing operations	-1,4	4,2	-3,0	0,4	3,8
Net result discontinued operations	-3,1	-3,9	-6,9	-7,5	3,5
Net result from total operations	-4,5	0,3	-9,9	-7,0	7,3

1) Group external profit and loss items related to the Medtech division to be demerged have been re-presented as "discontinued operations".

- P&L figures re-presented for discontinued operations
- Positive Q2 revenue development, driven by strong performance in Obesity and Medical Nutrition
- Gross profit % slightly decreased due to changes in product mix
- Lower EBITDA in Q2 mainly due to increased strategic project cost of MNOK 2.6 and increased resources and focus on business development.
- IFRS 16 leases increased Q2 EBITDA by MNOK 0.4, no effect on net results

Financial position data

Assets

<i>(in NOK million)</i>	30.06.2019	31.12.2018
Intangible assets	5,6	30,1
Goodwill	58,8	79,6
Deferred tax assets	9,2	9,9
Tangible assets	1,8	0,1
Non-current assets	75,4	119,7
Inventories	33,1	38,1
Trade and other receivables	35,7	38,9
Prepaid taxes	7,3	7,0
Cash at hand, in banks	6,5	11,0
Assets held for distribution	53,0	NA
Current assets	135,6	95,1
Total assets	211,0	214,7

- Main changes in intangible assets, goodwill and total current assets due to reclassification to assets held for distribution
- Acquisition of Novicus increase goodwill by NOK 13 million
- Increase in tangible assets is IFRS 16 right of use assets

1) Group external assets and liabilities related to the Medtech division are presented as "held for distribution" at 30 June 2019.

Financial position data

Equity and liabilities

<i>(in NOK million)</i>	30.06.2019	31.12.2018
Equity	95,4	99,3
Contingent consideration	0,0	12,2
Long term part of license liabilities	10,2	10,2
Loans and borrowings	1,7	0,0
Deferred tax	0,2	0,2
Non-current liabilities	12,2	22,6
Trade and other payables	41,1	41,1
Short term liabilities to financial institutions	25,2	32,6
Short term part of license liabilities	6,4	6,6
Income taxes payable	1,8	2,1
Short term liabilities	13,8	10,5
Liabilities held for distribution	15,1	NA
Current liabilities	103,4	92,8
Total shareholders equity and liabilities	211,0	214,7

- Equity of 45.2%
- Decrease in non-current liabilities due to reclassification to current liabilities held for distribution
- Non current loans and borrowings at 30 June are IFRS 16 lease liabilities

Financials

Cash flow Group – total operations*

(in NOK million)

	Q2 2019	Q2 2018	YTD 2019	YTD 2018	Year 2018
Net cash flow from operating activities	-2,8	-9,4	6,3	-37,0	-36,0
Net cash flow from investing activities	-0,5	-0,6	-0,8	-0,9	-2,2
Net cash flow from financing activities	-2,0	8,0	-8,6	16,0	20,4
Net change in cash	-5,6	-2,6	-3,9	-24,6	-19,2
Cash and cash equivalents	7,1	5,7	7,1	5,7	11,0

- 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.

- Negative cash from from operating activities in Q2, mainly due to reduced accounts payable offset by reduced inventory and other current items
- Significant repayment to Aspen during 2018. Net repayment to Aspen MNOK 18.7 during 2018

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● **Summary and outlook**

Summary and outlook

Pharma platform

- Navamedic will exploit the existing platform to **strengthen the core**. Rising demand for main products, combined with a **unique and exciting pipeline** are key drivers for long-term growth
- **Secure and increase the value through ownership to products and brands**
- The goal is to build on the strong position to become a **leading Nordic pharmaceutical company**

Medtech - Sippi®

- 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
- Attractive NOK 4 billion global market for Sippi® and NOK 20 billion global market for Sippbag
- Demerger and IPO of Medtech division in Q4 2019

Appendix

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 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 evaluation of strategic alternatives is 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 of revenues from products unrelated to Navamedic's performance in the future.

Appendix

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