



Q2/1H 2020

Second quarter and half year results
Navamedic ASA



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Highlights for the first half year 2020

- In the first half of 2020, Navamedic's revenues increased by 5.5% to NOK 97.8 million (NOK 92.7 million). The Group's EBITDA came in at negative NOK 2.1 million (NOK 0.9 million) as a result of more resources spent on business development and growth initiatives as well as negative effects from Covid-19 (explained below).
- Change in revenue mix resulted in a gross margin of 31.1% in the first half of 2020 (30.9%).
- Continued strong performance for products like Mysimba and Alflorex and key Medical Nutrition products, offsetting lower sales of Imdur®. Experienced somewhat lower sales in the second quarter due to the fact that it has been more challenging to reach out to new customers during the Covid-19 pandemic as a result of social distancing restrictions and measures to limit infections. Sales activity however picked up in June and, so far in the third quarter, sales have returned to a more normalized development across the portfolio.
- Strengthened the company's hospital and prescription drug offering through the acquisition of Nordic marketing authorizations for a large hospital antibiotics portfolio from ACS Dobfar and InfoRLife. The transaction was completed on 4 August 2020.
- Entered the important pain category through signing a long-term exclusive distribution agreement with Angelini Pharma for Thermacare® for the Nordics and the strategically important Dutch market.
- Successfully completed private placement of NOK 50 million expanding the shareholder base with major Nordic institutional investors.

Key figures

NOK million	Q2 2020	Q2 2019	YTD 2020	YTD 2019	2019
Revenue	42,1	47,2	97,8	92,7	188,8
Gross profit	14,7	16,2	30,4	28,6	57,6
Gross margin	34,8 %	34,4 %	31,1 %	30,9 %	30,5 %
EBITDA before other items 2)	-2,1	3,5	-1,1	4,0	6,0
EBITDA	-2,1	0,9	-1,4	1,4	-6,5
Operating Result (EBIT)	-3,0	0,0	-3,1	-0,3	-10,1
Net result continuing operations	0,5	-1,4	-11,1	-3,0	-16,3
Net result total operations	0,5	-4,5	-11,1	-9,9	27,9
Assets	259,7	211,0	259,7	211,0	187,1
Equity	131,5	95,4	131,5	95,4	79,2
Liabilities	128,2	115,6	128,2	115,6	107,8
Equity ratio	50,6 %	45,2 %	50,6 %	45,2 %	42,4 %

- 1) As a consequence of the demerger of the former Medtech division, from 4 November 2019 separately listed on Oslo Axess as Observe Medical ASA, group external profit and loss items related to the former Medtech division have been re-represented as "discontinued operations" for the relevant periods in 2019.
- 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

We started 2020 as a focused Nordic pharma company, highly committed to execution of our growth strategy. The first half of the year was eventful, as we continued to leverage our scalable market access platform to strengthen the core and continue our push for growth in our existing portfolio and through launch of new products in our key geographies. Products like Mysimba displayed strong performance in the period, driven by a pull in the market for high-quality obesity products and improved reimbursement schemes. For other products, like Alflorex, we have continued our expansion to new geographies with launch in Iceland in June and launch in the Netherlands in the second half of 2020 as the next important milestone. We will continue our high activity level in expansion to new markets, targeting product launch in at least one new country in every launch window going forward.

We are also continuously expanding our portfolio. In March, we signed a long-term exclusive distribution agreement with Angelini Pharma for Thermacare® in the Nordics and in the Netherlands, being our first product in the important pain category. We have also added marketing authorizations for a new urology product, which will be ready for launch at the beginning of 2021.

Securing and increasing value through ownership to products and brands are a key part of our growth strategy. In February, we signed a term sheet with ACS Dobfar and InfoRLife for the acquisition of marketing authorizations for a series of antibiotics for hospital use in the Nordics. The transaction was completed on 4 August, adding a tender-based annual turnover of approximately NOK 25 million to our portfolio. The acquisition strengthens our hospital offering with an important product close to Navamedic's core competence and positions us for the addition of more prescription pharmaceuticals. The transaction also marks the beginning of a long-term collaboration with a solid European supplier. The agreement provides us with an opportunity to launch new products together in the future, potentially also outside the Nordics.

The Covid-19 situation has of course been a challenge for patients, customers and healthcare systems in our markets, but also for Navamedic. We took immediate

action with the objective to contribute to the health authorities' and healthcare professionals' work to limit infections and to safeguard employees, customers and other stakeholders. We implemented measures to manage our value chain by staying close to our suppliers and customers. Overall, our efforts have paid off, although we experienced somewhat lower sales across our product categories in the second quarter due to the fact that it has been more challenging to reach out to new customers during the pandemic as a result of social distancing restrictions and measures to limit infections. Sales activity however picked up in June, and this summer our sales team has returned to normal operations, visiting pharmacies, doctor's offices and other healthcare institutions. So far in the third quarter, this has resulted in a normalized sales development across our portfolio. We will continue to stay close to our customers and suppliers going forward and monitor the Covid-19 situation closely.

Going into the second half of 2020, I am proud to say we are on the right track. We have a highly motivated and competent team, an attractive and growing portfolio of high-quality products, strong customer relationships across our markets and financing to support our growth. We are also proud of our engaged and committed shareholders, joining us on the next stage of our journey. I am certainly looking forward to the road ahead, building a Nordic pharma company targeting growth in Northern Europe.



Kathrine Gamborg Andreassen
Chief Executive Officer

Operational review

Financial highlights

Navamedic is a Nordic-based pharmaceutical company providing high-quality products to hospitals and pharmacies. The company meets the needs of patients and consumers by leveraging its highly scalable market access platform, leading product category competence and in-depth local market knowledge. Navamedic is present in all the Nordic countries, the Baltics and Benelux, with sales representation in the UK and Greece. The company's vision is to become a leading pharmaceutical company in Northern Europe, by providing access to high-quality products for patients and delivering sustainable growth both organically and through acquisitions.

Navamedic's strategy is to maximize the potential of its existing products, entering into new distribution and in-licensing agreements and by making bolt-on acquisitions of products, brands and portfolios. In the first half of 2020, revenues were NOK 97.8 million, up from NOK 92.7 million in the same period last year, while the gross margin was 31.1%, compared to 30.9% in the first half of 2019. The EBITDA ended at negative NOK 1.4 million in the first half of 2020, down from NOK 1.4 million in the corresponding period last year, as a result of more resources spent on business development and growth initiatives.

Turning to the operational development of Navamedic's product categories, Medical Nutrition had revenues of NOK 25.2 million in the first half of 2020 (23.1 million) driven by growth for key products and accelerated sales in March due to Covid-19. In the first half of 2020, Branded generics performed in line with last year with revenues of NOK 34.8 million (34.6 million) due to steadily increasing monthly sales of Nitrolingual and Nexodal offsetting lower sales of Imdur®. Specialty pharma grew revenues to NOK 24.8 million (22.9 million) due to improved sales of Mysimba in the first half of 2020. Consumer health performed in line with the same period last year with revenues of NOK 12.0 million (12.0 million) in the first half of 2020 driven by Alflorex, with weaker sales performance for products such as NYDA® and GeloRevoice®. The latter as a result of fewer people with cold and flu in the period, and fewer people visiting pharmacies.

Group financial review for the second quarter of 2020

Income statement data

As a consequence of the demerger of the former Medtech division, from 4 November 2019 separately listed on Oslo Axess as Observe Medical ASA, group external profit and loss items related to the former Medtech division have been re-represented as "discontinued operations" for the relevant periods in 2019. The amounts include amortization of the fair value adjustment ("excess value") related to the purchase of Observe Medical International AB in 2015 and changes in fair value of the contingent consideration. The results from discontinued operations differ from the "stand alone" amounts reported for the Medtech division including excess values and contingent consideration. See note 10 for further information.

Revenues (continuing operations) in the second quarter of 2020 were NOK 42.1 million, a decrease from NOK 47.2 million in the corresponding quarter last year, mainly as a result of lower sales across the product portfolio. Cost of

materials (continuing operations) decreased from NOK 30.9 million in the second quarter of 2019 to NOK 27.5 million in the second quarter 2020 due to change in the product mix. EBITDA (continuing operations) for the quarter was negative NOK 2.1 million, down from NOK 0.9 million in the corresponding quarter last year, mainly as a result of more resources spent on business development and growth initiatives.

The operating result (EBIT) (continuing operations) for the second quarter was negative NOK 3.0 million, compared to NOK 0.0 million in the second quarter of 2019. Net financials (continuing operations) were NOK 2.6 million in the second quarter of 2020, an increase from negative NOK 0.9 million in the corresponding quarter last year.

The result before tax for continuing operations was NOK 0.4 million in the second quarter 2020, up from negative NOK 0.9 million in the second quarter last year.

The result after tax for continuing operations was NOK 0.5 million in the second quarter 2020, up from negative NOK 1.4 million in the corresponding quarter last year.

The result after tax for discontinued operations was NOK 0.0 million in the second quarter 2020, while the result after tax for discontinued operations was negative NOK 3.1 million in the second quarter of 2019.

The result after tax for total operations was NOK 0.5 million in the second quarter of 2020, an increase from negative NOK 4.5 million in the same period last year.

The total comprehensive income was NOK 0.5 million in the second quarter 2020, compared to negative NOK 9.8 million in the corresponding quarter last year, following currency translation differences in the periods of NOK 0.0 million and negative NOK 5.3 million, respectively.

Cash flow statement data (total operations)

The group's cash flow from operating activities was negative NOK 6.3 million in the second quarter of 2020. The negative cash flow was mainly affected by the negative result, changes in trade payables and increased inventory.

The group's cash flow from investing activities was negative NOK 1.5 million, while the cash flow from financing activities was NOK 57 million, mainly due to the share capital increase in the private placement. See also note 6 for further comments regarding the short-term cash position.

Financial review for the first half of 2020

Income statement data

As a consequence of the demerger of the former Medtech division, from 4 November 2019 separately listed on Oslo Axess as Observe Medical ASA, group external profit and loss items related to the former Medtech division have been re-represented as "discontinued operations" for the relevant periods in 2019. The amounts include amortization of the fair value adjustment ("excess value") related to the purchase of Observe Medical International AB in 2015 and changes in fair value of the contingent consideration. The results from discontinued operations

differ from the “stand alone” amounts reported for the Medtech division including excess values and contingent consideration. See note 10 for further information.

For the first half of 2020, the Group report revenues (continuing operations) of NOK 97.8 million, up from NOK 92.7 million in the first half of 2019, representing an increase of 5.5%, mainly driven by growth in the Specialty pharma and Medical Nutrition product categories.

The EBITDA (continuing operations) in the first half of 2020 was negative NOK 1.4 million, compared to NOK 1.4 million in the corresponding period last year. The decreased EBITDA is mainly driven more resources spent on business development and growth initiatives.

The operating result (EBIT) (continuing operations) for the first half of 2020 was negative NOK 3.1 million, compared to negative NOK 0.3 million in the same period last year. Net financials were negative NOK 8.5 million in the first half of 2020, compared to negative NOK 1.8 million in the same period last year, mainly due to currency effects on balance sheet items. The result before tax for continuing operations was negative NOK 11.8 million in the first half of 2020, down from negative NOK 2.2 million in the corresponding period last year.

The result after tax for continuing operations was negative NOK 11.1 million in the first half of 2020, down from negative NOK 3.0 million in the same period last year.

The result after tax for discontinued operations was NOK 0.0 million in the first half of 2020, while the result after tax for discontinued operations was negative NOK 6.9 million in the first half of 2019.

The result after tax for total operations was negative NOK 11.1 million in the first half of 2020, down from negative NOK 9.9 million in the same period last year.

The total comprehensive income was negative NOK 2.8 million in the first half of 2020, compared to negative NOK 17.0 million in the same period last year, following currency translation differences in the periods of NOK 8.3 million and negative NOK 7.0 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. There are no assets or liabilities classified as “held for distribution” as at 30 June 2020.

The Group’s consolidated total assets were NOK 259.7 million at 30 June 2020, up from NOK 187.1 million at year-end 2019, of which non-current assets were NOK 136.1 million. Current assets increased to NOK 123.6 million from NOK 68.8 million at 31 December 2019. The increase in non-current assets is mainly related to loans to associated company (Observe Medical ASA), while the increase in current assets is related to the increased cash at hand as a result of the private placement, and increased inventory mostly as a result of re-stocking of Imdur® after the out-of-stock situation in the fourth quarter of 2019.

Non-current liabilities are NOK 29.9 million per 30 June 2020, an increase from NOK 26.4 million at 31 December 2020, primary due to exchange rate differences. At the end of the first half 2020, Navamedic had an equity of NOK 131.5 million, compared to NOK 79.2 million per 31 December 2019, representing an equity ratio of 50.6%. The increased equity is mainly due to the share capital increase in the private placement.

The Group had current liabilities of NOK 98.3 million compared to NOK 81.4 million at 31 December 2019. The increase is mainly related to trade and other payables, short term part of license liabilities, partially offset by reductions in short term liabilities to financial institutions and short term liabilities.

Cash flow statement

The Group had a net cash flow from operating activities (total operations) in the first half of 2020 of negative NOK 21.6 million, (NOK 6.3million), as changes in trade payables and increased inventory contributed negatively this period. Net cash from investing activities ended at negative NOK 2.5 million in the first half of 2020, compared to negative NOK 0.8 million in the same period last year. The net cash flow from financing activities was NOK 53.5 million in the first half of 2020, compared to negative NOK 8.6 million in the corresponding period last year. The change in net cash from financing activities is mainly due to the share capital increase in the private placement. The cash and cash equivalents were NOK 46.7 million at 30 June 2020.

Corporate development

On 18 February, 2020, the company announced the intention to complete a private placement with gross proceeds of NOK 50 million to fund future M&A activities, strategic investments and general corporate purposes. The private placement was successfully completed that same day. The transaction was divided into two tranches, the second of which required approval by the general meeting. On 11 March, an extraordinary general meeting was held. The second tranche was approved by the general meeting and it was subsequently executed.

Risks and uncertainties

Navamedic is a pharmaceutical company providing high-quality products to hospitals and pharmacies. 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. To obtain long-term agreements with as high margins as possible is of key importance. 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. In addition, Navamedic is exposed to normal financial and operational risks, such as market development, long term financing and exchange rate fluctuations. This risk is natural and inherent in the business model and is compensated for by securing continuous inflow of new products to the company's portfolio.

Related parties

Navamedic procures goods for a significant amount from Top Ridge Pharma /CMS controlled companies (Imdur). TopRidge owns 9.39% of the shares in Navamedic. The terms in the agreements between the parties are based on arm's length principles.

In accordance with IAS 28, the investment in Observe Medical ASA is classified as an associated company of Navamedic. As at 30 June 2020 Navamedic has an outstanding loan to Observe Medica ASA.

Subsequent events

On 4 August 2020, Navamedic completed the transaction with ACS Dobfar and InfoRLife for the acquisition of marketing authorizations for a series of antibiotics for hospital use in the Nordic region. Navamedic acquires the marketing authorisations for a total consideration of up to NOK 38 million in two tranches.

Outlook

Navamedic has the goal of becoming a leading pharmaceutical company in Northern Europe. Growth shall be achieved by developing the existing product portfolio, licensing new products and through acquisitions.

We see major potential for including more products in the existing distribution platform in the Nordic region, Baltic States and the Benelux countries. With a well- functioning system of logistics and distribution, as well as skilled salespeople who regularly meet with hospitals, specialists, general practitioners and pharmacies, we have the strength to launch new prescription and non-prescription pharmaceuticals.

The company will also actively work to build and retain value through ownership and further development of assets, both short- and long-term. Through licensing rights and developing and purchasing products, the company will increase its share of pharmaceuticals that we ourselves own the marketing rights and trademarks to.

Based on the growth strategy and outlook, the board of Navamedic expects that the company will continue the positive development in the second half of 2020 and show growth in the coming years.

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 2019 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 2020 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, 20 August 2020



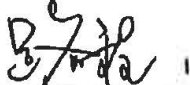
Terje Bakken (sign.)

Chair of the Board



Inger Johanne Solhaug (sign.)

Board member



Cheng Lu (sign.)

Board member



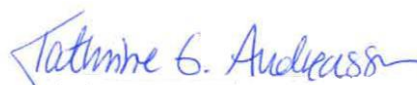
Jostein Davidsen (sign.)

Board member



Narve Reiten (sign.)

Board member



Kathrine Gamborg Andreassen (sign.)

CEO

Condensed consolidated statement of comprehensive income

<i>(in NOK '1000)</i>	Q2 2020	Q2 2019	YTD 2020	YTD 2019	Year 2019
Operating revenues	42 135	47 221	97 776	92 653	188 755
Cost of materials	-27 477	-30 972	-67 397	-64 007	-131 152
Gross profit	14 658	16 250	30 380	28 646	57 603
Gross profit %	34,8 %	34,4 %	31,1 %	30,9 %	30,5 %
Payroll expense	-6 243	-6 998	-13 757	-14 140	-33 363
Other operating cost	-10 490	-8 371	-18 032	-13 136	-30 696
Operating costs	-16 733	-15 369	-31 789	-27 276	-64 060
EBITDA	-2 075	880	-1 409	1 371	-6 457
EBITDA %	-4,9 %	1,9 %	-1,4 %	1,1 %	-3,4 %
Depreciation	-361	-337	-749	-710	-1 602
Amortization	-526	-498	-980	-1 002	-2 027
Operating result (EBIT)	-2 962	46	-3 138	-341	-10 086
Results from associated companies	705		-177		-700
<i>Financial income and expenses</i>					
Financial income	656	366	1 194	821	331
Financial expenses	-893	-777	-1 945	-1 246	-2 442
Net currency gain/losses	2 856	-518	-7737	-1 384	-2 580
Net financial result	2 619	-929	-8 489	-1 810	-4 691
Result before tax continuing operations	362	-883	-11 804	-2 151	-15 477
Income taxes, continuing operations	147	-566	665	-860	-820
Net profit / loss (-) continuing operations	509	-1 449	-11 139	-3 010	-16 297
Net profit / loss (-) discontinued operations	0	-3 100	0	-6 938	44 232
Net profit / loss (-) Total operations	509	-4 549	-11 139	-9 949	27 935
<i>Other comprehensive income that may be reclassified subsequently to profit or loss</i>					
Currency translations differences	-54	-5 299	8 307	-7 005	-4 233
Reversal of translation differences	0				1 855
Total comprehensive income for the period	455	-9 847	-2 832	-16 953	25 557
Basic and diluted EPS from continuing operations	0,04	-0,12	-0,96	-0,26	-1,39
Basic and diluted EPS from total operations	0,04	-0,38	-0,96	-0,86	2,39

Condensed consolidated statement of financial position

<i>(in NOK '1000)</i>	30.06.2020	30.06.2019	31.12.2019
Intangible assets	8 704	5 593	6 631
Goodwill	64 288	58 753	59 520
Investment in associated company	15 123	0	15 300
Loans to associated company	36 509	0	25 565
Deferred tax assets	9 242	9 230	9 242
Tangible assets	2 248	1 787	1 956
Non-current assets	136 114	75 363	118 213
Inventories	45 762	33 130	31 983
Trade and other receivables	23 891	35 699	19 972
Prepaid income taxes	7 306	7 320	5 449
Cash at hand, in banks	46 670	6 506	11 439
Assets held for distribution	0	52 978	NA
Current assets	123 629	135 632	68 843
Total assets	259 743	210 995	187 056

<i>(in NOK '1000)</i>	30.06.2020	30.06.2019	31.12.2019
Equity	131 527	95 419	79 231
Total equity	131 527	95 419	79 231
<i>Liabilities</i>			
Contingent consideration	0	0	0
Long term part of license liabilities	8 383	10 221	9 568
Loans and borrowings incl. lease	21 499	1 728	16 872
Deferred tax	0	202	0
Non-current liabilities	29 882	12 151	26 441
Trade and other payables	61 042	41 143	42 704
Short term liabilities to financial institutions and lease	6 612	25 183	8 664
Short term part of license liabilities	12 224	6 359	8 831
Income taxes payable	470	1 850	1 092
Short term liabilities	17 986	13 770	20 095
Liabilities held for distribution	0	15 120	NA
Current liabilities	98 333	103 425	81 385
Total liabilities	128 216	115 576	107 826
Total shareholders equity and liabilities	259 743	210 995	187 056

- 1) As a consequence of the demerger of the former Medtech division, from 4 November 2019 separately listed on Oslo Axess as Observe Medical ASA, group external profit and loss items related to the former Medtech division have been re-represented as "discontinued operations" for the relevant periods in 2019.

Condensed consolidated statement of cash flows

<i>(in NOK *1000)</i>	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Profit/loss(-) before tax for total operations	362	-3 983	-11 804	-9 089	-24 488
Taxes paid	-653	-672	-1 306	-957	329
Depreciation, amortization and write off	887	1 833	1 729	3 754	5 769
Interest and contingent consideration without cash effect	-936	991	2 003	1 146	2 066
Changes in inventory	7 640	13 229	-13 778	3 366	3 601
Changes in trade receivables	16 644	29	120	3 218	18 741
Changes in trade payables	-20 386	-18 765	18 338	782	2 990
Changes in other current items	-9 863	4 494	-16 921	4 114	3 714
Net cash flow from operating activities	-6 305	-2 843	-21 620	6 335	12 722
<i>Cash flow from investments</i>					
Purchase / disposal of tangible and intangible assets	-1 763	-495	-2 763	-815	-721
Demerger of Observe Medical	0	0	0	0	-1 147
Net cash flow from investing activities	-1 763	-495	-2 763	-815	-1 868
<i>Cash flow from financing</i>					
Short term liabilities to financial institutions	0	-1 556	0	-7 393	-27 855
Cash received/spend for issue of shares	-1 695	-57	-4 740	-502	-359
Share issue	6 599	0	59 011		0
Long term liabilities to financial institutions and other	0	0	0	0	18 884
Payments of lease liabilities	-366	-347	-777	-706	-1 571
Net cash flow from financing activities	4 539	-1 960	53 495	-8 600	-10 901
Changes in currency	563	-316	6 119	-829	440
Net change in cash	-2 967	-5 615	35 231	-3 908	393
Cash and cash equivalents start period	49 637	12 752	11 439	11 046	11 046
Cash and cash equivalents end period	46 670	7 138	46 670	7 138	11 439

Condensed consolidated statement of changes in equity

<i>NOK 1000</i>	Share capital	Share premium	Translation differences	Retained earnings	Total
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		-	-	1 000
Translation difference	-	11 982	-7 005	-	4 977
Net loss of the period	-	-	-	-9 949	-9 949
Balance at 30 June 2019	11 868	122 071	7 190	-45 710	95 419
Balance at 1 January 2020	8 782	66 037	11 817	-7 406	79 231
Equity share option plan				530	530
Share capital issue	2 407	56 605		-4 740	54 272
Share capital issue not registered		327			327
Translation difference	-	-	8 307	-	8 307
Net loss of the period	-	-	-	-11 139	-11 139
Balance at 30 June 2020	11 189	122 969	20 124	-22 754	131 527

Notes to the condensed consolidated interim financial statements

1. General information

Navamedic 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), Navamedic A/S (Denmark) and Novicus Pharma AS.

2. Nature of operation

Navamedic is a distributor of pharmaceuticals, medical devices and medical nutrition products focusing on sales to hospitals, pharmacies and patients, 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. At 30 June 2020, Navamedic has a portfolio of more than 30 products that are sold through pharmacy chains, wholesalers, public health sectors and hospitals in 11 countries in the Nordic region and Europe.

3. 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 2019 (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.

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 20 August 2020.

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.

4. Change in accounting policies

The group has not implemented any changes in accounting policies for the first half year of 2020. The same accounting policies are applied for the interim report as are applied in the annual financial statements.

5. Earnings per share

Earnings per share (EPS) are calculated on the basis of net profit (loss) (result allocated to shareholders of the company). This result is divided by a weighted average number of outstanding shares over the periods, reduced by treasury shares (none for the periods presented). Dilutive EPS are the same as ordinary EPS for all periods presented in the table below.

<i>NOK 1000</i>	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Net profit / loss (-) continuing operations	509	-1 449	-11 139	-3 010	-16 297
Net profit / loss (-) discontinued operations	0	-3 100	0	-6 938	44 232
Net profit / loss (-) Total operations	509	-4 549	-11 139	-9 949	27 935
Weighted average of outstanding shares	13 691	11 868	11 652	11 542	11 706
Earnings per share continuing operations	0,04	-0,12	-0,96	-0,26	-1,39
Earnings per share discontinued operations	0,00	-0,26	0,00	-0,60	3,78
Earnings per share total operations	0,04	-0,38	-0,96	-0,86	2,39

6. Segment information

Following the demerger of the Medtech division in 2019, Navamedic has only one segment, the Pharma and Healthcare division. The reporting structure reflects the company's business and product composition.

The Pharma and Healthcare Segment consists of pharmaceuticals and medical nutrition products that Navamedic markets, sells and distributes to hospitals, pharmacies and patients, bought from product suppliers and manufacturers in Europe and other countries.

From the first quarter of 2020, Navamedic has implemented a new classification of its products, divided into four product categories:

- **Medical nutrition**, including a broad portfolio of medical nutrition products. Navamedic is a Nordic distributor of products purchased from the UK based company Vitaflo International ltd, a subsidiary of Nestlé. The product range also includes products within carbohydrate metabolism, fat metabolism (MCT products) and renal disease.
- **Consumer health**, including gastro, oral, dermatology and pain products such as Alflorex®, Thermacare®, Gelorevoice®, Aftamed and Nyda®.
- **Branded generics**, including cardiology products and generics such as Imdur® (used to prevent angina attacks) and Nitrolingual (treatment for angina pectoris).
- **Specialty pharma**, including obesity and urology products such as Mysimba® (prescription pharmaceutical for treatment of obesity) and Gepan® (a product for the treatment of painful bladder syndrome).

7. Financial risk factors

Credit risk

Navamedic is exposed to no significant concentrations of credit risk. Routines have been introduced to ensure products are sold to customers with satisfactory creditworthiness. The company's customers are mostly public enterprises and larger pharmacy chains that represent a low credit risk. The level of consumer sales is relatively low. As per June 2020, loss on receivables and provision for bad debts are minor.

Maturity profile on short-term receivables as per 30 June 2020:

NOK 1000	Not due	Less than 3 months	3 to 12 months	Total
Trade receivables	17 028	174	-	17 202
Other receivables	6 689			6 689
Total receivables	23 717	174	-	23 891

Foreign currency risk

A significant proportion of the group's revenue and expenses are in currencies other than the functional currency in the individual companies (NOK and SEK). Materials are generally paid for in EUR, SEK, GBP, USD, DKK and NOK. Most of the sales in Navamedic AB take place in Nordic currencies and EUR. Payroll and operating expenses are generally incurred in the currency of the country in which the individual company is registered. The group has not adopted specific currency hedging strategies in relation to operations.

The group is exposed to exchange rate fluctuations relating to trade receivables, trade account payables, overdraft facilities, factoring and licensing liabilities.

Market and 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.

With reference to the Covid-19 outbreak, this is likely to influence the company going forward. The company is exposed to risk related to pandemic outbreaks, however, the company is probably less prone to be affected to the same extent as many other companies. The demand for the company's products is less likely to be affected since the end users typically use the products based on needs and cannot easily discontinue using them. There is a risk that some products' production and delivery could be affected in the event of long term shut down.

Liquidity risk

The group's liquidity risk is considered moderate. As at 30 June 2020, the group had NOK 46.7 million in liquid assets in the bank (NOK 6.5 million). The group continually monitors the liquidity risk evident from the profile of the

due dates for financial liabilities. As at 30 June 2020, the company considered the group's liquidity to be satisfactory. The company also focuses on improving liquidity to finance growth.

The group is exposed to interest rate risk related to bank deposits. The calculated interest income and expenses, as well as actual interest payments, are affected by rate changes. The group has not entered into any hedging arrangements to cover fluctuations in the general level of interest rates. The interest rates for 2020 for the loans from financial institutions and loans to associated company are fixed.

8. Share options

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

Of the 2018 program, 15,000 options were terminated in the second quarter of 2020, leaving 46,875 options outstanding from the 2018 program at 30 June 2020. In May 2019, a total of 400,000 new options were granted, divided into 275,000 Series A options and 125,000 Series B options. Of the 2019 program, 275,000 series A options were exercised in the first quarter of 2020, leaving 125,000 series B options outstanding at 30 June 2020. Each option, when exercised, will give the right to acquire one share in the Company. The exercise price was NOK 12 per share (NOK 8.88 after the demerger, see below).

Due to the demerger of the Medtech division, the exercise price for options in both the 2018 and 2019 programs were reduced by 26% to reflect the exchange ratio in the demerger to compensate the share option holders for the negative effect of the capital transaction. The option holders further received options in Observe Medical ASA. The change was intended to hold the option holders harmless from the capital transaction in Navamedic, and the modifications did not increase the total fair value of the share-based payment arrangement or were otherwise beneficial to the option holders. The effect for Navamedic at 31 October 2019 was a reduction of the remaining unamortised fair value calculated at the grant date.

In December 2019 a further 75,000 series A share options were granted, with exercise price of NOK 14.46 per share, of which all are outstanding at 30 June 2020.

In June 2020 a further 480,000 series A share options were granted, with exercise price of NOK 19 per share, of which all are outstanding at 30 June 2020.

For the Series A options, 1/3 of the options will vest every 12 months after the grant date (if the option holder is still employed). Options that have not been exercised will lapse 4 years after grant date.

For the Series B options, all options vested on the grant date. Options that have not been exercised will lapse 30 September 2020.

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.

During the first half year of 2020, NOK 0.53 million of the Series A options have been recognized as an expense. In addition, estimated social security tax is expensed over the estimated vesting period, amounting to NOK 0.42 million

for the first half year of 2020. Remaining unamortised fair value and social security tax at 30 June 2020 was NOK 4.22 million and NOK 0,36 million, respectively.

9. Bank arrangement, credit facilities and other financial liabilities

Navamedic has a 2-year loan of SEK 20 million and a 1-year loan of SEK 5 million, in addition to a non-recourse factoring agreement with a limit of SEK 47 million of which SEK 7.2 million was drawn as at 30. June 2020. 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 occurs, the Group recognizes 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 2020, the Group has recognized a NOK 19.0 million license liability for a license agreement for 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 2020.

The group has recognized right of use liabilities in accordance with IFRS 16, with carrying amount of NOK 1.4 million at 30 June 2020.

10. 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.

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

After the reporting period ended on 30 June 2020 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 4 August 2020, Navamedic completed the transaction with ACS Dobfar and InfoRLife for the acquisition of marketing authorizations for a series of antibiotics for hospital use in the Nordic region. Navamedic acquires the marketing authorisations for a total consideration of up to NOK 38 million in two tranches.

Oslo, 20 August 2020



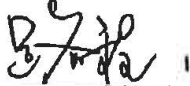
Terje Bakken (sign.)

Chair of the Board



Inger Johanne Solhaug (sign.)

Board member



Cheng Lu (sign.)

Board member



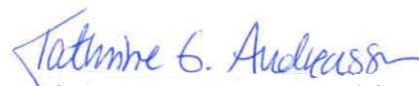
Jostein Davidsen (sign.)

Board member



Narve Reiten (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 the 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.



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