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Pediapharm Announces Third Quarter Financial Results

MONTREAL, QUEBEC – March 2, 2015 - Pediapharm Inc. (the "Company") is pleased to announce the filing of its third quarter unaudited financial results ended December 31, 2014. All dollar amounts are expressed in Canadian currency and results are reported in accordance with IFRS accounting principles.

Highlights for the period ended December 31, 2014:

- NYDA®, a breakthrough treatment for head lice and its eggs, is a major contributor to the revenue growth and is on track to reach over $2,000,000 in revenue in the year ended March 31, 2015 ("fiscal 2015"). With approximately 10% market share (IMS data-June 2014) and given the market trends favoring the use of NYDA due to a high level of lice resistance with competitive pesticide-based shampoos, Management believes NYDA is well positioned to reach $3,200,000 in fiscal 2016 and its projected peak sales of $6,000,000-$8,000,000 by fiscal 2018.

- Total revenue for the three-month period ended December 31, 2014 is approximately the same as total the three-month period ended September 30, 2014. While the Company has historically been showing solid quarter-over-quarter growth, the seasonality of the Company's main product, NYDA, had an impact on revenue when comparing both periods. Furthermore, when comparing revenue generated from the sale of products (excluding commission revenue), revenue has increased by 90% in the three-month period ended December 31, 2014 compared to the three-month period ended December 31, 2013.

- The Company has over $3,055,000 of working capital as of December 31, 2014.

- On October 8, 2014, Pediapharm acquired the exclusive Canadian rights to a novel patented formulation of Ciprofloxacin 0.3% and Fluocinolone Acetonide 0.025% otic solution. Pediapharm intends to register the combination product for 2 indications in adults and children older than 6 months old: 1) acute otitis media in patients with tympanostomy tubes ("AOMT"); 2) acute otitis external (swimmer's ear). In addition to the recent results from two phase III trials in patients suffering from AOMT, Laboratories SALVAT S.A., Ltd has been commercializing this product with success since 2011 in several European countries, where the product captured between a 22% and 28% market share. In Canada, this novel combination product will be competing in a market estimated by management to be approximately at $25,000,000 (IMS data-2013).

- On December 18, 2014, Pediapharm acquired the exclusive Canadian rights to rupatadine, a novel second generation antihistamine with a unique profile of anti-inflammatory properties. The Company intends to register both the adult and pediatric products for the following indications: allergic rhinitis and urticaria. It will be competing in a market estimated to be at $105 million; including $17 million from prescriptions (Rx). As a reference, rupatadine tablets are already registered and authorized in more than 70 countries while the pediatric solution is already authorized in 43 countries.

- As a result of its on-going business development efforts, Pediapharm has 4 key products

(Easyhaler-Budesonide, Cuvposa, Cetraxal-Plus and Rupatadine) that have been filed or in the process of being filed with Health Canada; thus, well positioned to sustain its future growth.

- The Easyhaler®-budesonide filing is currently under review by Health Canada after clearing the screening process in July 2014. Given the internal Health Canada timelines for such a dossier, the Company remains confident to obtain marketing approval by end of June 2015.

Recent highlights

On February 5, 2015, in conjunction with the annual meeting of the Canadian Rheumatology Association ("CRA"), Pediapharm announced the launch of Pediapharm Naproxen Suspension, the Company's first product acquisition. This product will be competing in a Canadian market valued at $76 million (prescription tablets and suspension NSAID-IMS data 2013).

"As mentioned in the past, one key strategic objective of Pediapharm was to build a solid product pipeline. With the addition of 2 great product innovations in the last quarter; one in the area of infection diseases (Cetraxal Plus); another in the area of allergy (Rupatidine).; we now have a product pipeline that could generate over $34,000,000 of peak sales " stated Sylvain Chretien, President and Chief Executive Officer of Pediapharm. He added: "Our future looks very promising and our short-term focus is to sustain our revenue growth with the objective to reach profitability in a timely fashion. Acquisitions of products that will generate short-term revenue remain key and we believe we will be successful in doing so", concluded Mr. Chretien.

The Company's focus remains to execute its commercial plan with existing products, such as NYDA®, a revolutionary treatment indicated for eradication of head lice and its eggs. NYDA® is on track to reach over $2,000,000 in revenue in fiscal 2015 and has the potential to achieve peak revenues of $6,000,000 to $8,000,000 by fiscal 2018.

Pediapharm has a product pipeline of secured exclusive agreements which management believes will enable the Company to obtain its corporate goal of reaching between $35,000,000 and $40,000,000 within the next 5-6 years. As described below, projected revenues to be generated from existing licences/products that have not yet been launched and/or require Health Canada approval are estimated at $34,000,000:

Pediapharm product Pipeline

PRODUCT	PARTNER-COUNTRY	INDICATION	MARKET SIZE (CDN $)	EST. PEAK SALES (CDN $)	EST. LAUNCH
Pediapharm Naproxen Suspension	Acquired from Roche-Canada	Juvenile Rheumatoid Arthritis & Other Medical Pain Conditions	Suspension / Liquid: 8 M Tablets: 68 M	4 M	Q-1 2015
Easyhaler-Budesonide (*)	Orion-Finland	Asthma	195 M	15 M	Q-3 2015
Cuvposa (*)	Merz Pharma-USA	Severe Drooling – Cerebral Palsy	25 M	5 M	Q-4 2016

Cetraxal-Plus (*)	Salvat Laboratories-Spain	Ear Infection, Swimmer's Ear	25 M	4 M	Q-4 2016
Rupatadine (*)	Uriach-Spain	Antihistamine (RX indication)	120 M	6 M	Q-4 2016
TOTAL			**441 M**	**34 M**	
(*) Requires Health Canada Approval					

Now that Pediapharm has positioned itself with a strong pipeline as shown above, the Company's core strategy regarding business development has recently evolved to focus more on acquisitions of products with existing sales and on co-promotion for products already approved in Canada. The key objective is to generate profitability in a timely fashion while pursuing the regulatory process of the agreements signed in 2014. In parallel, Pediapharm will still assess exclusive licensing agreements (commonly known as "in-licensing").

With the excellent sales momentum of its current marketed products portfolio, including NYDA®, the Company continues to make positive steps towards generating positive cash flow. The recent launch of Pediapharm Naproxen Suspension, as well as the anticipated launch of Easyhaler-budesonide in 2015, will positively impact revenues for years to come. In parallel, the Company is in the process of assessing potential product acquisitions, and strives to add more products to its portfolio within this fiscal year. Pediapharm is a growth company in the high-margin specialty pharmaceutical industry, and when opportunities arise to feed that growth, it may raise incremental capital to provide for necessary funding and flexibility.

Review of operating results for the period ended December 31, 2014

For the three months ended December 31, 2014, revenues reached $918,511 compared with revenues of $1,237,538 in the three months ended December 31, 2013. In the three month period ended December 31, 2014, $824,246 (2013 - $434,589) of revenue was generated from the sale of products, led by the very strong revenue growth from NYDA®, whereas $94,265 (2013 - $802,949) was generated from commissions. Commission revenue was negatively impacted by the termination of the Company's promotional sales agreements with Sanofi Canada for Suprax® and Allerject™, effective June 30, 2014.

For the three months ended December 31, 2014, selling and administrative expenses were $2,043,972 (2013 - $1,289,916). The Company has deployed additional efforts in selling & marketing as well as in business development to capitalize on the Company's existing portfolio as well as future products and/or license agreements. Pediapharm continues to invest in marketing and sales efforts on NYDA. This investment is key in the success of NYDA, which is growing at a rate of 92% vs 2013 on its way to achieve its projected peak sales of $6,000,000-$8,000,000 in fiscal 2018.

The comprehensive loss for the three months ended December 31, 2014 was $1,121,145 compared to the $1,703,124 in the three months ended December 31, 2013. The additional efforts in marketing & sales as well as investments in securing new agreements are the main reasons for the increased loss. Furthermore, expenses related to the amalgamation with Chelsea Acquisition Corp, in December 2013, as well as the termination of the Company's promotional sales agreements with Sanofi Canada for Suprax® and Allerject™, effective June 30, 2014 also had an impact when comparing the periods.

	December 31, 2014 (3 months)	December 31, 2013 (3 months)	December 31, 2014 (9 months)	December 31, 2013 (9 months)
Revenue	918,511	1,237,538	2,725,504	3,182,395
Selling and administrative expenses	2,043,972	1,289,916	5,875,503	3,456,119
Net loss	(1,121,145)	(1,703,124)	(3,120,689)	(2,173,877)
Cash flow from (used in) operating activities	(968,162)	(1,038,899)	(3,360,621)	(1,257,864)
Cash flow from (used in) investing activities	(701,787)	249,443	(992,690)	55,798
Cash flow from (used in) financing activities	(985)	6,394,230	(985)	6,727,356

About Pediapharm Inc.

Pediapharm is the only Canadian specialty pharmaceutical company dedicated to serving the needs of the pediatric community. Its mission is to bring to the Canadian market the latest innovative pediatric products with the objective to improve the health and the well-being of children in Canada. Since its debut in 2008, Pediapharm has entered into numerous commercial agreements with partners from Canada and other countries around the world. The company's innovative product portfolio includes NYDA®; a breakthrough treatment for head lice; EpiCeram® a non-steroid emulsion for eczema; KoolEffect™ which reduces the symptoms of fever; and VapoLyptus™; a soothing vapour patch of Eucalyptus and Camphor.

FORWARD LOOKING STATEMENTS

This news release contains forward-looking statements and other statements that are not historical. Such forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that could cause actual results to vary materially from target results and the results or events predicted in these forward-looking statements. As a result, investors are cautioned not to place undue reliance on these forward-looking statements.

The forward-looking statements contained in this news release are made as of the date of this release. Except as required by applicable law, the Corporation disclaims any intention and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Forward-looking information reflects the current expectations or belief of the Corporation based on information currently available and such information is subject to a number of assumptions, risks and uncertainties described in details at pp. 35 to 41 of the Management Information Circular of Chelsea Acquisition Corporation dated November 12, 2013 available on SEDAR at www.sedar.com and other risks associated with being a specialty pharmaceutical company.

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