PROSPECTUS

observe medical

OBSERVE MEDICAL ASA

(A public limited liability company incorporated under the laws of Norway)

Listing of the Company's shares on Oslo Axess

This prospectus (the "Prospectus") has been prepared in connection with the listing (the "Listing") of the shares in Observe Medical ASA, a public limited liability company incorporated under the laws of Norway (the "Company") and, together with its subsidiaries, the "Group" or "Observe Medical"), on Oslo Axess, a stock exchange operated by Oslo Børs ASA, each with a par value of NOK 0.26 (the "Shares").

The Company applied for the Shares to be admitted for trading and listing on Oslo Axess on 2 October 2019, and the board of directors of Oslo Børs approved the Company's listing application on 30 October 2019. Trading in the Shares on Oslo Axess is expected to commence on or about 4 November 2019 under the ticker code "OBSERV".

The Shares are registered in the Norwegian Central Securities Depository (Nw: *Verdipapirsentralen*) (the "VPS") in book-entry form. All Shares rank in parity with one another and carry one vote.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. See Section 15 "Selling and transfer restrictions".

THIS PROSPECTUS SERVES AS A LISTING PROSPECTUS ONLY. THE PROSPECTUS DOES NOT CONSTITUTE AN OFFER, OR INVITATION TO PURCHASE, SUBSCRIBE OR SELL, ANY OF THE SECURITIES DESCRIBED HEREIN, AND NO SHARES OR OTHER SECURITIES ARE BEING OFFERED OR SOLD IN ANY JURISDICTION PURSUANT TO THIS PROSPECTUS.

Investing in the Shares involves a high degree of risk. Prospective investors should read the entire Prospectus and, in particular, consider Section 2 "Risk factors" beginning on page 10 when considering an investment in the Company.

The date of this Prospectus is 1 November 2019

IMPORTANT INFORMATION

This Prospectus has been prepared in connection with the Listing of the Shares on Oslo Axess.

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75 (as amended) (the "Norwegian Securities Trading Act") and related secondary legislation, including Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended, and as implemented in Norway in accordance with Section 7-1 of the Norwegian Securities Trading Act (the "EU Prospectus Regulation"). This Prospectus has been prepared solely in the English language. This Prospectus has been approved by the Financial Supervisory Authority of Norway (Nw.: Finanstilsynet) (the "Norwegian FSA"), as competent authority under the EU Prospectus Regulation. The Norwegian FSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation, and such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

For definitions of certain other terms used throughout this Prospectus, see Section 17 "Definitions and glossary".

No person is authorised to give information or to make any representation concerning the Group other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Company or by any of its affiliates, representatives or advisors.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Shares in any jurisdiction, including in any jurisdiction in which such offer or sale would be unlawful. Neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with applicable laws and regulations. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. In addition, the Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of an investment in the Shares for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. See Section 15 "Selling and transfer restrictions".

This Prospectus shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Prospectus.

In making an investment decision, prospective investors must rely on their own examination, and analysis of, and enquiry into the Group and the Shares, including the merits and risks involved. The Company and its representatives and advisers are not making any representation to any purchaser of the Shares regarding the legality of an investment in the Shares by such purchaser under the laws applicable to such purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Shares.

All Sections of the Prospectus should be read in context with the information included in Section 4 "General information".

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("MiFID II"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "MiFID II Product Governance Requirements"), and disclaiming all and any liability, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that they each are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "Target Market Assessment"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Conversely, an investment in the Shares is not compatible with investors looking for full capital protection or full repayment of the amount invested or having no risk tolerance, or investors requiring a fully guaranteed income or fully predictable return profile.

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Listing.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Shares and determining appropriate distribution channels.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is a public limited liability company incorporated under the laws of Norway. As a result, the rights of holders of the Shares will be governed by Norwegian law and the Company's articles of association (the "Articles of Association"). The rights of shareholders under Norwegian law may differ from the rights of shareholders of companies incorporated in other jurisdictions. The members of the Company's board of directors (the "Board Members" and the "Board of Directors", respectively) and the members of the senior management of the Group (the "Management") are not residents of the United States, and all of the Company's assets are located outside the United States. As a result, it may be very difficult for investors in the United States to effect service of process on the Company, the Board Members and members of Management in the United States or to enforce judgments obtained in U.S. courts against the Company or those persons, whether predicated upon civil liability provisions of federal securities laws or other laws of the United States (including any State or territory within the United States).

The United States and Norway do not currently have a treaty providing for reciprocal recognition and enforcement of judgements (other than arbitral awards) in civil and commercial matters. Uncertainty exists as to whether courts in Norway will enforce judgments obtained in other jurisdictions, including the United States, against the Company or the Board Members or members of Management under the securities laws of those jurisdictions or entertain actions in Norway against the Company or its Board Members or members of Management under the securities laws of other jurisdictions. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Norway. Similar restrictions may apply in other jurisdictions.

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APPENDICES

1 SUMMARY

Introduction

Warning	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on a consideration of the Prospectus as a whole by the investor. An investment in the Company's Shares involves inherent risk and the investor could lose all or part of its invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
Securities	The Company has one class of shares in issue. The existing Shares are registered in book-entry form with the VPS and have ISIN NO 0010865009.
Issuer	Observe Medical ASA's registration number in the Norwegian Register of Business Enterprises (Nw. *Foretaksregisteret*) is 822 907 822 and its LEI is 9845005F38B74FFJ1B65. The Company's registered office is located at Henrik Ibsens gate 90, 0255 Oslo, Norway, and the Company's main telephone number at that address is 67 11 25 40. The Group's website can be found at www.observemedical.com.
Offeror(s)	Not applicable.
Competent authority	The Financial Supervisory Authority of Norway (Nw.: *Finanstilsynet*), with registration number 840 747 972 and registered address at Revierstredet 3, N-0151 Oslo, Norway, and with telephone number +47 22 93 98 00 has reviewed and, on 1 November 2019, approved this Prospectus.

Key information on the issuer

Corporate information	Observe Medical ASA is a Norwegian public limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Public Limited Liability Companies Act of 13 June 1987 no. 45 (the "Norwegian Public Limited Companies Act"). The Company was incorporated in Norway on 13 June 2019, and the Company's registration number in the Norwegian Register of Business Enterprises is 822 907 822 and its LEI is 9845005F38B74FFJ1B65.
Principal activities	The Group is a Medtech group which is in the business of developing innovative medical technology products that benefit patients and healthcare professionals. The Company is the parent company of the Group, which only business is to own all shares in the operating company Observe Medical International AB (OMI) and its subsidiaries Navamedic MedTech AB and Observe Medical Aps. The Group's core and first product is Sippi®, an automated digital urine meter for use in intensive care wards. The Group is headquartered in Oslo, Norway, but the Group's operational business is conducted in Stockholm and Gothenburg, Sweden. Observe Medical's current business is specifically within the hospital segment where its products contribute to increased patient safety, reduced use of antibiotics and a more efficient care system. The Group has developed the product Sippi® which is an automatic and digital urine meter and the technology Sippcoat® which prevents bacterial migration in closed collection systems. Sippi® is approved for sale in Europe and registered for sale in the U.S., and the Group is now in an important launch phase for the next generation named Sippi®BLE 2.0, which comprises a digital urine meter with wireless connection to the hospital's digital patient journal system.

Major shareholders Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act.

Pursuant to Navamedic ASA's shareholder register as at 25 October 2019 and taking into account the dilutive effect of the Debt Conversion (as defined below), no shareholders other than Navamedic ASA (21.24%), Ingerø Reiten Investment Company AS (19.36%), Topridge Pharma (9.41%) and Ro, Lars (8.76%) hold more than 5% of the Company's Shares.

Key managing directors The Group's Management consists of two individuals. The names of the members of the Management and their respective positions are presented in the table below.

Name	Position
Ole Henrik Eriksen	Interim Chief Executive Officer
Toril Marie Ås	Chief Financial Officer

On 24 October 2019, the Company announced that it had employed Björn Larsson as the new CEO of the Group who will assume his position in medio December 2019. At such time Ole Henrik Eriksen will step down from his position as interim CEO and will no longer have any positions with the Company or its subsidiaries.

Statutory auditor The Company's auditor is KPMG AS, with business registration number 935 174 627 in the Norwegian Register of Business Enterprises and registered address at Sørkedalsveien 6, 0369 Oslo, Norway.

What is the key financial information regarding the issuer?

Carve-out statement of profit and loss data

In NOK thousand	Six months ended 30 June		Year ended 31 December		
	2019	2018	2018	2017	2016
Total revenue	60	51	106	198	614
Operating expenses	5,567	4,676	7,929	11,187	11,233
Net profit / (loss)	-8,476	-7,947	2,274	-17,370	-10,571

Carve-out balance sheet data

In NOK thousand	Six months ended 30 June		Year ended 31 December		
	2019	2018	2018	2017	2016
Total assets	53,345	61,774	58,831	64,037	69,040
Total equity	6,203	4,345	16,823	11,394	14,697
Total liabilities	47,141	57,429	42,008	52,643	54,343

Carve-out cash flow statement data

In NOK thousand	Six months ended 30 June		Year ended 31 December		
	2019	2018	2018	2017	2016
Net cash flows from operating activities	-5,101	-4,038	-8,364	-9,828	-10,451
Net cash flows from investing activities	-1,036	-865	-1,949	-1,569	-1,406
Net cash flows from financing activities	5,489	3,519	9,558	11,810	14,325

What are the key risks that are specific to the issuer?

Material risk factors

- Currently, the Group has only one product, Sippi® with supporting functions/products SippSense® and SippCoat®, in the market and the number of units sold of these products will have a direct effect on the Group's results of operations as they are the only revenue generating products that the Group' currently offers. Low sales of Sippi® will have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern without

raising additional liquidity financing either through equity offering or further debt financing.

- As the process of monitoring urine output, as part of measuring the critical fluid balance of patients, has remained unchanged for several decades competing products may be launched to the market before the Group is able to establish a viable market share for Sippi®. The markets in which the Group operates are highly competitive and there is strong competition in developing and bringing new health care products to the market. There is also a possibility that a competing product has alternative or new solutions which outdate the technology that is used in Sippi®. If the Group is unable to remain competitive, this could have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as going concern.
- The urine measurement market is a mature market with a few big suppliers. There is a constant price pressure in this market since it is mainly driven by tenders from private purchasing groups or governmental procurement bodies. Since the Group currently has low production volumes, Sippi® is priced in the upper range of urine meters and there is a risk that this will become a challenging market barrier. If the Group does not obtain the prices it requires for its products, this could have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.
- The Group's target market is Intensive Care Units ("ICUs") which are typically located at university clinics and larger central hospitals. There are limited number of beds per country since ICUs are expensive to operate. The Group faces the risk that one dissatisfied customer could spread the word to the other hospitals in a country or region. In addition, university hospitals are constantly under cost saving regimens and adding a more expensive product as Sippi® can be challenging. New environmental demands from the Group's customers could cause exemption or significant delays in the Group's ability to deliver products and hence generate sales. A customer contract is normally a one-time sale of a number of Sippi® products with no obligation for the customer to purchase additional Sippi® products. The Group is therefore dependent on entering into contracts with new customers and to sell its add-on products such as the Sippcoat® and Sippbag™ to former customers. If the Group is unable to enter into new customer contracts for Sippi® or not establish a larger market for Sippcoat® and Sippbag™, this could a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as going concern.
- The Group has several distributors as partners for foreign markets. The Group is dependent on those distributors' ability to perform and operate in these markets. Furthermore, there is a risk that these companies go out of business. The Group also faces a risk in upscaling production, where product performance can differ. Additionally, the Group has one supplier contract with a minimum purchase obligation. The Group risks a penalty in the amount of EUR 50,000 if it does not fulfil the minimum purchase obligation. The relevant agreement is automatically renewed for a one year term at the time enabling the Group to minimize its risk for being liable to pay the penalty amount for more than one year if in breach. If the Group's distributing partners or suppliers fail to deliver pursuant to their contractual obligations or the Group cannot meet its minimum purchase volumes, this could have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.
- The Group's brands and related intellectual property rights are important to its continued success. If the Group fails to successfully protect its intellectual property rights for any reason, or if any third party misappropriates, dilutes or infringes its intellectual property, the value of its brands may be harmed, which could have an adverse effect on its business, results of operations or financial condition. Any damage to the Group's brand value could lower sale volumes of its products or make it more difficult to obtain new customer agreements. The Group may also from time to time be

required to initiate litigation to enforce its trademarks, trade names, service marks and other intellectual property rights. Third parties may also assert that the Group has infringed, misappropriated or otherwise violated their intellectual property rights, which could lead to litigation against the Group. The outcome of litigation is inherently uncertain and the litigation process, regardless of outcome, could divert the attention of the Management, result in substantial legal fees and costs, damages, and diversion of resources, and may thus affect the Group's ability to develop its business in accordance with its business plan. Furthermore, litigation, whether as a claimant or plaintiff, could also result in negative publicity, as well as negatively affect the Group's sales and profitability, regardless of whether the Group is able to successfully enforce or defend its rights. The realization of these risks could ultimately have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as going concern.

- The Group operates in the urine measurement field where almost all of the offered products are analogue system. The only digital system on the market has had limited success and other digital products that have been launched have been withdrawn later. Urine is a difficult substance to measure since it produces biofilm and can have blood clotts, debris and proteins. Even analogue systems have had recalls due to problems with de-airing and blocked systems. There is a risk that the Group will experience similar problems with Sippi®. In addition, the Group uses Bluetooth technology to send data to its Bluetooth receiver for data handling in its software SippLink™. Sending Bluetooth signals in an ICU environment can be affected by other equipment in the ICU which could affect Sippi®'s operation negatively. So far the Group has not been able to conduct tests in many hospitals and hence the Group is unsure of Sippi®'s operating performance or negative effects from other equipment. The Group also depends on other vendor's PDMS systems and hardware which also can have a negative impact on Sippi®'s functionality or ability to access such systems. If the Group's products would appear to have malfunctions that needs to be re-designed, this could a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.
- The Group is dependent on its products fulfilling national and international requirements for product quality and safety. The approval process for medical devices differs between countries and hospital systems, which means that there is an uncertainty related to the amount of resources the Group will have to devote to meet the requirements for required approvals. It cannot be guaranteed that the Group will be able to obtain or maintain such permits/approvals, or that fulfilling applicable requirements may be done on commercially satisfactory terms. The Group obtained FDA registration (US Food and Drug Administration) in 2013 for Sippi® and CE approval (Communauté Européenne) for Sippi®BLE 2.0 in 2019. If the Group were to lose any of its permits or not obtain the permits required, this could have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.
- Because the Group currently is in an early phase of its commercialisation and development process of its products, no assurance can be given that the Group will not require additional funds in order to execute and complete its commercialisation and growth strategy, or for other purposes. Following the 12 months' period after the Listing date, the Group's principal source of liquidity may still be cash generated from financing, equity and debt, in addition to net cash flows generated from sales, and consequently there is a risk that the borrowing arrangement and available liquidity sources that the Group has in place are not sufficient to cover the Group's existing or future expenditures. There is also the possibility of a breach of the lender's obligations under the Company's existing borrowing arrangement, as the lender is an industrial player and the Company's largest shareholder and not an ordinary financing institution. If the Group requires additional funds in order to execute its commercialisation and growth strategy, or for other purposes, there is a risk that adequate sources of funds may not be available, or available at acceptable terms and conditions, when needed. If the Group raises additional funds by issuing additional equity securities, the existing

shareholders may be significantly diluted. If funding is insufficient at any time in the future, the Group may be unable to fund its current and ongoing commercialisation of its products and lose business opportunities and thereby risk to fail to respond to competitive pressures. If the Group for any reason does not obtain additional funding as needed in the future, this could have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.

- The Group's existing or future debt arrangements could limit the Group's liquidity and flexibility in obtaining additional financing, in pursuing other business opportunities or corporate activities or the Company's ability to declare dividends to its shareholders.
- Through the Demerger (as defined below), the obligations of Navamedic ASA ("Navamedic") will be divided between Navamedic and the Company in accordance with the principles set forth in the Demerger Plan (as defined below). If either Navamedic or the Company is liable under the Demerger Plan for an obligation that arose prior to consummation of the Demerger and fails to satisfy that obligation, the non-defaulting party will, pursuant to the Norwegian Public Limited Liability Companies Act, be subject to a secondary joint liability for that obligation. This statutory liability is unlimited in time, but is limited in amount to the net value allocated to the non-defaulting party in the Demerger and does not apply in respect of obligations incurred after consummation of the Demerger.

Key information on the securities

What are the main features of the securities?

Type, class and ISIN	All of the Shares are common shares in the Company and have been created under the Norwegian Public Limited Companies Act. The Shares are registered in book-entry form with the VPS and have ISIN NO NO0010865009.
Currency, par value and number of securities	The Shares will be traded in NOK on Oslo Axess. As at the date of this Prospectus, the Company's share capital is NOK 3,917,594.98 divided into 15,067,673 Shares, each with a par value of NOK 0.26.
Rights attached to the securities	The Company has one class of shares in issue, and in accordance with the Norwegian Public Limited Companies Act, all shares in that class provide equal rights in the Company. Each of the Shares carries one vote.
Transfer restrictions	The Shares are freely transferable. The Articles of Association do not provide for any restrictions on the transfer of Shares, or a right of first refusal upon transfer of the Shares. Share transfers are not subject to approval by the Board of Directors.
Dividend and dividend policy	The Company has not previously paid any dividends. The Group is focusing on the development and commercialization of medical technology products and does not anticipate paying any cash dividend until sustainable profitability is achieved.

Where will the securities be traded?

The Company applied for the Shares to be admitted for trading and listing on Oslo Axess on 2 October 2019, and the board of directors of Oslo Børs approved the Company's listing application on 30 October 2019. Trading in the Shares on Oslo Axess is expected to commence on or about 4 November 2019. The Company has not applied for admission to trading of the Shares on any other stock exchange, regulated market or a multilateral trading facility (MTF).

What are the key risks that are specific to the securities?

Material risk factors

- The Company may in the future decide to offer additional Shares or other equity-based securities in order to finance its ongoing operations or new capital-intensive projects, in connection with unanticipated liabilities, regulatory requirements or expenses or for any other purpose which requires additional funding of the Group. Additionally, the Company has issued a convertible debt instrument (the "Conversion Right", see Section 9.9.1 "Loan Agreement" for more information) granting the lender under the Loan Agreement (Navamedic ASA) the right to convert any loan outstanding with accrued, but unpaid, interest to shares in the Company on a date falling after 31 October 2020. The Company's other shareholders' do not have pre-emptive rights to participate in

such conversion. Depending on the structure of any future offerings, holding and voting interests of existing shareholders could be diluted and the market price of the Shares could be materially and adversely affected.

Key information on the admission to trading on a regulated market

Admission to trading

Admission to trading	On 2 October 2019, the Company applied for admission to trading of its Shares on Oslo Axess and the board of directors of Oslo Børs approved the Company's listing application on 30 October 2019. The Company expects commencement of trading in the Shares on Oslo Axess on or about 4 November 2019. The Company has not applied for admission to trading of the Shares on any other stock exchange or regulated market and the Shares have not previously been subject to public trading.
Total expenses of the issue/offer	Not applicable.

Why is this Prospectus being produced?

Reasons for the Listing	This Prospectus has been prepared in order to facilitate for the listing of the Company's Shares on Oslo Axess, which was a condition precedent for the completion of the demerger of Navamedic establishing the Group.
Conflicts of interest	Not applicable.

2 RISK FACTORS

An investment in the Company involves inherent risks. Investors should carefully consider the risk factors and all information contained in this Prospectus, including the financial statements and related notes appended hereto. The risks and uncertainties described in this Section 2 are the material known risks and uncertainties faced by the Group as of the date hereof, and represents those risk factors that the Company believes to represent the most material risks for investors when making their investment decision in the Shares. An investment in the Company is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment.

The risk factors included in this Section 2 are presented in a limited number of categories, where each risk factor is sought placed in the most appropriate category based on the nature of the risk it represents. Within each category the risk factors deemed most material for the Group, taking into account their potential negative effect for the Company and its subsidiaries and the probability of their occurrence, are set out first. This does not mean that the remaining risk factors are ranked in order of their materiality or comprehensibility, nor based on a probability of their occurrence. The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties in that risk factor are not genuine and potential threats, and they should therefore be considered prior to making an investment decision. If any of the following risks were to materialize, either individually, cumulatively or together with other circumstances, it could have a material adverse effect on the Group and/or its business, results of operations, cash flows, financial condition and/or prospects, which may cause a decline in the value and trading price of the Shares, resulting in loss of all or part of an investment in the Shares. Additional factors of which the Company is currently unaware or which it currently deems not to be risks, may also have corresponding negative effects.

2.1 Risks related to the Group and its business and the industry in which it operates

The Group is dependent on sale of its product Sippi® in order to generate revenues

Currently, the Group has only one product, Sippi® with supporting functions/products SippSense® and SippCoat®, in the market and the number of units sold of these products will have a direct effect on the Group's results of operations as they are the only revenue generating products that the Group' currently offers. Sippi®, which is developed by the Group, was launched for sale in 2013 and the second generation called Sippi®BLE 2.0 was launched in Q3 2019. Because of the short period of time the product has been in the market, the sale of Sippi® has not started in a large scale. Low sales of Sippi® will have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern without raising additional liquidity financing either through equity offering or further debt financing.

Competing products may be launched to the market before the Group is able to establish a viable market share for Sippi®

As the process of monitoring urine output, as part of measuring the critical fluid balance of patients, has remained unchanged for several decades competing products may be launched to the market before the Group is able to establish a viable market share for Sippi®. The markets in which the Group operates are highly competitive and there is strong competition in developing and bringing new health care products to the market. The players competing with the Group are all kind of companies ranging from big medtech corporations to start-up companies and some competitors have advantages, such as vertical integration, product diversity, greater financial resources or economies of scale, which may adversely affect the Group's ability to compete on sustainable terms. As the field in which Sippi® brings new technology has been unchanged for several decades, there is a possibility that other companies develop competing products that achieve the same results as Sippi® and as such compete for market shares against the Group. There is also a possibility that a competing product has alternative or new solutions which outdate the technology that is used in Sippi®. If the Group is unable to remain competitive, this could have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.

The Group may not obtain the prices it requires for its products

The urine measurement market is a mature market dominated by few big suppliers. There is a constant price pressure in this market since it is mainly driven by tenders from private purchasing groups or governmental procurement bodies. Since the Group currently has low production volumes, Sippi® is priced in the upper range of urine meters and there is a risk that this will become a challenging market barrier. If the Group does not obtain the prices it requires for its products, this could have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.

The Group is dependent upon a limited number of customers, primarily private and public health care clinics and hospitals

The Group's target market is Intensive Care Units ("ICUs") which are typically located at university clinics and larger central hospitals. There are limited number of beds per country since ICUs are expensive to operate. The Group faces the risk that one dissatisfied customer could spread the word to the other few hospitals in a country or region. In addition, university hospitals are constantly under cost saving regimens and adding a more expensive product as Sippi® can be challenging. New environmental demands from the Group's customers, e.g. non-PVC products, could potentially cause exemption or significant delays in the Group's ability to deliver products and hence generate sales. A customer contract is normally a one-time sale of a number of Sippi® units with no obligation for the customer to purchase additional units. The Group is therefore dependent on entering into contracts with new customers and to sell its add-on products such as the Sippcoat® and Sippbag™ in the relevant markets. If the Group is unable to enter into new customer contracts for Sippi® or not establish a larger market for Sippcoat® and Sippbag™, this could have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.

The Group's risk related to distributing partners and suppliers

The Group has contracts with distributors in some European markets outside the Nordics. The Group will also establish new distributor partnerships in other territories in order to launch Sippi® on the global market. Thus, the Group will be dependent on those distributors' ability to perform and operate in their respective territories. Furthermore, there is a risk that these companies go out of business. The Group also faces a risk in upscaling production, where product performance can differ. Additionally, the Group has one supplier contract with a minimum purchase obligation. The Group risks a penalty in the amount of EUR 50,000 if it does not fulfil the minimum purchase obligation. The relevant agreement is automatically renewed for a one year term at the time enabling the Group to minimize its risk for being liable to pay the penalty amount for more than one year if in breach. If the Group's distributing partners or suppliers fail to deliver pursuant to their contractual obligations or the Group cannot meet its minimum purchase volumes, this could have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.

The Group's intellectual property rights, including trademarks and trade names, may be infringed, misappropriated or challenged by others; the Group may be subject to liability if it infringes upon the intellectual property rights of third parties

The Group's brands and related intellectual property rights are important to its continued success. However, if the Group was to fail to successfully protect its intellectual property rights for any reason, or if any third party misappropriates, dilutes or infringes its intellectual property, the value of its brands may be harmed, which could have an adverse effect on its business, results of operations or financial condition. Any damage to the Group's brand value could lower sale volumes of its products or make it more difficult to obtain new customer agreements.

The Group may also from time to time be required to initiate litigation to enforce its trademarks, trade names, service marks and other intellectual property rights. Third parties may also assert that the Group has infringed, misappropriated or otherwise violated their intellectual property rights, which could lead to litigation against the Group. The outcome of litigation is inherently uncertain and the litigation process, regardless of outcome, could divert the attention of the Management, result in substantial legal fees and costs, damages, and diversion of resources, and may thus affect the Group's ability to develop its business in accordance with its business plan. Furthermore, litigation, whether as a claimant or plaintiff, could also result in negative publicity, as well as negatively affect the Group's sales and profitability, regardless of whether the Group is able to successfully enforce or defend its rights. The Group is likely to incur additional costs in defending such litigation. The realization of these risks could ultimately have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.

The risk for Sippi® having malfunctions that needs to be further researched on

The Group operates in the urine measurement field where almost all of the offered products are analogue system. The only digital system on the market has had limited success and other digital products that have been launched have been withdrawn later. Urine is a difficult substance to measure since it produces biofilm and can have blood clots, debris and proteins. Even analogue systems have had recalls due to problems with de-airing and blocked systems. There is a risk that the Group will experience similar problems with Sippi®. In addition, the Group uses Bluetooth technology to send data to its Bluetooth receiver for data handling in its software SippLink™. Sending Bluetooth signals in an ICU environment can be affected by other equipment in the ICU which could affect Sippi®'s operation negatively. So far the

Group has not been able to conduct tests in many hospitals and hence the Group does not have the full overview of Sippi®'s operating performance or negative effects from other equipment. The Group also depends on other vendor's PDMS systems and hardware which also can have a negative impact on Sippi®'s functionality or ability to access such systems. If the Group's products would appear to have malfunctions that needs to be re-designed, this could a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.

2.2 Risks related to laws, regulation and litigation

The Group is dependent on its products fulfilling the customers' requirements to product quality and safety

The Group is dependent on its products fulfilling national and international requirements for product quality and safety. The approval process for medical devices differs between countries and hospital systems, which means that there is an uncertainty related to the amount of resources the Group will have to devote to meet the requirements for required approvals. It cannot be guaranteed that the Group will be able to obtain or maintain such permits/approvals, or that fulfilling applicable requirements may be done on commercially satisfactory terms. The Group obtained FDA registration (US Food and Drug Administration) in 2013 for Sippi® and CE approval (Communauté Européenne) for Sippi®BLE 2.0 in 2019. If the Group was to lose any of its permits or not obtain the permits required, this could have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.

The Group may be subject to litigation, including claims related to product liability that arise for the use of its products

The Group may in the future be subject to legal claims, including those arising in the normal course of business. Many of the Group's contracts contain penalty clauses for the Group's failure to timely deliver or failure to meet agreed service levels and the Group may face claims as a result of breach of contract for, for example, failure to deliver (including on time), material defects or negligence in the delivery of a service or solution. The Group could also face claims related to product liability arising from the use of its products. An unfavourable outcome on any litigation or arbitration matter could require that the Group pays substantial damages, prevent the Group from selling certain of its products, or in connection with any intellectual property infringement claims, require that the Group pays ongoing royalty payments. The Group's provisions for losses related to pending legal proceedings may not be adequate to cover its ultimate costs in relation to such proceedings and may need to be adjusted as a result of subsequent developments in or the final outcome of such legal proceedings. Whether or not the Group ultimately prevails, litigation and arbitration are costly and can divert Management's attention from the Group's business. In addition, the Group may decide to settle a litigation or arbitration matter, which could cause the Group to incur significant costs. A settlement or an unfavourable outcome on any litigation or arbitration matter could have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.

Laws and regulations could hinder or delay the Group's operations, increase the Group's operating costs and reduce demand for its services

Changes in laws and regulations, e.g. demand of PVC free urine collection systems, applicable to the Group could increase compliance costs, mandate significant and costly changes to the way the Group implements its services and solutions, and threaten the Group's ability to continue to serve certain markets. If there were to be any material changes in the laws and regulations applicable to the Group or the regulatory environment regulating the Group's products, this could have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.

Norwegian law subjects Navamedic and the Company to joint liability after the Demerger

Through the Demerger (as defined below), the obligations of Navamedic will be divided between Navamedic and the Company in accordance with the principles set forth in the Demerger Plan (as defined below). If either Navamedic or the Company is liable under the Demerger Plan for an obligation that arose prior to consummation of the Demerger and fails to satisfy that obligation, the non-defaulting party will, pursuant to the Norwegian Public Limited Liability Companies Act, be subject to a secondary joint liability for that obligation. This statutory liability is unlimited in time, but is limited in amount to the net value allocated to the non-defaulting party in the Demerger and does not apply in respect of obligations incurred after consummation of the Demerger.

2.3 Risks related to financing and market risk

The Group may require additional capital in the future in order to execute its commercialisation and growth strategy or for other purposes, which may not be available on favourable terms, or at all

Because the Group currently is in an early phase of its commercialisation and development process of its products, no assurance can be given that the Group will not require additional funds in order to execute and complete its commercialisation and growth strategy, or for other purposes. Following the 12 months' period after the Listing date, the Group's principal source of liquidity may still be cash generated from financing, equity and debt, in addition to net cash flows generated from sales, and consequently there is a risk that the borrowing arrangement and available liquidity sources that the Group has in place are not sufficient to cover the Group's existing or future expenditures. There is also the possibility of a breach of the lender's obligations under the Company's existing borrowing arrangement, as the lender is an industrial player and the Company's largest shareholder and not an ordinary financing institution. If the Group requires additional funds in order to execute its commercialisation and growth strategy, or for other purposes, there is a risk that adequate sources of funds may not be available, or available at acceptable terms and conditions, when needed. If the Group raises additional funds by issuing additional equity securities, the existing shareholders may be significantly diluted. If funding is insufficient at any time in the future, the Group may be unable to fund its current and ongoing commercialisation of its products and lose business opportunities and thereby risk to fail to respond to competitive pressures. If the Group for any reason does not obtain additional funding as needed in the future, this could have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.

The Group's existing or future debt arrangements could limit the Group's liquidity and flexibility in obtaining additional financing, in pursuing other business opportunities or corporate activities or the Company's ability to declare dividends to its shareholders

The Group has as of the Prospectus date a loan to Navamedic in the aggregate amount of NOK 22,250,000. However, the Group may incur additional indebtedness in the future as also provided for in its existing borrowing arrangement. This level of debt could have important consequences to the Group, including the following:

- The Group's ability to obtain additional financing for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may be unavailable on favourable terms;
- The Group's costs of borrowing could increase as it becomes more leveraged;
- The Group may need to use a substantial portion of its cash from operations to make principal and interest payments on its debt, reducing the funds that would otherwise be available for operations, future business opportunities and dividends to its shareholders;
- The Group's debt level could make it more vulnerable than its competitors with less debt to competitive pressures, a downturn in its business or the economy generally; and
- The Group's debt level may limit its flexibility in responding to changing business and economic conditions.

The Group's ability to service its future debt will depend upon, among other things, its future financial and operating performance, which will be affected by prevailing economic conditions as well as financial, business, regulatory and other factors, some of which are beyond its control. If the Group's operating income is not sufficient to service its current or future indebtedness, the Group will be forced to take action such as reducing or delaying its business activities, acquisitions, investments or capital expenditures, restructuring or refinancing its debt or seeking additional equity capital. The Group may not be able to affect any of these remedies on satisfactory terms, or at all. If any such risk materialise, it could have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.

The Group is exposed to exchange rate fluctuations

As a consequence of its international operations, including operations in Sweden and Denmark, administration in Norway, expected sales to the Nordic region and rest of Europe, especially Germany, the Group is exposed to exchange rate fluctuations. This includes when operating revenues and operating costs are denominated in different currencies. Furthermore, subsequent to the refinancing of debt, the Company will have debt to Navamedic in NOK, and net receivables on its foreign subsidiaries. With different functional currencies, the Group will be exposed to currency gains and losses on debt and receivables between the companies, which will affect its reported profit or loss. The Group has

not, but may in the future enter into hedging agreements, but there can be no assurance that such arrangements will fully, or at all, protect the Group from exchange rate risk (in particular in the long term) or that the Group is able to enter into such hedging arrangements on commercially reasonable terms. Exchange rate fluctuations could have a significant adverse effect on the Group's revenues, profitability, liquidity, cash flow, financial positions and the Group's ability to continue as a going concern.

2.4 Risks related to the Listing and the Shares

Future issuances of shares or other securities could dilute the holdings of existing shareholders and could materially affect the price of the shares

The Company may in the future decide to offer additional Shares or other equity-based securities in order to finance its ongoing operations or new capital-intensive projects, in connection with unanticipated liabilities, regulatory requirements or expenses or for any other purpose which requires additional funding of the Group. Additionally, the Company has issued a convertible debt instrument (the "Conversion Right", see Section 9.11.1 "Loan Agreement" for more information) granting the lender under the Loan Agreement (Navamedic) the right to convert any loan outstanding with accrued, but unpaid, interest to shares in the Company on a date falling after 31 October 2020. The Company's other shareholders' do not have pre-emptive rights to participate in such conversion. Depending on the structure of any future offerings, holding and voting interests of existing shareholders could be diluted and the market price of the Shares could be materially and adversely affected.

3 RESPONSIBILITY FOR THE PROSPECTUS

This Prospectus has been prepared in connection with the Listing of the Shares on Oslo Axess.

The Board of Directors of Observe Medical ASA accepts responsibility for the information contained in this Prospectus. The members of the Board of Directors confirm that, having taken all reasonable care to ensure that such is the case, to the best of their knowledge, the information contained in this Prospectus is in accordance with the facts and that the Prospectus contains no omission likely to affect its import.

1 November 2019

The Board of Directors of Observe Medical ASA

_____	_____
Terje Bakken	Kathrine Elisabeth Gamborg Andreassen
Chairperson	*Board member*
_____	_____
Kristin Nyberg	Thomas Grünfeld
Board member	*Board member*

4 GENERAL INFORMATION

4.1 Other important investor information

This Prospectus has been approved by the Financial Supervisory Authority of Norway (*Nw.: Finanstilsynet*) (the Norwegian FSA), as competent authority under Regulation (EU) 2017/1129 (the EU Prospectus Regulation). The Norwegian FSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129 (the EU Prospectus Regulation), and such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

The Company has furnished the information in this Prospectus. Neither the Company nor any of its affiliates, representatives or advisors are making any representation to any offeree or purchaser of Shares regarding the legality of an investment in the Shares. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Shares.

Investing in the Shares involves a high degree of risk. See Section 2 "Risk factors" beginning on page 10.

4.2 The Demerger

This Prospectus has been prepared in connection with the Listing of the Shares on Oslo Axess. As the Company first with effect from the completion of the Demerger (see Section 7.2.2 "The Demerger establishing the Group" for more information) has served as the parent company of the Group, certain information described herein relates to the period prior to that date when Navamedic ASA, a Norwegian public limited company listed on Oslo Børs with company registration number 985 012 059 and OSE ticker "NAVA" ("Navamedic"), and not the Company, was the parent company of the Group. For more information in this respect, see Section 7.2.2 "The Demerger establishing the Group" and specifically for the financial information included herein, Section 4.3.1 "Historical financial information" below.

4.3 Presentation of financial and other information

4.3.1 Historical financial information

As the Company is a newly incorporated company (incorporated on 13 June 2019), the Company has not previously prepared any historical financial statements for previous financial years and the Company's subsidiary, Observe Medical International AB ("OMI"), has neither previously prepared any consolidated financial statements.

For the financial years ended 31 December 2016, 2017 and 2018, carve-out financial statements have been prepared for the Group from Navamedic's audited consolidated financial statements showing balance sheet, comprehensive income statement, a statement of changes in equity, cash flow statement and accounting policies and explanatory notes (the "Carve-out Annual Financial Statements"), attached to this Prospectus as Appendix B. Unaudited condensed carve-out interim financial statements have also been prepared for the Group from Navamedic's unaudited condensed consolidated interim financial statements for the six months' period ended 30 June 2019, including comparative interim financial information for the same period in the prior financial year (the " Carve-out Interim Financial Statements"), attached to this Prospectus as Appendix C. The Carve-out Annual Financial Statements and the Carve-out Interim Financial Statements are jointly referred to as the "Financial Information". Furthermore, the Company has prepared financial information for the Company itself, covering the period from its incorporation and until 30 September 2019 (the "Company's Financial Statements"), attached to this Prospectus as Appendix D.

The Carve-out Annual Financial Statements have been prepared in compliance with International Financial Reporting Standards as adopted by the EU ("IFRS") to the extent appropriate since IFRS does not provide explicit guidance for the preparation of carve-out financial information. The Carve-out Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU ("IAS 34"). The Company's Financial Statements have been prepared in compliance with the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Principles.

The Carve-out Annual Financial Statements and the Company's Financial Statements have been audited by KPMG AS ("KPMG"), as set forth in their reports included therein. The Carve-out Interim Financial Statements have not been audited, but have been subject to review procedures in accordance with International Standard on Review Engagements (ISRE 2400). KPMG has not audited, reviewed or produced any report on any other information provided in this Prospectus.

For information regarding accounting policies and the use of estimates and judgments, please refer to notes 2 and 4 of the Carve-out Annual Financial Statements and notes 1 and 2 of the Carve-out Interim Financial Statements.

The Carve-out Annual Financial Statements, the Carve-out Interim Financial Statements and the Company's Financial Statements are appended to this Prospectus as Appendix B, Appendix C and Appendix D, respectively.

4.3.2 Alternative performance measures (APMs)

The Company does not present any alternative performance measures ("APMs") as defined by the European Securities and Markets Authority ("ESMA") in this Prospectus.

4.3.3 Industry and market data

In this Prospectus, the Company has used industry and market data from independent industry publications and market research.

The Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified, however, source references to websites shall not be deemed as incorporated by reference to this Prospectus.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of market data contained in this Prospectus that was extracted from these industry publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

The Company cautions prospective investors not to place undue reliance on the above mentioned data. Unless otherwise indicated in the Prospectus, any statements regarding the Group's competitive position are based on the Company's own assessment and knowledge of the market in which it operates.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus (and projections, assumptions and estimates based on such information) may not be reliable indicators of the Company's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 2 "Risk factors" and elsewhere in this Prospectus.

4.3.4 Other information

In this Prospectus, all references to "NOK" are to the lawful currency of Norway, , all references to "SEK" are to the lawful currency of Sweden and all references to "EUR" are to the lawful common currency of the EU member states who have adopted the Euro as their sole national currency. The Financial Information is presented in NOK.

4.3.5 Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments (by rounding to the nearest whole number or decimal or fraction, as the case may be). Accordingly, figures shown for the same category presented in different tables may vary slightly. As a result of rounding adjustments, the figures presented may not add up to the total amount presented.

4.4 Cautionary note regarding Forward-looking Statements

This Prospectus includes Forward-looking Statements that reflect the Company's current views with respect to future events and financial and operational performance. These Forward-looking Statements may be identified by the use of forward-looking terminology, such as the terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "should", "projects", "will", "would" or, in each case, their

negative, or other variations or comparable terminology. These Forward-looking Statements as a general matter are all statements other than statements as to historic facts or present facts and circumstances. They appear in the following Sections in this Prospectus, Section 5 "Dividends and dividend policy", Section 6 "Industry and market overview", Section 7 "Business of the Group" and Section 9 "Operating and financial review", and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, financial strength and position of the Group, operating results, liquidity, prospects, growth, the implementation of strategic initiatives, as well as other statements relating to the Group's future business development and financial performance, and the industry in which the Group operates, such as but not limited to the Group's expansion in existing and entry into new markets in the future.

Prospective investors in the Shares are cautioned that Forward-looking Statements are not guarantees of future performance and that the Group's actual financial position, operating results and liquidity, and the development of the industry and potential market in which the Group may operate in the future, may differ materially from those made in, or suggested by, the Forward-looking Statements contained in this Prospectus. The Company cannot guarantee that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur.

By their nature, Forward-looking Statements involve, and are subject to, known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the Forward-looking Statements. Important factors that could cause those differences include, but are not limited to:

- implementation of the Group's strategies;
- failure by the Group to adequately perform on projects or under contracts;
- the competitive nature of the business the Group operates in and the competitive pressure and changes to the competitive environment in general;
- earnings, cash flow, dividends and other expected financial results and conditions;
- inaccuracy relating to estimates or calculations of costs on large projects;
- failure by counterparties to meet their obligations;
- failure to attract, retain and motivate qualified personnel;
- increases in labour cost;
- legal proceedings;
- damage to the Group's reputation and business relationships;
- technological changes and new products and services introduced into the Group's market and industry;
- fluctuations of interest and exchange rates;
- changes in general economic and industry conditions, including changes to tax rates and regimes;
- political, governmental, social, legal and regulatory changes;
- access to funding;
- operating costs and other expenses; and
- consequences of consolidation in the industry, resulting in fewer but stronger competitors.

The risks that are currently known to the Company and which could affect the Group's future results and could cause results to differ materially from those expressed in the Forward-looking Statements are discussed in Section 2 "Risk factors".

The information contained in this Prospectus identifies additional factors that could affect the Group's financial position, operating results, cash flows, liquidity and performance. Prospective investors in the Shares are urged to read all Sections of this Prospectus for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates when considering an investment in the Company.

These Forward-looking Statements speak only as at the date on which they are made. The Company undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

5 DIVIDENDS AND DIVIDEND POLICY

5.1 Dividend policy

The Company has previously not paid any dividends. The Group is focusing on the development and commercialization of medical technology products and does not anticipate paying any cash dividend until sustainable profitability is achieved.

5.2 Legal constraints on the distribution of dividends

In deciding whether to propose a dividend and in determining the dividend amount in the future, the Board of Directors must take into account applicable legal restrictions, as set out in the Norwegian Public Limited Companies Act, the Company's capital requirements, including capital expenditure requirements, its financial condition, general business conditions and any restrictions that its contractual arrangements in place at the time of the dividend may place on its ability to pay dividends and the maintenance of appropriate financial flexibility. Except in certain specific and limited circumstances set out in the Norwegian Public Limited Companies Act, the amount of dividends paid may not exceed the amount recommended by the Board of Directors.

Dividends may be paid in cash or in some instances in kind. The Norwegian Public Limited Companies Act provides the following constraints on the distribution of dividends applicable to the Company:

- Section 8-1 of the Norwegian Public Limited Companies Act regulates what may be distributed as dividend, and provides that the Company may distribute dividends only to the extent that the Company after said distribution still has net assets to cover (i) the share capital and (ii) other restricted equity (i.e. the reserve for unrealized gains and the reserve for valuation of differences).

  The calculation of the distributable equity shall be made on the basis of the balance sheet included in the approved annual accounts for the last financial year, provided, however, that the registered share capital as of the date of the resolution to distribute dividend shall be applied. Following the approval of the annual accounts for the last financial year, the general meeting may also authorize the Board of Directors to declare dividends on the basis of the Company's annual accounts. Dividends may also be resolved by the general meeting based on an interim balance sheet which has been prepared and audited in accordance with the provisions applying to the annual accounts and with a balance sheet date not further into the past than six months before the date of the general meeting's resolution.

- Dividends can only be distributed to the extent that the Company's equity and liquidity following the distribution is considered sound.

Pursuant to the Norwegian Public Limited Companies Act, the time when an entitlement to dividend arises depends on what was resolved by the general meeting when it resolved to issue new shares in the company. A subscriber of new shares in a Norwegian public limited company will normally be entitled to dividends from the time when the relevant share capital increase is registered with the Norwegian Register of Business Enterprises. The Norwegian Public Limited Companies Act does not provide for any time limit after which entitlement to dividends lapses. Subject to various exceptions, Norwegian law provides a limitation period of three years from the date on which an obligation is due. There are no dividend restrictions or specific procedures for non-Norwegian resident shareholders to claim dividends. For a description of withholding tax on dividends applicable to non-Norwegian residents, see Section 14 "Taxation".

5.3 Manner of dividend payments

The Company's equity capital is denominated in Norwegian kroner and all dividends on the Shares will therefore be declared in Norwegian kroner. As such, investors whose reference currency is a currency other than the Norwegian krone may be affected by currency fluctuations in the value of the Norwegian krone relative to such investor's reference currency in connection with a dividend distribution by the Company. Any future payments of dividends on the Shares to shareholders will be denominated in the currency of the bank account of the relevant shareholder, and will be paid to the shareholders through the VPS Registrar (as defined below). Shareholders registered in the VPS who have not supplied the VPS with details of their bank account, will not receive payment of dividends unless they register their bank account details with the VPS Registrar. The exchange rate(s) that is applied when denominating any future payments of dividends to the relevant shareholder's currency will be the VPS Registrar's exchange rate on the payment date. Dividends will be credited automatically to the VPS registered shareholders' accounts, or *in lieu* of such registered account, at the time when the shareholder has provided the VPS Registrar with their bank account details, without the need for shareholders to present documentation proving their ownership of the Shares. Shareholders' right to payment of dividend will lapse

three years following the resolved payment date for those shareholders who have not registered their bank account details with the VPS Registrar within such date. Following the expiry of such date, the remaining, not distributed dividend will be returned from the VPS Registrar to the Company.

6 INDUSTRY AND MARKET OVERVIEW

The Company has used industry and market data obtained from independent industry publications, market research, and other publicly available information. While the Company has compiled, extracted and reproduced data from external sources, the Company has not independently verified the correctness of such data. The Company therefore cautions investors not to place undue reliance on the above-mentioned data. Unless otherwise indicated, the basis for any statements regarding the Group's competitive position is based on the Company's own assessment and knowledge of the market in which it operates.

The Company confirms that, where information has been sourced from a third party, such information has been accurately reproduced. As far as the Company is aware and is able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties is presented, the source of such information is identified.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and can thus not give any assurances as to the accuracy of market data, which has been extracted from such publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and do not, necessarily, reflect actual market conditions. Such statistics are based on market research, which, itself, is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

As a result, investors should be aware that statistics, statements and other information relating to markets, market sizes, market shares, market positions and other industry data set forth in the following (and projections, assumptions and estimates based on such data) may not be reliable indicators of the Group's future performance and the future performance of the paper industry.

The following discussion contains Forward-looking Statements, see Section 4.4 "Cautionary note regarding Forward-looking Statements". The Forward-looking Statements in this section are not guarantees of future outcomes and these future outcomes could differ materially from current expectations. Numerous factors could cause or contribute to such differences, and such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 2 "Risk factors" and elsewhere in this Prospectus.

6.1 Introduction

The Group operates in the Medtech market which is dominated by large global corporations such as Bard (part of Becton, Dickinson and Co, "BD"), Convatec, Cardinal Health and others. These corporations are often present in several countries as distributors of their own product portfolio and in some cases other products as well. The large corporations will typically have strong in-house research and development ("R&D"), sales & marketing, regulatory and health economy departments enabling them to develop and launch products in any market. In addition to own R&D it is not uncommon that these corporations acquire products or small innovative companies to add to their portfolio − similar to the well-known dynamics of the pharma industry.

The Medtech industry also has a large number of early-stage companies that develop novel technology and products, like the Group. By nature, many of these can be characterised as "born globals", since their products or services are designed for the global market. In the Group's region, a high proportion of these companies would expect the large and distant markets of the U.S., China and Japan to be their most important export markets in 3-5 years. The typical approach would be to develop products on a home market (e.g. the Nordics) and then approach the larger international markets, but sometimes it could prove to be a better strategy to approach selected international markets right away. Very few Nordic Medtech companies would have the opportunity to grow and develop their own organisation globally. It might happen in selected markets, but in general the chosen strategy would be to go with a strong local partner or distributor in each foreign market.

Even though a product may have been developed for a global market, it would still require local approvals through regulatory processes in the various countries and markets. For example, the U.S., EU, Japan and China have their own regulations and regulatory bodies that control the approval of new products and the regulations and required documentation may vary from market to market.

The key factors for success in a new market is to adapt to country-specific distribution models and sales channels, investing in local technology infrastructure and collaborating with domestic value chain stakeholders. These varies from

strong and wealthy patient-organizations in the U.S. executing patient-pull for cutting edge technology and safety when hospitalized, to more long term negotiation processes with procurement bodies in Northern Europe with a very strong cost containment focus.

6.2 The Global market

Hospital Supplies Market – growth, trends and forecast (2019 – 2024)

The factors, such as increased incidences of communal diseases coupled with the growing public awareness about hospital-acquired infections are contributing to the overall growth of the hospital supplies market. The demand of the hospital supplies market is also on the rise in developing countries. Countries, such as Brazil and India are gradually increasing their hospital bed density figures when compared to the major countries, present globally. However, several countries face a high unmet need for hospital supplies, like sterilization and disinfectant equipment and patient examination devices, which restricts the growth of this market. Furthermore, it generates a high demand for hospital supplies in developing countries. A growing healthcare infrastructure and rising government initiatives to enhance and expand health care facilities are augmenting the demand for hospital supplies, which is expected to boost the market globally.

Disposable hospital supplies hold the major share in the Hospital Supplies Market

The disposable hospital supplies segment followed by syringes and needles contributes the largest share to the overall studied market. The disposable hospital supplies are one-time use products, such as consumables, medical apparatus, and disposable devices, which are consumed in large figures across all hospitals. These products, such as suction catheters, bandages and wraps, exam gowns, surgical sponges, face masks, hypodermic needles, gloves, needles, and others, are in continuous use to all hospital professionals in any domain from the cleaning to the surgical theatres, as well as administrative departments in some cases. Thus, the continuous growth has been observed in the adoption of these devices, owing to the rising concern of safety and cleanliness against hospital-acquired infections, as well as to maintain the hygiene across the hospitals.[1]

The ecosystem and key drivers in this market are complex and come from various systems.

Trends and societal issues:

- Growth and aging populations;
- Increase of chronic diseases; and
- General cost-containment focus (more in public health service areas where tax payer's money is the carrier).

At the same time there is an increased focus and demand for technical and monetary improvements:

- Quality treatment and care - use of cutting edge science and devices;
- Demand to decrease the incidence of hospital-acquired infections by means of infection prevention which ultimately decreases the need and use of antibiotics and thus fights the global threat of antibiotic resistance;
- Digitization (integrate, collect, combine and deliver data for insight and analysis to improve patient outcome; and
- Cost/Value transition, e.g. see the patient healthcare cost related to the whole treatment in a public perspective.

In the Group's opinion, Sippi® and the Sippi® product family with its digital solution fulfils all these bullet points and is part of the solution for the future healthcare challenges whether it is in a public or private hospital market.

[1] Source: https://www.mordorintelligence.com/industry-reports/global-hospital-supplies-market-industry

6.3 The EU market

The EU market

The European medical technology market is estimated at roughly €115 billion in 2017. Based upon manufacturer prices, the European medical technology market is estimated to make up 27% of the world market. It is the second largest medical technology market after the US (+/- 43%). The European medical device market has been growing on average by 4.3% per annum over the past 10 years. Demand fell in 2009 due to the economic crisis, resulting in a growth rate of only 1%. The market recovered in 2010, but growth rates fell back in 2011. In general, there is ever since a 2-5% growth per annum.[2]

Norway, being part of the European Economic Area (the "EEA"), with a high level of academic culture, early adapters of IT technology, plenty of resources and well-integrated and high consumers of IT/digital solutions, may provide a good testbed for Sippi®. Potentially, the purchasing system could also enable a swift uptake nationwide compared to other countries with more fragmented procurement systems.

The Norwegian government and politicians have expressed a positive attitude to promoting and building a Norwegian health industry both for national business development and export. The Norway Health Tech organisation and its CEO is a respected speaker and contributes to the political debate and strategy. Alignment to the political strategy is of importance and the two following documents are steering tools for the future health industry.

The *Health&Care21* (Nw. *HelseOmsorg21*) strategy process was launched by the Norwegian Ministry of Health and Care Services in 2013. The aim of the Health&Care21 process is to promote evidence-based health and care services characterised by high quality, patient safety and efficiency. The Health&Care21 process is based on the same model as the other strategy processes on research and innovation for the 21st century, such as climate research (Klima21), oil and gas research (OG21) and marine research (HAV 21)

The Norwegian government's health industry policy (Nw. Helsenæringsmeldingen)

The Norwegian government wants to improve the competitiveness of the Norwegian health industry and at the same time contribute to a more sustainable health and care service, through more efficient prevention, treatment and care. Developing better health and care services requires constructive cooperation with the health industry, both at a national and international level. This will enable an innovative and competitive Norwegian health industry to help achieve health policy goals. Better cooperation can also form the basis for growth in the Norwegian health industry. The health policy goal of good, efficient patient treatment will indirectly contribute to reaching the industrial policy goal of greater overall value creation in the Norwegian economy within a sustainable framework.

6.4 The Norwegian market

The Norwegian market

Medtech in Norway had several demanding years of low growth from 2000 to 2012. The weak period turned in 2013, and the growth has been positive until 2017. Over the entire period from 2007 to 2017, Medtech had an average annual revenue growth of 4 percent. The growth estimates for 2018 indicates that the industry had revenue growth of 9 percent in 2018 and the forecast for 2019 is a full 13 percent. Thus, Medtech expects identical growth in 2018 as the Health industry overall, but a clearly higher growth than the industry overall in 2019 (9 percent). On the other hand, the operating margin has seen a negative development over the period, from levels of between six and seven per cent in the period until 2009, to levels around three per cent from 2009 to 2016.[3]

6.5 Urine Bag and Meter Markets

The Group is active in the urine measurement and urine bag market, initially for the hospital segment and potentially in the future also for the use in care centers and at home.

Urine bags are used daily by millions around the world. All catheterized patients need a urine bag for collecting the urine and measuring the volume. Within the intensive care setting the produced urine volume is measured every hour 24/7,

[2] Source: https://www.medtecheurope.org/wp-content/uploads/2019/04/The-European-Medical-Technology-Industry-in-figures-2019-2.pdf

[3] Source: https://www.menon.no/helsenaeringens-verdi-2019/

since it is a critical parameter of kidney function. In a regular ward the urine production is measured every now and then during a 24-hour shift to keep track of the kidney function.

The kidneys are a vital organ and if they stop functioning the patient's life is at risk. Traditional urine meters are analogue and consist of a pre-chamber with gradients for better accuracy and a soft bag behind or underneath where the hourly measured volume is dumped. The registered volume is then noted down manually and registered in the patient journal and compared with the volume of fluid inserted into the patient - the so-called fluid balance. In critically ill patients, the fluid balance is often negative, meaning the patient is producing too little urine. Kidney failure can be an early indicator of a very serious situation for the patient.

Urine meters are single patient use products and need to be changed after a certain number of days. This to avoid retrograde contamination (infection) of the urine bladder. Statistics show that after seven to ten days 50% of all catheterized patients have developed bacteria in the urine and up to 30% will acquire a urinary tract infection[4]. Currently there are no or limited warning systems or technology to prevent retrograde contamination available on the market.

Sippi® comprises two features to prevent urinary infections: Sippcoat® preventing early retrograde contamination and Sippsense® which warns the intensive care unit ("ICU") staff to change bag when the system detects critical levels of bacteria.

The majority of urine bags are used in wards or home settings where there often is no set-up for hourly volume measurements. The Group has identified an additional market for Sippi® in the regular wards where patients would benefit from hourly urine/fluid balance measurement and a system that prevents retrograde urinary infections. Since Sippi® is fully automated and measures hourly volume it is well suited to be used for unstable patients in the normal ward setting.

In addition, there could be a large market for a version of Sippi® with only Sippcoat® as a regular urine bag. Preventing retrograde urinary infections in the care and home settings would reduce patient suffering and the unnecessary use of antibiotics.

6.6 Urine Meter Market: Sippi® Market

The market for urine meters has one key driver which is the ICU. Nearly all patients in ICUs have a urine catheter installed attached to a urine meter and collection bag. Thus, the number of ICU beds will be indicative of the market for urine meter systems like Sippi®.

An ICU typically consists of around 10 beds and larger hospitals can have several ICUs. The number of ICUs per capita varies between countries. In total, the Group has estimated that there are about 366,000 ICU beds worldwide and the U.S. and Europe represent the two most important markets. Within the EU, the average is 10-12 ICU beds per 100,000 inhabitants. By far the largest market in Europe is Germany with about 29 ICU beds per 100,000 inhabitants, equal to about 23,000 ICU beds.[5]

Hospital care is organized differently around the world. In the Nordic countries for example, special care is centralized to a few major hospitals with a larger number of staff, while in Germany it is more decentralized with many regional hospitals and fewer staff per ICU. There are also great differences between markets regarding private and public hospitals as well as the payment models. Thus, there may be markets or market segments which could be more attractive for automated urine meters which ensures the quality and accuracy of the data and reduces the risk of urinary infections.

In addition to intensive care, urine meters are used in the emergency room ("ER"), for longer surgical procedures and to some extent in general hospital wards. Again, practice varies from country to country and thus the total market available to Sippi® is difficult to estimate. There are no official statistics from today's market players, which makes it difficult to estimate global numbers in detail. The Group's best estimate is that about 20 million urine meters are sold globally each year to a value of about NOK 2 billion where about 95% of sales are to intensive care departments.

[4] Source: Diane K. Newman, RNC, MSN, CRNP, FAAN Co-Director Penn Center for Continence and Pelvic Health University of Pennsylvania Health System Division of Urology Philadelphia, Pennsylvania)

[5] Source: "The variability of critical care bed numbers in Europe" (2012), Department of Intensive Care Medicine, St George's Healthcare NHS Trust and University of London

Urine meters - today the only analogue measured vital parameter

All patients under intensive care are monitored for fluid balance, which is a sign of the function of the kidneys. Measurement of the patient's fluid balance is important because urine production is a vital indication of the patient's condition. A weak urine production can be a sign of kidney failure which again can be the indication of a very serious situation for the patient.

The volume amount of urine is recorded 24/7 and urine output per hour is calculated. Urine meter is a disposable product that is changed regularly to avoid retrograde bacterial formation and thereby to reduce the risk of urinary tract infection.

With today's manual system the healthcare staff manually reads the amount of urine in the collection chamber every hour, then empties the chamber and manually calculates the fluid balance after which data is entered into the patient journal system. The process leaves room for errors due to the human factor since the readings are to be made at exact 60 min interval (periodicity) and then to be calculated and registered into the patient journal system.

In addition to the lack of precision and the risk of errors, the process of urine measurement is time consuming for the staff. At an intensive care unit with twelve beds, it takes about ten man-hours a day to measure, calculate and record urine production for these patients (the Group's estimate). This makes urine measurement a top ten task counted in time in an intensive care unit. With Sippi® urine measurement becomes an activity that happens automatically while data accuracy is secured.

6.7 Urine Bag Market: Market for Sippcoat® /Sippbag™

One of the biggest challenges within current healthcare is the rapid increase in Hospital Associated Infections ("HAI"). HAI leads to unnecessary complications and suffering for the patients and increased care costs for the hospitals. Furthermore, HAI requires the use of antibiotics and in the long run increased use of antibiotics leads to the development of resistant infections, which again implies a vicious circle of prolonged treatment periods, use of more advanced antibiotics and potential death for the patient. Within the EU every tenth patient acquires an infection when visiting a hospital and in the ICU it is even worse comprising 30%. Alone in the EU 25,000 patients die every year[6] from these infections. In 2015, in US acute care hospitals there were an estimated 687,000 HAIs and 72,000 hospital patients with HAI died.[7] Due to drug-resistant infections, it is estimated that the global burden of deaths could reach ten million each year by 2050 if no actions is taken.[8]

The only way to decrease antibiotic resistance is to minimize bacterial infections by means of infection preventive actions/solutions. There are many initiatives to fight this within the hospitals including: standard operating procedures for how to handle catheterization, use of drainage systems, cleaning airways etc. The majority of all Hospital Acquired Infections (HAI) are generated from urine catheters. The current market to treat Catheter Associated Urinary Tract Infections ("CAUTI") are coated catheters, closed system thinking and hand hygiene minimizing the risk of personnel contaminating urine bags and catheters.

However, none of these procedures will stop about 40-50% of the origin for CAUTI, being retrograde contamination originating from bacteria fertilizing within the urine bag which then travels inside the system back to the urine bladder. Sippcoat® is developed to stop this.

This is a vast problem and a huge market. The Group estimates that 500 million urine bags are used within the EU and U.S. every year. The Group assumes that the total market for Sippcoat® could be as high NOK 20 billion. The global UTI treatment market was valued at USD 9,527.9 million in 2016 and is likely to reach USD 10,594.68 million by 2021, growing at a CAGR of 2.1%.[9]

[6] Source: "European strategic action plan on antibiotic resistance", 10 June 2011, http://www.euro.who.int/__data/assets/pdf_file/0008/147734/wd14E_AntibioticResistance_111380.pdf

[7] Source: https://www.cdc.gov/hai/data/portal/index.html

[8] Source: https://www.ecdc.europa.eu/sites/portal/files/media/en/publications/Publications/antibiotic-resistance-policy-briefing.pdf

[9] Source: Technavio "Global Urinary Tract Infection Treatment Market 2017-2021", https://www.technavio.com/report/global-urinary-tract-infection-treatment-market

7 BUSINESS OF THE GROUP

7.1 Introduction to Observe Medical

The Group is a Medtech group which is in the business of developing innovative medical technology products that benefit patients and healthcare professionals. The Company is the parent company of the Group, which only business is to own all shares in the operating company Observe Medical International AB (OMI) and its subsidiaries Navamedic MedTech AB and Observe Medical Aps. The Group's core and first product is Sippi®, an automated digital urine meter for use in intensive care wards. The Group is headquartered in Oslo, Norway, but the Group's operational business is conducted in Stockholm and Gothenburg, Sweden. The Group's subsidiary Observe Medical Aps is registered as the holder of the Group's patents.

The Group's current business is specifically within the hospital segment where its products contribute to increased patient safety, reduced use of antibiotics and a more efficient care system.

The Group has developed the product Sippi® which is an automatic and digital urine meter and the technology Sippcoat® which prevents bacterial migration in closed collection systems. Sippi® is approved for sale in Europe and registered for sale in the U.S. As at the date of this Prospectus, the Group has shipped approximately 350 base units and 9,600 disposable units to customers in the EU since it started the commercialization process of its products. The Group is now in an important launch phase for the next generation base unit named Sippi®BLE 2.0, which comprises a digital urine meter with wireless connection to the hospital's digital patient journal system. Sippi®BLE 2.0 is approved for sale in Europe.

The Group employs six persons in Norway and Sweden (including the new CEO).

7.2 History and important events

7.2.1 Important historical events

OMI was founded by Magnus Emmoth, Michael Charléz and Michael Löfgren in 2009. Based on their prior experience in sales and product development within medical technology, the three founders identified a clear need for modernization of urine measurement within intensive care.

Development and prototyping of Sippi® was initiated in 2010. In 2011, the first patent for the product was approved, and OMI also received ISO certification for the development, manufacture and sale of its products. Seed Capital (DK) invested in OMI in 2011. In 2012, the first base unit was fully developed and in 2013 Sippi® received FDA approval for sale in the U.S as well as CE marking for sale in Europe, starting the commercialization process of Sippi®. The first system was sold to intensive units in Sweden and Denmark in 2013 and in 2014 the sale of Sippi® in Germany started. During this period, Sippcoat® was also developed by OMI, which prevents biofilm build-up and greatly reduces the chance of catheter associated urinary tract infections. During these initial years, the intellectual property was developed in several patent portfolios.

In parallel with the initial launch period there happened to be a rapid development in the use of patient data management systems ("PDMS") in the hospitals in the Nordics and in several major countries in Europe. Such systems are delivered by major IT companies like GE Healthcare and iMDSoft and the systems are either proprietary or open source based. This resulted in the immediate demand for the development of a second generation of Sippi® with wireless integration with the PDMS systems. This was a demanding task and the system called Sippi®BLE 2.0 was not released until June 2019. Currently Sippi®BLE 2.0 is being tested at Karolinska University Hospital and Sahlgrenska University Hospital.

Date	Event
2009	• OMI was founded by Magnus Emmoth, Michael Charléz and Michael Löfgren
2010	• Development and prototyping of Sippi® was initiated
2011	• First patent for Sippi® was approved • OMI received ISO certification for the development, manufacture and sale of Sippi® • Seed Capital (DK) invested in OMI
2012	• The first base unit was fully developed
2013	• Sippi® received FDA approval for sale in the U.S. as well as CE marking for sale in Europe, starting the commercialization process

	• The first system was sold to intensive units in Sweden and Denmark
2014	• Commercialization towards Germany started
	• Development of Sippcoat®
2015	• OMI was acquired by Navamedic
	• Sippi® was rewarded a tender by Stockholms Läns Landsting (SLL)
2016	• New patent granted pertaining to Sippcoat®, broadening the innovative encapsulated silicone-oil technology for biofilm inhibition to any patient drainage device
	• An agreement with Pennine Healthcare as distributor for the UK market was closed (contract to be updated according to new MD (medical device) Directives
2017	• Development of a wireless version of Sippi® that communicated directly with the patient monitoring systems was initiated
	• First patent for Sippi® approved in the EU
	• Sippi® was launched in the Italian market through an agreement with SimItalia
	• The Sippcoat® patent approved in the EU
2018	• Launch of first version of Sippi®BLE interrupted due to unstable Bluetooth connection − own Bluetooth receiver developed
	• Software for connection to one of the EU's largest patient data management systems (iMDSoft/Metavision) released
	• Patent pertaining to Sippi® base technology, including the use of silicone oil to protect surfaces and Sippcoat® was approved in the U.S.
	• An agreement with Västra Götalands Region (VGR) was signed
2019	• Launch of Sippi®BLE 2.0 with full wireless integration with the hospitals patient data management system
	• Navamedic Medtech AB was certified according to the new Medical Device directive ISO 13485:2016 and a Declaration of Conformity for Sippi®BLE 2.0 and disposable bag issued accordingly

7.2.2 The Demerger establishing the Group

7.2.2.1 Background and reasons for the Demerger

The Company was incorporated as part of Navamedic's reorganisation of its business in order to spin-off its Medtech division in a separate business group.

On 19 June 2019, the board of directors of Navamedic and the Company signed a joint demerger plan (the "Demerger Plan"), pursuant to which all of Navamedic's shares in OMI were to be transferred to the Company together with an earn-out obligation (a contingent consideration) to the sellers of OMI agreed in connection with Navamedic's acquisition of OMI in 2015 (the "Contingent Consideration", see Section 9.11.2 "The Contingent Consideration" for more information), while all other assets, rights and liabilities are to remain with Navamedic. The Demerger Plan was approved by the general meetings of Navamedic and the Company on 5 August 2019 and completed on 31 October 2019.

The Demerger was a result of Navamedic's board of directors and management having evaluated the most suitable organisation of Navamedic in order to facilitate further growth and enhanced values for its shareholders. As there were few synergies between commercialising medical technology (the Medtech division) on a global market and Navamedic's core business of growing a market access platform for pharma companies in Northern Europe, it was concluded that a demerger would benefit both businesses. With the Demerger, Navamedic will create a simpler and clearer corporate structure visualising the existing values of Navamedic, and it is expected that the Demerger will provide both Navamedic and the Company with more flexibility and a better basis to raise capital for their respective businesses. Following the Demerger, Navamedic will focus on developing its core business areas within distribution, marketing and sale of pharma and healthcare products, while the Company will focus on the commercialisation of Sippi® and further development of the Medtech business.

7.2.2.2 Legal basis for the Demerger

The Demerger was carried out as a demerger by way of transfer to an existing company ("demerger and merger" (Nw. "*fisjonsfusjon*")) in accordance with the provisions in chapter 14 of the Norwegian Public Limited Companies Act. Under

Norwegian law, a demerger is the transfer of parts of the assets, rights and obligations of a company (the transferor company) to a newly formed or pre-existing company (the transferee company) based on the principle of continuity, against consideration in the form of shares of the transferee company issued to the shareholders in the transferor company.

7.2.2.3 Allocation of assets, rights and obligations in the Demerger

The assets and liabilities that were transferred from Navamedic to the Company in the Demerger were 100% of the shares in OMI and the Contingent Consideration (see Section 9.11.2 "The Contingent Consideration" for more information). Navamedic's other assets, debt and liabilities were retained in Navamedic following the completion of the Demerger.

In the event that there were assets, rights or liabilities in Navamedic that were not included in the allocation pursuant to the Demerger plan, and that were not taken into account upon the preparation of the Demerger Plan, such assets, rights or liabilities will remain with Navamedic.

None of the employees of Navamedic were transferred to the Company as part of the Demerger, however the employees in OMI and its subsidiaries became part of the Group upon completion of the Demerger.

7.2.2.4 Share options

Prior to completion of the Demerger, Navamedic had 467,500 share options issued. Upon consummation of the Demerger, these options were split so that the same number of options were transferred to the Company and issued to the same option holders. The strike price per option has been adjusted in accordance with the exchange ratio in the Demerger, so that the options issued in the Company have a strike price of 26% of the strike price the same options had in Navamedic, while the strike price for options in Navamedic have been reduced with 26%.

See Section 12.3.1 "Share options" for more information regarding the options issued in the Company.

7.2.2.5 Determination of the exchange ratio

The board of directors of Navamedic and the Company agreed in the Demerger Plan that the exchange ratio in the Demerger should be based on assessed fair values of Navamedic and the part transferred to the Company, which gave an exchange ratio of 74% (remaining) / 26% (transferred). The exchange ratio was based on an assessment made by the boards, based on a valuation carried out by an external party, and founded on principles of discounted cash flow analysis, analysis of comparable transactions and the implied trading multiples of listed comparable companies.

7.2.2.6 Issuance of consideration shares

The Demerger was implemented by way of decreasing the share capital of Navamedic through a reduction of the nominal value of the shares. The size of the share capital decrease in Navamedic reflected the allocation of the net values between the companies in the Demerger. The shareholders of Navamedic received Shares in the Company by way of increasing the share capital in the Company through issuance of new Shares as demerger consideration. Prior to the share capital increase, Navamedic's holding of Shares in the Company was redeemed in its entirety. Upon completion of the Demerger, but prior to completion of the Debt Conversion (see Section 12.3.2 "The Debt Conversion" for more information), the shareholders of Navamedic became shareholders in the Company in the same ratio as they owned shares in Navamedic when the Demerger became effective. Following completion of the Debt Conversion, Navamedic became the holder of approximately 21% of the Shares.

7.2.2.7 Relationship with creditors

If an obligation that arose prior to the completion of the Demerger is not satisfied by the party to which the obligation has been allocated under the Demerger plan, be it Navamedic or the Company, then the other party will have a secondary joint liability for such obligation. This statutory liability is unlimited in time, but is limited in amount to the net value allocated to the non-defaulting party in the Demerger and does not apply in respect of obligations incurred after consummation of the Demerger.

7.3 Description of Observe Medical's products and services

7.3.1 Introduction

During the last decade, there has been a digitalization of the intensive care where pulse and blood pressure are measured, and data is delivered in real time to the patient monitoring systems. Systems for intravenous delivery of drugs and fluids are also digitalized.

Urine production however, which is an important parameter, is still recorded and calculated in an old-fashioned manual manner. Thus, the Group realised there is a huge unmet market need for a fully automated digital urine meter.

7.3.2 Sippi®

Sippi® - the first digital urine meter running on AA batteries

The system consists of a base unit which is attached to the hospital bed. Connected to the base unit is the single use device, which consists of a measuring chamber connected to the base units where the sensors are located and a urine bag for collecting the urine. The sensors and measurement technology, Sippsense®, are covered by patents.

The base unit has a display in which last hour and accumulated urine production are continuously displayed. The base unit is robust and easy to handle, and the system has low weight and a flexible hanger that fits all hospital beds. Furthermore, the system has low power consumption and is powered by standard AA batteries. The base unit together with the single use kit forms a solution that is easy to handle and enables a more accurate and efficient measurement of urine production.

Unique solution to reduce the risk of infection

One problem in all urine systems is that so-called biofilm is formed in the collection bag. The biofilm is an invisible coating that provides a breeding ground for bacteria that can migrate up the catheter and cause urinary tract infection in the patient. Urinary tract infection is a common problem when using urinary catheter. To reduce the risk of bacterial formation, traditional urine meters are changed every seven days.

To manage and minimize the problem of biofilm and the increased infection risk, the Group has developed Sippcoat® and Sippsense®. Sippcoat® is a solution that inhibits the growth of biofilm. In the cassette there is a capsule with silicone oil that inhibits biofilm. In use, the capsule is dissolved and forms a layer within the collection chamber which hinders the formation of biofilm.

In order to ensure that biofilm does not reach critical levels and run the risk of migrating upwards in the urinary catheter, the Group has developed Sippsense® which is a sensor that can record whether there is biofilm on the inside of the measuring chamber and warn when a critical level is reached. Sippcoat® and Sippsense® minimize and detect the risk of bacterial migration and hence urinary tract infections ("UTI").

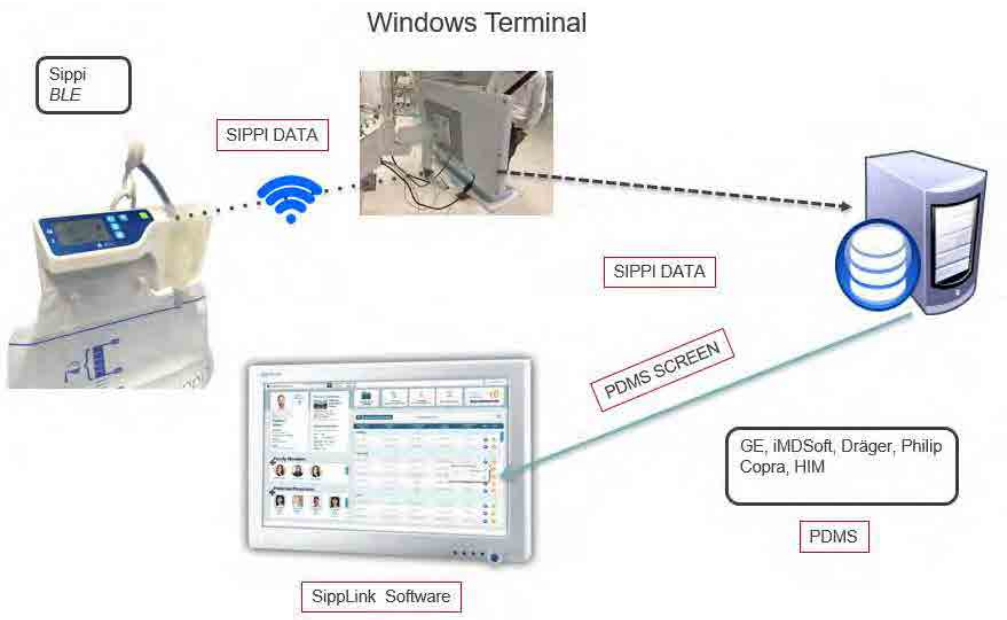
Sippcoat® and Sippsense® are solutions that are unique to Sippi® and are both patented.

Wireless version of Sippi® launched in 2019

Sippi® automatically measures urine output and stores the information in the base unit. The Group has also developed a version of Sippi® which via Bluetooth can communicate directly with the patient monitoring system.

With the wireless version, the last manual step is eliminated, and urine production can automatically be integrated into the patient journal system in the same way as pulse, blood pressure, temperature, infusion and other parameters are integrated today. The wireless version was launched in Q2 2019.

With the wireless version of Sippi®, the Group digitizes the last manual process in intensive care.



7.3.3 New products or services

In the short term the Group will focus on three areas regarding new products and services:

PDMS Connectivity

First and foremost, connectivity to the markets patient data management systems (PDMS) system is of immense importance since it is asked for by the Group's customers. There are currently six large suppliers of proprietary PDMS systems and two open source systems on the market. The Group has established connectivity with two of the proprietary systems (GE and iMDsoft) and are in development stages with two more. The Group will continue to strive to have all six on board before the end of 2020.

The current status regarding Sippi® PDMS connectivity is as follows:

PDMS system supplier	Type	Sippi® connectivity
Dräger	Proprietary	No
Phillips	Proprietary	No
iMDsoft/Metavison	Proprietary	Yes
COPRA	Proprietary	Under development expected before end of Q3 2020
HIM	Proprietary	Under development expected before end of Q2 2020
GE/Centricity	Proprietary	Yes
EPIC	Open source	Not at the date of this Prospectus. Connectivity is done locally at customer site
Cerner	Open source	Not at the date of this Prospectus. Connectivity is done locally at customer site

Sippcoat®/Sippbag™

The Group believes that Sippcoat® could have a great potential in fighting bacteria growth within fluid handling systems. It has been documented that Sippcoat® works based upon company laboratory and patient data. The Sippcoat® encapsulated technology is already produced and in stock for Sippi®. However, the same capsule can also be sold as original equipment (like Intel Inside) to other suppliers of urine and body fluid bags.

The Group is developing a separate market strategy for Sippcoat®/Sippbag™ and will pursue alternative options for urine collection outside the ICU and/or in the case where bacterial infections are expected to be critical to avoid for the patient. The Sippbag™ can be used for all catheterized patients and can follow the patient in all clinical settings with no need for disconnection. Leg-bags or other standard bags for use in the care centres and home use can also be developed.

Sipphanger™

During the first market launch there has been a demand for using the Sippi® disposable without the base unit: During surgery, during x-rays and for a period of time after stay in the ICU when the patient still needs the bag but not an hour

by hour measurement. For this use the Group has developed a plastic hanger. The production tool for this product is completed and release for sale is expected in Q1 2020.

7.4 Research and development

The Group's research and development has in the past two years included: SippLink™ – a wireless receiver of data for connection to patient data monitor systems, integration of the same towards GE Healthcare's CCC and Imdsoft's Metavision, upgrade of the disposable unit and improved shelf-life, compliance with RED radio directive, improvement of signal algorithm for volume measurement and battery life time for wireless transmissions.

Ongoing and upcoming activities are: development of SippBridge™, a stand-alone wireless receiver and update of instruction manual and migration to an electronic user manual.

7.5 The Group's competitive advantages and strategic focus

The Group's proprietary technologies Sippi®, SippCoat® and Sippsense® form an umbrella of competitive advantages in the market. In the Group's opinion, Sippi® has first and foremost potentially the most stable measuring technology of volume using contactless capacitive sensors. Most other volume measurement technologies have proven to be either too sensitive or not working in contact with urine. Hence, the strategic focus for the Group is to establish its product portfolio as the digital urine measurement device with wireless stable volume measurement technology as well as the best intraluminal biofilm control.

The business model for Sippi® is based on a system sale, where the base unit is an unique hardware and where the disposable unit is specific and thus no copies can be used. Each base unit will generate ongoing sales of disposable units. Each intensive care unit needs a base unit per bed plus a few additional units in reserve. The Group expects the base unit to last on average between three to five years and will then need to be replaced with new units.

For each new patient, a disposable is used for up to seven days, which is sufficient for most intensive care patients. If the biofilm indicator shows that critical levels begin to be reached within seven days, the disposable unit will need to be replaced. The Group estimates that each base unit in full operation could generate sales of about seven to eight consumables per month.

As a consequence of the business model, customers are locked to the Group's disposable unit and thus a recurring sale can be expected. As the number of base units sold increases, the Group would expect a steady and repetitive sale of disposable units with a significant gross margin.

7.6 Market Launch

The Group is in the launch phase of Sippi®BLE 2.0, which is approved for sale in Europe. The first wave, which started in the autumn 2019, will be in the Nordics and potentially in selected other European countries, whereof Germany will be prioritized. The second wave starting in 2020 is planned to be in selected other EU countries, selected rest of the World ("RoW") territories and the U.S. with possible launch in 2021. The Group does not intend to build a large in-house sales organization, but will mainly work via distributors, except in the Nordic countries where the Group will conduct own sales and marketing to maintain close customer contact. The Group believes in close customer contact to receive swift feedback, discover any hurdles or initial start-up challenges and have own in-house technical expertise to handle this. This will also ease the roll-out and market entry anywhere else.

A successful launch requires close cooperation with the distributors, for which the Group provides training, references and support services. Service beyond the product is one key for success. A launch is resource-intensive and in order to have a step by step process for smooth roll-out and positive user experience, the Group wants to focus on a few important market and centres of excellence. Hence, with the great potential in Germany, the Group has chosen to focus its resources on this important market during 2019. However, the Group will also support its existing distributors in Italy and the UK. The Group's chosen distributors are mid-sized companies with strategic focus on either the ICU or Urine collection market or both. The Group believe that it will gain more attention when Sippi® becomes a significant part of these distributors' portfolio rather than using large companies with extensive pipelines.

The long-term objective is to achieve a market share of 10% within 18 to 24 months on each launched market at clinics with compatible PDMS. As Sippi® is launched in an increasing number of markets, an installed base of Sippi® will be built up that generates recurring sales of consumables.

Due to Sippi®'s effective solution, urine measurement is also possible in general care, which opens up a new market segment for the Group.

The U.S. is considered the largest single market globally. In the U.S., urine meters are integrated with the urine catheter, requiring the Group to produce a kit for the U.S. market and it has therefore initiated contact with catheter suppliers and plans to develop an integrated product for the U.S. market. In order for the Group to launch an U.S. initiative, the Group aims to hire three additional persons to secure operations in the U.S. and to enter into a collaboration agreement with an established player with products in urology or intensive care products in order to achieve growth and access in the U.S. market. By launching through an already established U.S. organisation the Group will benefit from local knowhow and insight regarding kit production, sales and marketing resources, local regulatory knowledge etc.

To ensure a smooth and successful entry in the U.S., the Group is collaborating for market access through Norway Health Tech, the commercial section at the U.S. embassy in Norway as well as Innovasjon Norge.

Entry into RoW

The Group's organization is too small to build own market presence in territories outside the Nordics. Therefore, in the Rest of the World (RoW) territories like Asia, the Group aims for market access through a pan-Asian distributor, with the same qualities and necessary knowhow as for the U.S. market. In order to be able to start such operations, the Group anticipates that it will need to employ two to three new employees. All features necessary for Medtech products will be needed, such as technicians, resources for service beyond the product, regulatory issues, import etc.

7.7 Competition

There are a number of players that provide urine meters, all of whom are larger companies with broad product portfolios that usually include catheters and other products in urology and consumables. These actors are large global medical technology companies. The Group markets the currently only digital urine meter with wireless integration to electronic patient journal systems (PDMS). The competitive picture differs between Europe and the U.S. In Europe, there are currently five established players in urology, three of which market urine meters actively. The two largest players in the European market are Convatec and B.Braun. Convatec had a revenue of approximately EUR 1.8 billion in 2018 and approximately 9,500 employees[10].

The other major player in the EU is B. Braun whose urine meters has a market share on par with Convatec. B. Braun is also a major supplier within medical technology and had a turnover of approximately EUR 6.9 billion in 2018 with 63,000 employees[11].

Another player in Europe, which is also amongst the largest vendors in medical technology, is Cardinal Health, with a revenue of over USD 137 billion in 2018 and approximately 50,000 employees[12].

In addition to the three above-mentioned vendors, there are another two major players in urology in Europe that provide catheters and other products. These are American Teleflex and BD, which had a turnover of USD 2.5 billion in 2018[13] and USD 16 billion in 2018[14], respectively.

The U.S. market for urine meters differs slightly from the European market, since urine meters are usually integrated with the catheter, the container sits in front of the bag and when emptied it is folded over the bag behind. The U.S. market for urine meters is dominated by three players. The largest in the American market is BD. The second vendor in the U.S. is Cardinal Health (which is the only manufacturer with market shares in both the EU and the U.S.). The third competitor is Medline with a turnover of USD 11 billion and 20,000 employees.[15]

Approximately one year ago from the date of this Prospectus, Portreo Medical launched a digital urine meter in the U.S. market. The Accuryn product uses the same measurement technology, ultrasound, as BD's digital product Criticore. Ultrasonic measurement technology is more sensitive to movements. In addition to Criticore, Accuryn has a pressure

[10] Source: https://convatecgroup.com/media/1560/convatec_ar2018_interactive.pdf
[11] Source: https://www.bbraun.com/en/company/organization-facts-figures/annualreport-2018.html#
[12] Source: https://s1.q4cdn.com/238390398/files/doc_financials/annual/2018/342622_CardinalHealth_Annual-Report.pdf
[13] Source: https://teleflexincorporated.gcs-web.com/static-files/49a13a80-d283-4a2d-b6ae-a59e8197d63e
[14] Source: https://investors.bd.com/static-files/759c8ae1-c56b-4346-9365-1a56c06873ee
[15] Source: https://www.medline.com/pages/about-us/our-company/

measurement in the bladder which is used to alert for blockage in the tubing as well as an automatic relief thereof. The disposable unit price is set at a level which is expected to be in the range of 5-10 times that of a Sippi® disposable price. Comparing to existing digital urine meters, Sippi® is priced low, however compared to standard analogue meters Sippi® is priced higher.

To the best of the Group's knowledge, Sippi® is the only fully automated, digital, wireless urine meter, which also contains an infection prevention feature for intraluminal migration of bacteria.

	Curity Precision	Unometer	Ureofix	Bardia	Accuryn	Criticore	Sippi
Wireless connection to electronic patient journal	NO	NO	NO	NO	NO	NO	YES ✓
Measure technology	Analogue	Analogue	Analogue	Analogue	Optic sensor	Optic sensor	Capacitive sensor ✓
Sensitivity	Low	Low	Low	Low	High	High	Low ✓
Mobility	High	High	High	High	Low	Low	High
Power	n.a.	n.a.	n.a.	n.a.	A/C	A/C	AA Batteries ✓
Pricing	Low	Medium	Medium	Medium	Very high	High	Medium ✓
Customer acceptance	All beds	All beds	All beds	All beds	Niche product	Niche product	All beds ✓
Biofilm Control	NO	NO	NO	NO	NO	NO	YES ✓

Source: "Accuracy and ease of use of a novel electronic urine output monitoring device compared with standard manual urinometer in the intensive care unit" (2009), Einav, S., Hersch, M., and Izbicki, G., Journal of Critical Care 24.4

7.8 Customers

Urine meters are used every day in hospitals around the world and 95% of the use of urine meters is in Intensive Care Units (ICU). The operation of urine meters is today a time consuming task but important since urine output is a vital parameter for patients in ICUs. ICUs are common in larger hospitals and university clinics as they provide specialised care which are associated with high costs.

In countries with large public sectors (e.g. the Nordic countries), the Group's typical contracting parties for the purchase of the Group's products are the hospitals and university clinics with ICUs as well as larger procurement bodies responsible for procuring medical equipment in a region (covering all health enterprises in such region) (e.g. regional health authorities, municipalities etc.). However, in many of the Group's target markets hospitals may be private and/or connected to a private purchasing group, were direct negotiations with hospitals or the group is typical for entering into sale agreements.

7.9 Manufacturing

Sippi® consists of two components: the base unit and the disposable unit.

Both the base unit and the disposable unit is entirely developed by the Group. All costs in relation to the development have been borne solely by the Group.

All manufacturing steps of the base unit and the disposable unit have been outsourced; however, all manufacturing tools and rigs are owned by the Group in order for it to be in control of and being able to facilitate a potential move of manufacturing or assembly in the future.

The base unit is manufactured by Inission in Borås, Sweden. Their facility is located close to the Group's development office, making surveillance and adjustments easy and fast.

The disposable unit consists, in simple terms, of three components: tube, bag and measuring siphon. Knudsen Plast is manufacturing the plastic siphon components and assembles the chamber. The tubing, bags and assembly of the entire kit is sourced through Unomedical/Convatec in Slovakia, which pursuant to the Company's knowledge is one of Europe's biggest plant for urine bags. This contractor ensures scalability and low-cost production at high volumes.

7.10 The Group's intellectual property rights

The Group has a strong global patent situation with focus on its three technologies: (i) Measuring volume via contactless sensors, (ii) Sippsense®, measuring sensor degradation and hence biofilm onset and (iii) Sippcoat®, the use of silicone oil as bacterial growth prevention properties in both urology and other bodily fluid systems. There are currently 44 approved patents in key countries and territories. The Company's subsidiary Observe Medical Aps is the registered owner of all of the Group's patents.

The table below provides an overview of the Group's five patent families:

Type and registration year	Patent number	Description	Regions	Expiration date
Urosense Patent (IP1) June 2009	EP2445408 US10182747	Protects the system design of; the base unit, disposable unit and interaction between units	Brazil, France, India, Italy, Japan, China, Netherlands, Russia, Spain, UK, Sweden, Turkey, Germany, USA, EPO and PCT	Year 2030
Urosense II Patent (IP2) November 2011	CN103959020B JP6078549 RU2618089 US10145813	Detection of a degenerated sensor surface – Sippsense®	Brazil, India, Japan, China, Russia, Sweden, USA, EPO and PCT	Earliest Year 2031 Latest Year 2032
Sippcoat® Patent Application (IP3) March 2013		Protection relating to the patient activated silicone oil capsule - Sippcoat®	PCT, EPO, USA and China	Year 2033
Urosense III Patent (IP4) September 2014	CH105120752B EP2967464 JP6416796 US10188339	Sterile release of encapsulated oil mixture (ETO & Radiation)	Brazil, France, India, Italy, Japan, China, Netherlands, Russia, Spain, UK, Sweden, Turkey, Germany, USA, EPO and PCT	Earliest Year 2034 Latest Year 2035
Urosense IV Patent application (IP5) March 2016	EP3193947 RU2693473 SE538635C2 US9861715	Administration of silicone oil into urine collection system in general	Brazil, India, Japan, China, Russia, Sweden, Brazil, EPO and PCT	Earliest Year 2034 Latest Year 2035

7.11 Material contracts

No company in the Group has entered into any material contracts outside the ordinary course of business for the two years prior to the date of this Prospectus. Further, no company in the Group has entered into any other contract outside the ordinary course of business which contains any provision under which any member of the Group has any material obligation or entitlement.

7.12 Dependency on contracts, patents and licenses

The Group owns all the intellectual property rights that protects the technology behind the Sippi® family of products as listed in Section 7.10 "The Group's intellectual property rights" above. The Group also owns all the key tools and rigs for manufacturing of the products. The manufacturing and assembly of the products are contracted out, but there are no manufacturing or assembly step that could not be moved to another contractor should that be necessary.

The Group's current operations are dependent on the Loan Agreement (see Section 9.11.1 "Loan Agreement" for more information), the TSA (see Section 11.1.3 "The Transitional Services Agreement" for more information) and for retaining and obtaining CE certification and other regulatory certifications when entering into markets outside the EU (e.g. the Group's FDA registration).

Other than the above, it is the Company's opinion that the Group's existing business or profitability is not materially dependent on any patents or licenses, industrial, commercial or financial contracts.

7.13 Employees

As at the date of this Prospectus, the Group has 6 employees (including the new CEO).

The table below shows the development in the number of employees in the Group for the years ended 31 December 2018, 2017 and 2016 and as of 30 June 2019 and 2018.

Position	As of 30 June 2019	As of 30 June 2018	As of 31 December 2018	As of 31 December 2017	As of 31 December 2016
Management	1	1	1	1	1
R&D	3	3	3	3	4
Sales	1	2	2	1	1
Total	5	6	6	5	6

Country	As of 30 June 2019	As of 30 June 2018	As of 31 December 2018	As of 31 December 2017	As of 31 December 2016
Norway	0	0	0	0	0
Sweden	5	6	6	5	6
Denmark	0	0	0	0	0
Total	5	6	6	5	6

7.14 Office leases and other fixed assets

The Company hires finance and administration functions from Navamedic in accordance with the TSA (see 11.1.3 "The Transitional Services Agreement" for more information) and this agreement also covers rent expenses for premises. Additionally, the Company will rent premises in Oslo, Norway for office purposes when the Group employs own employees in Oslo.

The TSA also provides for shared costs for the rent of premises in Gothenburg, Sweden.

The Group leases three cars which are used by the Group's employees in Sweden. The lease agreements are entered into for three and four years and are reflected in the Carve-out Interim Financial Statement in accordance with IFRS 16. Total lease liabilities as of 30 June 2019 were TNOK 365. Depreciation costs have been recognized with TNOK 97 and finance costs with TNOK 9 as of the same date.

7.15 Regulatory and environmental matters

Each main market around the world has its own regulations to ensure the safety and performance of medical devices ("MD") throughout their lifetime. In EU, medical devices are regulated by the *Regulation (EU) 2017/745 of the European Parliament and of the Council of 5 April 2017 on medical devices (MDR), repealing Council Directive 93/42/EEC (MDD).* This legislation states e.g. the requirements of which the legal manufacturer must conform to in order to make a medical device available on the European market. This includes CE-mark requirements needed for each device. In the U.S., the Medical Device Regulation Act regulates the safety and effectiveness of medical devices intended for human use. Both in the U.S. and EU medical devices are categorized into classes (Class I-III) depending on the intended purpose and the inherent risk of the MD. Simply explained, a higher class represents devices with a higher inherent risk, e.g. devices intended for long duration of use; devices intended to be invasive or implantable; devices intended to actively support or sustain human life. The requirements for documentation and/or approval increases with each step of class.

Navamedic Medtech AB has been certified according to ISO 13485:2016 and the existing product, i.e. Sippi®, is certified and valid until January 25, 2022, according to *Council Directive 93/42/EEC of 14 June 1993 concerning medical devices (MDD).* In accordance to EU regulations Sippi® can continue to be sold throughout the EC certificate validity. However, Navamedic Medtech AB transition to MDR is planned for 2020 well in advance before certificate expiry date. In the U.S., Navamedic Medtech AB and Sippi® has been registered with the FDA since 2015 as a Class II device. The Group will continuously update the current EU certifications accordingly. Navamedic Medtech AB will also ensure conformance with regulations in each new territory (outside EU) before making Sippi® available on that specific market.

Changes in environmental regulations may affect the Group's ability to deliver its products to the market. Changes in approved plastics or ingredients (e.g. PVC) that are integral parts in the Group's products may affect the Group's stock of products.

7.16 Insurance

The Group's insurance coverage covers risks connected with the Group's business and activities, including occupational injury liability, travel insurance and public and product liability.

The Company considers the Group to be adequately covered with regard to the nature of the business activities of the Group and the related risks in the context of available insurance offerings and premiums. Management regularly reviews

the adequacy of the insurance coverage. However, no assurance can be given that the Group will not incur any damages that are not covered by its insurance policies or that exceed the coverage limits of such insurance policies.

7.17 Legal proceedings

The Group is not, nor has it been, during the course of the preceding 12 months prior to the date of this Prospectus, involved in any legal, governmental or arbitration proceedings which may have, or has had in the recent past, significant effects on the Group's financial position or profitability, and the Company is not aware of any such proceedings which are pending or threatened.

8 CAPITALISATION AND INDEBTEDNESS

8.1 Introduction

The information presented below has been extracted from the Carve-out Interim Financial Statements and should be read in connection with the information included elsewhere in this Prospectus, in particular Section 9 "Operating and financial review", as well as the Carve-out Annual Financial Statements and the Carve-out Interim Financial Statements and their related notes, attached to this Prospectus as Appendix B and Appendix C, respectively.

This Section provides information about the Group's unaudited capitalisation and net financial indebtedness as reported in the Carve-out Interim Financial Statements as of 30 June 2019 and, in the "As adjusted" column, the Group's capitalisation and net financial indebtedness on an adjusted basis to give effect to the following material post-balance sheet events and effects of (i) the loans and payables incurred by the Group to Navamedic in the period from 1 July 2019 until and including 30 September 2019, (ii) the drawdown of the first loan in the amount of NOK 3,250,000 on 1 November 2019 under the Liquidity Facility in the Loan Agreement (see Section 9.11.1 "Loan Agreement" for more information) and (iii) the Debt Conversion (see Section 12.3.2 "The Debt Conversion" for more information). Other than this, there have been no material changes to the Group's capitalisation and net financial indebtedness since 30 June 2019 and until the Prospectus date.

8.2 Capitalisation

In NOK thousands

	As of 30 June 2019	Adjustment for loans and payables to Navamedic	Adjustment for the first drawdown under the Loan Agreement	Adjustment for the Debt Conversion	As adjusted
Indebtedness					
Total current debt:					
Guaranteed	-	-	-	-	-
Secured	-	-	-	-	-
Unguaranteed/Unsecured[1]	33,486	4,498	3,250	-16,000	25,234
Total non-current debt:					
Guaranteed	-	-	-	-	-
Secured	-		-	-	-
Unguaranteed/Unsecured[2]	13,656	318	-	-	13,974
Total indebtedness	47,142	4,816	3,250	-16,000	39,208
Shareholders' equity					
Total shareholders' equity[3]	6,203	-3,918	-	16,000	18,285

1: Unguaranteed/Unsecured current debt consists of (i) balance sheet amounts as of 30 June 2019 adjusted for the increase in current loans and payables to Navamedic in the period between 30 June and 30 September 2019, (ii) the first of total four drawn downs of the Loan Agreement of MNOK 3.25 and (iii) the debt conversion of MNOK 16.

2: Unguaranteed/Unsecured non-current debt at 30 June 2019 consisted of the Contingent Consideration of MNOK 13.3 (see Section 9.11.2 "The Contingent Consideration" for more information) and lease liabilities of MNOK 0.4. Additionally, an adjustment of MNOK 0.3 is made for accrued interest on the Contingent Consideration, and assumes no other change in fair value of the Contingent Consideration.

3: Total equity comprises "Contributed equity and retained earnings" and "Translation Differences" as reported in the Carve-out Interim Financial Statements. The equity is adjusted for the Debt Conversion of MNOK 16 and the comprehensive loss in the period between 30 June and 30 September 2019.

8.3 Net financial indebtedness

In NOK thousands

		As of 30 June 2019	Adjustment for loans and payables to Navamedic	Adjustment for the first drawdown under the Loan Agreement	Adjustment for the Debt Conversion	As adjusted
Net indebtedness						
(A)	Cash[1]	632		3,250	-	3,882
(B)	Cash equivalents	-	-	-	-	-
(C)	Trading securities	-	-	-	-	-
(D)	Liquidity (A)+(B)+(C)	632		3,250	-	3,882
(E)	Current financial receivables	-	-	-	-	-
(F)	Current bank debt	-	-	-	-	-
(G)	Current portion of non-current debt	-	-	-	-	-
(H)	Other current financial debt[2]	31,657	-15,657	-	-16,000	-
(I)	Current financial debt (F)+(G)+(H)	31,657	-15,657	-	-16,000	-
(J)	Net current financial indebtedness (I)-(E)-(D)	31,025	-15,657	-3,250	-16,000	-3,882
(K)	Non-current bank loans	-		-	-	-
(L)	Loan Agreement[3]	-	19,000	3,250	-	22,250
(M)	Other non-current loans[4]	13,656	318	-	-	13,974
(N)	Non-current financial indebtedness (K)+(L)+(M)	13,656	19,318	3,250	-	36,224
(O)	Net financial indebtedness (J)+(N)	44,681	3,661	-	-16,000	32,342

1: Cash consisted of cash balance as of 30 June 2019 adjusted for the first draw down on the Loan Agreement of MNOK 3.25.

2: Other current financial debt consisted of interest bearing debt and payables to the Navamedic group. After refinancing of the loan under the Loan Agreement, all current financial debt was classified as non-current loans.

3: Disbursement of Facility A under the Loan Agreement and the first drawdown under the Loan Agreement (see Section 9.11.1 "Loan Agreement" for more information).

4: Other non-current loans at 30 June 2019 consisted of the Contingent Consideration of MNOK 13.3 and lease liability of MNOK 0.4 (IFRS 16). The adjustment of TNOK 318 is finance cost related to the Contingent Consideration, lease payment and reclassification of lease liabilities between non-current and current liabilities in the period between 30 June 2019 until 30 September 2019. Assumes no other change in fair value of the Contingent Consideration in the period between 1 July and 30 September 2019.

8.4 Working capital statement

The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements for the period covering at least 12 months from the date of this Prospectus.

8.5 Contingent and indirect indebtedness

The Group does not have any material contingent or indirect indebtedness on the date of the Prospectus. The Contingent Consideration, as explained in Section 9.11.2 "The Contingent Consideration" and note 11 to the Carve-out Annual Financial Statements, is not considered as contingent or indirect indebtedness.

9 OPERATING AND FINANCIAL REVIEW

This operating and financial review should be read together the Financial Information and related notes included therein. The Financial Information are appended to this Prospectus as Appendix B and Appendix C, respectively.

9.1 Presentation of Financial Information

The Carve-out Annual Financial Statements have been prepared in accordance with IFRS and interpretations by IASB, as adopted by the EU to the extent appropriate since IFRS does not provide explicit guidance for the preparation of carve-out financial information. The Carve-out Interim Financial Statements have been prepared in accordance with IAS 34.

The Carve-out Annual Financial Statements have been audited by KPMG, as set forth in their audit report included therein. The Carve-out Interim Financial Statements have not been audited, but have been subject to review procedures in accordance with International Standard on Review Engagements (ISRE 2400).

The Financial Information is presented in NOK (presentation currency).

9.2 Significant factors affecting the Group's results of operations and financial performance

The Group's operations and results of operations have been, and may continue to be, affected by a range of factors. The factors that Management believes have had a material effect on the Group's results of operations during the periods under review, as well as those considered likely to have a material effect on its results of operations in the future, are described in the following.

9.2.1 Revenues

The Group has had insignificant amounts of revenues in the financial periods covered by the Financial Information. This is because the Group has developed its products and just recently started its commercialisation of the Sippi® product family. Subject to successful launch and market uptake of the products and technology offered by the Group, revenues are gradually expected to increase, even though no guarantees can be made.

9.2.2 Cost of materials

Cost of materials have been higher than revenues in many of the periods covered by the Financial Information. This is due to materials used in the pre-and early commercialisation phase for the development and commercialisation of the Sippi® product family. Cost of materials has also been affected by write-downs, and reversal of write-downs, of inventory. Subject to successful launch and market uptake of the products and technology offered by the Group, cost of materials are expected to increase, but at a point in time it is expected that revenues will be higher than cost of materials.

9.2.3 Payroll expenses and other operating expenses

Payroll expenses and other operating expenses mainly follow the level of activity in operations. The mix between own employees and hired consultants in certain financial periods covered by the Financial Information affects the proportion of total costs for each type of operating cost. In 2019, cost of services delivered from Navamedic has increased due to the Listing process.

9.2.4 Depreciation, amortization and impairment

Depreciation, amortization and impairment for the periods presented in this prospectus are primarily related to amortization of the fair value adjustment of technology asset that arose on the acquisition of OMI in 2015. This technology asset is currently amortized over 10 years. Amortization of capitalized development expenses has also contributed to the amortization charge. No impairment charges have been recognized for the periods presented in this Prospectus.

9.2.5 Change in Contingent Consideration

On 4 August 2015, Navamedic acquired all of the shares and votes in OMI, where the Contingent Consideration was part of the purchase price agreed in the SPA (see Section 9.11.2 "The Contingent Consideration" for more information). The Contingent Consideration is recognised as a financial liability. Change in estimated fair value, which includes calculated interest, is recognized through profit or loss as part of financial income or financial expenses. During the periods presented, the change in fair value has been affected by accrued interest on the liability and changes in the probabilities related to the milestone payments and royalties.

9.3 Recent developments and trends

Except as set out in Sections 9.9 "Trading update", 7.6 "Market Launch" and 8 "Capitalisation and indebtedness", the Group has not experienced or has any information about significant trends in production, sales and inventory, costs and selling prices, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for the current financial year. Except for the information provided in Section 9.9 "Trading update", the Group has not experienced any significant changes in the financial performance of the Group since 30 June 2019 and until the date of this Prospectus.

9.4 Results of operations

9.4.1 Summarised result of operations information

The following table summarizes data of the Group's historical results of operations, and is extracted from the Group's unaudited condensed Carve-out Interim Financial Statements for the interim periods ended 30 June 2019 and 2018, and from the Group's audited Carve-out Annual Financial Statements as of and for the years ended 31 December 2018, 2017 and 2016.

In NOK thousand	Six months ended 30 June		Years ended 31 December		
	2019	2018	2018	2017	2016
Total revenue	60	51	106	198	614
Operating expenses	5,567	4,676	7,929	11,187	11,233
Depreciation and amortization	2,139	1,896	3,901	3,981	4,025
Operating result	-7,646	-6,521	-11,724	-14,970	-14,643
Change in contingent consideration	-1,114	-2,148	14,009	-2,618	4,051
Net other financial items	283	723	-11	219	22
Net profit / loss (-)	-8,476	-7,947	2,274	-17,370	-10,571

Results of operations for the six months' period ended 30 June 2019 compared to the six months' period ended 30 June 2018

Revenues were TNOK 60 in the six months' period ended 30 June 2019, compared to TNOK 51 in the six months' period ended 30 June 2018. Change in operating result from TNOK -6,521 at 30 June 2018 to TNOK -7,646 at 30 June 2019 reflect increased operating cost mainly due to increased strategic project cost and focus on business development. At 30 June 2019, inventory was written down and an expense was recognised in the amount of TNOK 508 related to disposal of units that had short remaining shelf-life. Increase in depreciation and amortization was primarily due to depreciation of lease assets (IFRS 16) from 1 January 2019 and one development project which was finalised and started amortization in 2019.

Change in the Contingent Consideration in the six months' period ended 30 June 2019 and 2018 are for both periods due to calculated interest. The reduction in the six months period ended 30 June 2019 compared to the same period in 2018 is due to the reduction in the estimated fair value of the Contingent Consideration recognised at 31 December 2018.

Results of operations for the year ended 31 December 2018 compared to the year ended 31 December 2017

Revenues were TNOK 106 in the year ended 31 December 2018, compared to TNOK 198 in the year ended 31 December 2017. The cost of materials in 2018 are affected by reversed write-down of inventories of TNOK 606. In 2017, part of the inventories was older than estimated shelf life of three years and the Group conducted write-down of the inventories on this basis. In 2018, Navamedic and Research Institutes of Sweden conducted tests that determined that the shelf life was 5 years. Based on these tests, the Group reversed the write-down from 2017 of NOK 606,247. The Company had one less employee in 2018 compared to 2017 and this resulted in decreased payroll expenses. In 2018, the expected payments to the former owners of OMI (the Contingent Consideration) were adjusted downwards, which reduced the estimated liability by NOK 14.0 million. The change was primarily a result of changes to the probabilities of milestone payments and royalties in the SPA. At year-end 2018, the Group estimated that revenue from sales of the Group's products will be realised at later points in time than assumed when OMI was acquired by Navamedic in 2015. However, the potential revenue and expected realisations remain unchanged and have only been postponed.

Results of operations for the year ended 31 December 2017 compared to the year ended 31 December 2016

Revenues were TNOK 198 in the year ended 31 December 2017, compared to TNOK 614 in the year ended 31 December 2016. Higher cost of materials in 2017 was affected by that part of the inventories was older than estimated shelf life of

three years and the Group conducted write-down of the inventories with TNOK 606 on this basis. The Company had one more employee in 2017 compared to 2016 which resulted in higher payroll expenses but also reduced operating costs through less use of consultants. The increase of Contingent Consideration in 2017 was related to accrued interest on the liability, partially offset by changes in the probabilities related to the milestone payments and royalties.

9.5 Balance sheet

9.5.1 Summarised balance sheet data

The following table shows summarized historical balance sheet data related to the Group's activities, and is extracted from the unaudited condensed Carve-out Interim Financial Statements for the interim periods ended 30 June 2019 and 2018, and from the audited Carve-out Annual Financial Statements as of and for the years ended 31 December 2018, 2017 and 2016.

In *NOK thousand*	Six months ended 30 June		Years ended 31 December		
	2019	2018	2018	2017	2016
Total non-current assets	51,209	52,302	54,731	58,459	57,937
Total current assets	2,136	9,472	4,100	5,578	11,102
Total assets	53,345	61,774	58,831	64,037	69,040
Total equity	6,203	4,345	16,823	11,394	14,697
Total non-current liabilities[1]	13,656	28,334	12,177	26,186	23,568
Total current non-interest bearing liabilities	2,873	3,483	4,799	3,652	3,003
Total current interest bearing liabilities	30,613	25,612	25,032	22,805	27,772
Total liabilities	47,142	57,429	42,008	52,643	54,343
Total equity and liabilities	53,345	61,774	58,831	64,037	69,040

1: Non-current liabilities contain the contingent consideration, and at 30 June 2019 also lease liability (IFRS 16).

Balance sheet data for the six months' period ended 30 June 2019 compared to the six months' period ended 30 June 2018

Total equity amounted to TNOK 6,203 as of 30 June 2019 compared to TNOK 4,345 as of 30 June 2018. The positive change in equity is primarily related to positive result in the second half in 2018 due to change in the Contingent Consideration that more than offset the negative result in first half 2019. The decrease of current assets is related to settlement of receivables against interest bearing debt towards the Navamedic group. In second half 2018 the Contingent Consideration was reduced by approximately MNOK 16, which caused the reduction in non-current liabilities. The change was mainly due to change in the likelihood of milestone payments and royalties as agreed in the SPA. At year-end 2018, it was estimated that revenue from sales of the Group's products would be realised at later points in time than assumed when OMI was acquired in 2015. However, the potential revenue and expected realisations remained unchanged and had only been postponed. Current interest bearing liabilities increased from TNOK 25,612 at 30 June 2018 to TNOK 30,613 at 30 June 2019. The increase is due to financing by Navamedic group of business and technological development in the period, partially offset by the net settlement of receivables on Navamedic group.

Balance sheet data for the year ended 31 December 2018 compared to the year ended 31 December 2017

Total equity amounted to TNOK 16,823 as of 31 December 2018 compared to TNOK 11,394 as of 31 December 2017. The increase in equity is primarily due to group contribution received. In addition, the Group received further debt financing from the Navamedic group, which contributed to the increase in total current liabilities. Decrease in total non-current assets is primarily due to amortization of intangible assets. Decrease in total current assets is primarily related to the decrease in bank deposits that more than offset the increase in trade receivables and other receivables. The increase in trade receivables and other receivables is mainly related to provision for non-received credit note of approximately NOK 582,000 from a vendor. The reduction in non-current liabilities was due to the decrease in the Contingent Consideration.

Balance sheet data for the year ended 31 December 2017 compared to the year ended 31 December 2016

Total equity amounted to TNOK 11,394 as of 31 December 2017 compared to TNOK 14,697 as of 31 December 2016. The decrease in equity is related to negative result in 2017 that more than offset the received group contribution. The

decrease of current assets and current interest bearing liabilities was primarily related to net settlement of parts of the receivables against interest bearing liabilities towards the Navamedic group.

9.6 Liquidity and capital resources

9.6.1 Sources and use of cash

The Group launched its new main product Sippi®BLE 2.0 in the second quarter of 2019, and in order to be able to launch the product in the global market, the Group will have to continue to focus and invest in business development and growth going forward.

The Group's primary source of liquidity in the 12 months' period following the first day of Listing will be cash from its borrowing arrangements (see Section 9.11.1 "Loan Agreement" for more information about the Group's borrowing arrangements). Following the 12 months' period after the Listing date, the Group's principal source of liquidity may still be cash generated from financing, equity and debt, in addition to net cash flows generated from sales. Consequently, any shortfall of cash generated from operations management will have to be covered through such additional financing in order to secure the ability to continue as a going concern. As the Company itself is a non-operative entity, the main portion of the Group's cash balance is and will be held at subsidiary level to cover the daily liquidity requirements of the operating subsidiaries.

9.6.2 Treasury policies

The Group's operations have historically been, and are currently, financed with loans and group contributions from the Navamedic group. The Group has not had cash and cash equivalents for alternative use than finance of short term operations, and current liquidity has been kept in short bank deposits in local currency for each group company.

9.7 Cash flows

9.7.1.1 Summarised cash flow information

The following table summarizes the Group's historical cash flows, and is extracted from the Group's unaudited condensed Carve-out Interim Financial statements for the interim periods ended 30 June 2019 and 2018, and from the audited Carve-out Annual Financial Statements as of and for the years ended 31 December 2018, 2017 and 2016.

In TNOK	Six months ended 30 June		Years ended 31 December		
	2019	2018	2018	2017	2016
Cash flow from operating activities	-5,101	-4,038	-8,364	-9,828	-10,451
Cash flow from investing activities	-1,036	-865	-1,949	-1,569	-1,406
Cash flow from financing activities	5,489	3,519	9,558	11,810	14,325
Exchange rate fluctuations	659	402	-683	-1,859	333
Net change in cash and cash equivalents	11	-981	-1,438	-1,446	2,801
Cash and cash equivalents at end of period	632	1,078	621	2,059	3,505

9.7.1.2 Cash flows from operating activities

Six months' period ended 30 June 2019 compared to the six months' period ended 30 June 2018

Net cash outflow from operating activities for the six months' period ended 30 June 2019 was TNOK 5,101 compared to a net cash outflow of TNOK 4,038 for the six months' period ended 30 June 2018, the negative change is primarily due to increased operating expenses mainly due to increased strategic project expenses and focus on business development.

Year ended 31 December 2018 compared to year ended 31 December 2017

Net cash outflow from operating activities for the year ended 31 December 2018 was TNOK 8,364 compared to a net cash outflow of TNOK 9,828 for the year ended 31 December 2017. The improvement is primarily related to decreased operating expenses in 2018 mainly due to one less employee.

Year ended 31 December 2017 compared to year ended 31 December 2016

Net cash outflow from operating activities for the year ended 31 December 2017 was TNOK 9,828 compared to a net cash outflow of TNOK 10,451 for the year ended 31 December 2016, primarily due to positive change in working capital as a result of higher other current liabilities mainly related to increased accrued expenses.

9.7.1.3 Cash flows from investing activities

Six months' period ended 30 June 2019 compared to the six months' period ended 30 June 2018

Net cash used in investing activities for the six months' period ended 30 June 2019 was TNOK 1,035 compared to TNOK 865 for the six months' period ended 30 June 2018, an increase of TNOK 170 due to higher level of investment in intangible and tangible assets as a result of investments in Sippi®.

Year ended 31 December 2018 compared to year ended 31 December 2017

Net cash used in investing activities for the year ended 31 December 2018 was TNOK 1,949 compared to TNOK 1,568 for the year ended 31 December 2017, an increase of TNOK 381 due to higher level of investment in intangible and tangible assets as a result of investments in Sippi®.

Year ended 31 December 2017 compared to year ended 31 December 2016

Net cash used in investing activities for the year ended 31 December 2017 was TNOK 1,568 compared to TNOK 1,406 for the year ended 31 December 2016, an increase of TNOK 162 due to higher level of investment in intangible and tangible assets as a result of investments in Sippi®.

9.7.1.4 Cash flows from financing activities

Six months' period ended 30 June 2019 compared to the six months' period ended 30 June 2018

Net cash from financing activities for the six months' period ended 30 June 2019 was TNOK 5,489 compared to TNOK 3,519 for the six months' period ended 30 June 2018, an increase of TNOK 1,970 primarily due to higher interest bearing debt towards Navamedic group to finance operations in Observe Medical.

Year ended 31 December 2018 compared to year ended 31 December 2017

Net cash flows from financing activities for the year ended 31 December 2018 was TNOK 9,558 compared to TNOK 11,810 for the year ended 31 December 2017, a decrease of TNOK 2,252 primarily due to lower level of group contribution that more than offset higher level of net interest bearing debt towards Navamedic group to finance operations in Observe Medical.

Year ended 31 December 2017 compared to year ended 31 December 2016

Net cash from financing activities for the year ended 31 December 2017 was TNOK 11,810 compared to T NOK 14,325 for the year ended 31 December 2016, a decrease of TNOK 2,515 primarily due to lower level of net interest bearing debt as a result of increased group contributions that were used to pay debt towards the Navamedic group.

9.8 The Company's Financial Statements

The Company was incorporated on 13 June 2019 with a share capital of NOK 1,000,000 divided into 1,000,000 shares with a nominal value of NOK 1 per share. The Company has prepared financial statements for the period from its incorporation date until 30 September 2019.

During this period, the Company had no revenues and total operating expenses of NOK 194,808, which resulted in an operating loss of NOK 194,808. The operating expenses are related to fees to the Norwegian Register of Business Enterprises (*Nw. "Foretaksregisteret"*) in connection with the incorporation of the Company and the Demerger process, as well as fees to Oslo Børs of NOK 185,000 related to the Listing of the Company on Oslo Axess.

Equity as at 30 September was NOK 805,192 and consists of a share capital of NOK 1,000,000 net of loss for the period between 13 June and 30 September 2019.

The Company had as of 30 September 2019 assets consisting of bank deposits of NOK 1,001,358 and liabilities consisting of current liabilities of NOK 196,166.

9.9 Trading update

On 1 November 2019, Navamedic published financial figures for the Navamedic group for the first nine months of 2019 and as of 30 September 2019 (the "Q3 2019 presentation"). The Q3 2019 presentation was not prepared according to IAS 34.

The following is noted regarding the financial information concerning Observe Medical in the Q3 2019 presentation:

External revenues and expenses of the Group are presented in the statement of comprehensive income net in the line item "*Net profit / loss (-) discontinued operations*". Net loss discontinued operations deviates from the net loss of the Group for the first nine months of 2019 because:

(i) Net loss discontinued operations includes only Navamedic group external revenues and expenses, while net loss of the Group also includes Navamedic group internal revenues and expenses

(ii) Net loss discontinued operations does not include depreciation and amortization of tangible and intangible assets of the Group for the period 1 July to 30 September 2019, while such depreciation and amortization will be included in the net loss of the Group

In the Navamedic group's interim report for the first half year 2019, information about the medtech segment and net loss discontinued operations were included. The Navamedic group's interim report for the first half year 2019 were reported before the Carve-out Interim Financial Statements for the Group were finalised. In the preparation of the Carve-out Interim Financial Statements for the Group, certain adjustments to the comprehensive income statement were made compared to the amounts included in the Navamedic group's interim report for the first half year 2019. This also means that net loss discontinued operations for the period 1 July to 30 September 2019 reported for the Navamedic group deviates from the net loss of the Group for the same period, in addition to the deviations explained above.

The Q3 2019 presentation for the Navamedic group also includes condensed financial position data. The Navamedic group's external assets of the Group are presented in the one line item named "assets held for distribution". The Navamedic group's external liabilities of the Group are presented in the one line item "liabilities held for distribution". These amounts deviates from total assets and total liabilities of the Group because:

(i) "Assets held for distribution" and "liabilities held for distribution" includes only Navamedic group's external liabilities of the Group, while total assets and total liabilities of the Group also includes Navamedic group's internal assets and liabilities.

(ii) "Assets held for distribution" does not include depreciation and amortization of tangible and intangible assets of the Group for the period 1 July to 30 September 2019, while such depreciation and amortization will be included for the Group.

On the basis and assumptions described above, the Q3 2019 presentation included the following tables and data concerning the Group:

Key consolidated profit and loss figures for the Navamedic group

Amounts in NOK million

	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Year 2018
Net result from discontinued operations	-2.1	-4.3	-9.0	-11.7	3.5

Consolidated Balance Sheet for the Navamedic group

Amounts in NOK million

	30.09.2019	30.09.2018	31.12.2018
Assets			
Assets held for distribution	55.2	NA	NA
Equity and liabilities			
Liabilities held for distribution	16.0	NA	NA

9.10 Investments

The Company's investments are related to the development of Sippi®. Investments have been financed through interest bearing debt and with equity contribution.

Net cash flow used in investing activities:

Amounts in NOK	Six months ended 30 June		Year ended 31 December		
	2019	2018	2018	2017	2016
Development of intangible assets	-1,035,883	-865,163	-1,949,429	-1,568,464	-1,406,295

The Group is now in an important launch phase for the next generation Sippi® (Sippi®BLE 2.0) and the Group's related investments to the development of this product have in all material respect already been incurred. During the launch phase, the investments will mainly be related to connectivity to PDMS systems. The Group has established connectivity with two of the proprietary systems (GE and iMDsoft) and is in development stages with two more. The Group will continue to strive to have all six PDMS systems connected before the end of 2020. Remaining investments related to connectivity to the four PDMS systems are estimated to a lower level than investments in previous periods. The Group does not have any other material investments that are in progress or for which firm commitments have already been done.

In the Carve-out Financial Statements, the accounting principles set out in IAS 38 have been used to recognise research and development expenditures. Expenditures for the development of Sippibag™ bags, wireless connection to PDMS and related functionality have been capitalised in the balance sheet. Development activities are normally performed in projects that are outsourced to external parties. Such development expenditures together with expenditures related to patent registration are the only development expenditures that have been capitalised in the balance sheet in the Carve-out Financial Statements. Internal expenditures have not been capitalised in the balance sheet as all the requirements set out in IAS 38.57 were not satisfied.

9.11 Borrowings and other contractual obligations

9.11.1 Loan Agreement

On 27 September 2019, the Company (as the borrower) entered into a subordinated convertible loan agreement with Navamedic (as the lender) for a loan of an aggregate amount of NOK 32,000,000 (the "Loan Agreement"). The Loan Agreement is structured as a bullet loan.

The Conversion Right (as described below) under the Loan Agreement was approved by the Company's extraordinary general meeting on 1 October 2019, pursuant to the Norwegian Public Limited Companies Act section 11-2, cf. 11-1.

The Loan Agreement consists of the two following facilities:

- A subordinated convertible term loan facility in the amount of NOK 19,000,000 (the "Facility A"); and
- A subordinated convertible term loan facility in the maximum amount of NOK 13,000,000 (the "Liquidity Facility").

The purpose of the Facility A is to use the net proceeds from such facility to refinance the debt the Company had to Navamedic as at 30 June 2019 and additional loan provided by Navamedic to the Company in the period from 1 July 2019 and until the completion date of the Demerger limited to an aggregate amount of NOK 19,000,0000. On 30 September 2019, the Company became the debtor of the previous loans that the Navamedic group had provided to the Group companies and Navamedic became the creditor of such loans, in order to achieve a structure where the Company is the borrower and Navamedic is the lender under the Loan Agreement.

The purpose of the Liquidity Facility was to provide the Group with liquidity for its general corporate purposes for the 12 months' period following the Listing date.

The facilities given under the Loan Agreement constitute direct, unsecured and fully subordinated obligations of the Company, and rank at least pari passu with all other existing and future unsecured and subordinated obligations of the Company (other than in respect of any obligations preferred by mandatory provisions of applicable law), and rank ahead of all amounts payable in respect of the share capital of the Company.

The Facility A was made available to the Company on the completion date of the Demerger, while the Liquidity Facility is divided into four equal loans, each for an amount of no more than NOK 3,250,000. The Company is entitled to draw down on one loan under the Liquidity Facility as per 1 November 2019, 1 February 2020, 1 May 2020 and 1 August 2020. The first drawdown on the Liquidity Facility for an amount of NOK 3,250,000 was made on 1 November 2019.

Each loan given under the facilities accrue interest at a fixed interest rate of 8.00% per annum. Interest will be computed from (and including) the first day the relevant loan has been paid out until the last day of an interest period of three months, on the actual number of days elapsed in a 360-day year. Accrued interest shall on the last day of the three months' interest period be capitalised and added to the aggregate principal amount of the loans outstanding under the Loan Agreement.

The Company shall on the date falling 36 months after the date of the Loan Agreement repay to Navamedic the aggregate amount of each loan then outstanding together will all accrued but unpaid interest. The Company may at any time prepay any loan outstanding in part or in full. Any amount repaid or prepaid may not be re-borrowed.

The table below illustrates the maturity structure of the Loan Agreement, assuming that the debt is not converted and that the Company chooses not to prepay any loan amount or interest in cash before maturity:

Maturity structure non-current interest bearing debt and interest
(Amounts in NOK millions)

	0 - 12 months	12 - 24 months	24 - 36 months	Total
Non-current interest bearing debt	0.0	0.0	32.0	32.0
Interest of non-current interest bearing debt	0.0	0.0	8.3	8.3
Total	0.0	0.0	40.3	40.3

Navamedic has the right to, following the date falling 12 months after the completion date of the Demerger (i.e. on 31 October 2020, request that all, but not parts of, the loan outstanding is converted into Shares (the "Conversion Right"). Following the disbursement of a written notice to the Company informing about the exercise of the Conversion Right, the Company has the optionality to either (i) accept the Conversion Right or (ii) reject such Conversion Right by settling the loans in full in cash or settling parts of any loans in cash and the remainder through conversion. The Company has in the two months' period following receipt of the written notice the right to take all actions necessary to obtain sufficient funding, either by debt capital transactions or equity capital transactions or otherwise at its sole discretion, for the purpose of enabling the Company to repay the loans.

The subscription price in a conversion shall be equal to the volume weighted average share price of the Shares on the Oslo Axess (or any other exchange having replaced Oslo Axess as the market place for the Shares at the time of the conversion) for the last ten days prior to the conversion date, but in no event be less than the nominal value of each Share.

The number of Shares to be issued upon completion of the Conversion Right shall be determined by dividing (x) the principal amount of the outstanding loans (with accrued but unpaid interest) by (y) the conversion price. The number of Shares to be issued shall be rounded down to the nearest whole share. The Conversion Right cannot be separated from the loans under the facilities.

The Loan Agreement includes market standard default and termination rights for Navamedic.

The table below shows the development of the loans and payables the Group had to Navamedic as at 30 June 2019 and to the period up to and including 1 November 2019, following entering into the Loan Agreement. In addition to the Loan Agreement, the Group will have trade payables towards the Navamedic group mainly related to purchase of services under the TSA.

Amounts in NOK thousand

Loans from Navamedic	
Loan from Navamedic as of 30 June 2019	30,613
Payables to Navamedic as of 30 June 2019	1,044
Total liabilities to Navamedic as of 30 June 2019	31,657
Increased loan in the period 30 June to 1 November 2019	3,343
Total loan from Navamedic	35,000
Debt Conversion	16,000
Total loan to Navamedic after Debt Conversion	19,000
First drawdown under the Liquidity Facility on 1 November 2019	3,250
Total loan to Navamedic as at the Prospectus Date	22,250

9.11.2 The Contingent Consideration

In the share purchase agreement entered into between Navamedic (as the buyer) and the sellers of OMI on 3 August 2015 for the acquisition of the shares in OMI (the "SPA"), the parties agreed an "earn out" towards the sellers of OMI (the Contingent Consideration), whereby Navamedic subject to OMI's achievement of certain revenue levels for the Sippi® product in the period up until the end of 2023 shall pay the sellers an additional purchase price to be determined based on the achieved level of revenues for the product.

The Contingent Consideration was estimated to NOK 25.6 million by Navamedic at the date of the acquisition (in 2015) and was set with a book value of NOK 12.2 million as at 31 December 2018 in Navamedic's financial statements for the financial year 2018. The estimated fair value of the Contingent Consideration involves discounting expected future payments. Discounting is carried out based on a discount rate of 18.3%, which is the same that was used in the purchase price allocation to value the identified intangible assets in the business combination in 2015.

The maximum amount of the Contingent Consideration is as follows:

(i) For the period 2016-2023, a royalty may be paid to the former shareholders of OMI, based on the following: A royalty of 7% based on annual operating revenue from sales of the Sippi® product in excess of NOK 7.5 million, increasing to a 15% royalty for operating revenue in excess of NOK 100 million per annum.

(ii) In addition to this, six milestone payments may be made to the former shareholders of OMI based on set sales targets for the product. These sales targets must be achieved by the end of 2023, with the last by the end of 2026. Total potential milestone payments cannot exceed NOK 125 million, in addition to royalties. The six potential milestone payments will be triggered as follows:

a) NOK 6 million of accumulated operating revenue in excess of NOK 50 million;
b) Plus, NOK 6 million of accumulated operating revenue in excess of NOK 75 million;
c) Plus, NOK 6 million of accumulated operating revenue in excess of NOK 100 million;
d) Plus, NOK 13 million of accumulated operating revenue in excess of NOK 300 million;
e) Plus, NOK 34 million of accumulated operating revenue in excess of NOK 600 million;
f) Plus, NOK 60 million of accumulated operating revenue in excess of NOK 900 million.

In 2018, changes in the fair value of the future liability were recognised through profit or loss, which included calculated interest associated with the Contingent Consideration. Expected payments to former owners were adjusted downwards, which reduced the total liability by NOK 14.0 million. The change was primarily a result of the probability of milestone payments and royalties in the SPA having changed.

The Contingent Consideration was transferred to the Company as part of the Demerger. The consent to the transfer is conditional upon the parties to the SPA agreeing to an amendment agreement for the SPA regarding Navamedic's obligations to the sellers of OMI pursuant to the SPA within three months following the first date of Listing. If no such agreement is reached, Navamedic shall remain liable towards the sellers, together with the Company, while the Company pursuant to the Demerger Plan shall indemnity Navamedic against any costs Navamedic incurs in connection with the Contingent Consideration.

9.11.3 Restrictions on use of capital

There are currently no restrictions on the use of the Group's capital resources that have materially affected or could materially affect, directly or indirectly, the Group's operations. The Group does not have any debt covenants, and is therefore not in breach, and does not expect to be in breach, of any such covenants. The Group does not believe that there are significant obstacles or barriers to transfers of funds to it from its subsidiaries.

9.12 Financial risk management

The Group's operations expose it to various types of financial risk such as market risk (including currency risk, interest risk, and price risk), credit risk, liquidity and going concern risk.

Management of currency risk

The Group has at the Prospectus date not adopted specific currency hedging strategies in relation to its operations.

Management of liquidity and going concern risk

With weaker or delayed revenue growth than planned during the 12 months' period from the Listing date, the Company can continuously adjust the variable costs to avoid further financing needs. Management performs on a regular basis cash flow projections to evaluate whether it will be in a position to cover the liquidity needs for the 12 months' period and to comply with terms of existing and future financing agreements. In developing estimates of future cash flows, the management makes assumptions about revenue and revenue growth, cost of materials, payroll and operating expenses, capital expenditure, loan repayments and interest charges. The assumptions applied are based on historical experience and future expectations.

Until the Group generates sufficient cash flow from operations, the Group will depend on longer term financing in form of debt and/or equity issuance. Such financing may not be available to the Group, or available at acceptable terms and conditions, when needed.

Interest rate risk management

The Group has effectively hedged the main part of its variable interest rate risk by entering into a fixed interest rate under the Loan Agreement.

Management of capital

The Group has so far not had any expressed goals or requirements in relation to management of capital. Focus in the short term will be to ensure continued operations to further develop and commercialize Sippi®. In the longer term, goals will include securing returns for its shareholders, and to maintain an optimal capital structure in order to reduce capital expenses. At the date of this Prospectus, the Group has not had any debt with financial covenant restrictions.

9.13 Significant changes

Other than the completion of the Demerger (see Section 7.2.2 "The Demerger establishing the Group" for more information), the Debt Conversion (see Section 12.3.2 "The Debt Conversion" for more information), the entering into of the Loan Agreement and disbursements made thereunder (see Section 9.11.1 "Loan Agreement" for more information), the launch of Sippi®BLE 2.0 (see Section 7.6 "Market Launch" for more information) and the financial information given in Section 9.9 "Trading update", there have been no significant changes in the financial or trading position of the Group since 30 June 2019.

10 BOARD OF DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

10.1 Introduction

The general meeting of the Company is the highest decision-making authority of the Company. All shareholders of the Company are entitled to attend and vote at general meetings of the Company and to table draft resolutions for items to be included on the agenda for a general meeting.

The overall management of the Company is vested with the Board of Directors and the Management. In accordance with Norwegian law, the Board of Directors is responsible for, among other things, supervising the general and day-to-day management of the Company's business ensuring proper organization, preparing plans and budgets for its activities ensuring that the Company's activities, accounts and assets management are subject to adequate controls and undertaking investigations necessary to perform its duties.

The Board of Directors have appointed an audit committee and a nomination committee in accordance with the Corporate Governance Code (as defined below). See Sections 10.5 "Audit committee" and 10.6 "Nomination committee" below for more information on these committees.

The Management is responsible for the day-to-day management of the Company's operations in accordance with Norwegian law and instructions set out by the Board of Directors. Among other responsibilities, the Company's chief executive officer (the "CEO"), is responsible for keeping the Company's accounts in accordance with existing Norwegian legislation and regulations and for managing the Company's assets in a responsible manner. In addition, the CEO must according to Norwegian law, brief the Board of Directors about the Company's activities, financial position and operating results at a minimum of one time per month.

10.2 The Board of Directors

10.2.1 Overview

The Articles of Association provide that the Board of Directors shall consist of between three and seven board members, as elected by the Company's shareholders. The current Board of Directors consist of four Board Members, as listed in the table below.

All Board members are independent of the Company's executive management and no members of the Company's executive management serves on the Board of Directors. Except for Terje Bakken and Kathrine Gamborg Andreassen who are not considered independent from the Company's larger shareholders and material business associates, all Board Members are independent of the Company's larger shareholders (shareholders holding more than 10% of the Shares) and material business associates.

10.2.2 The Board of Directors

The Company's registered business address, Henrik Ibsens gate 90, 0255 Oslo, Norway, serves as business address for the members of the Board of Directors in relation to their directorship in the Company. The names and positions and current term of office of the Board Members, in addition to their number of Shares and options held in the Company, as at the date of this Prospectus are set out in the table below.

Name	Position	Served since	Term expires	Shares	Options
Terje Bakken[1]	Chairperson	13 June 2019	AGM 2021	-	-
Kathrine Gamborg Andreassen[2]	Director	13 June 2019	AGM 2021	416,668[3]	250,000[3]
Kristin Nyberg	Director	13 June 2019	AGM 2021	-	-
Thomas Grünfeld	Director	1 October 2019	AGM 2021	-	-

1: Bakken represents the large shareholders, Ingerø Reiten Investment Company AS and Navamedic ASA, at the Board of Directors.

2: Gamborg Andreassen represents the large shareholder and material business contact, Navamedic ASA, at the Board of Directors.

3: The Shares owned by Gamborg Andreassen are owned through her privately held company, Soleglad Invest AS. Additionally, Gamborg Andreassen holds 250,000 options (125,000 Series A options and 125,000 Series B options).

10.2.3 Brief biographies of the Board Members

Set out below are brief biographies of the Board Members. The biographies include each Board Member's relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a Board Member is or has been a member of the

administrative management or supervisory bodies or partner in the previous five years (not including directorships and executive management positions in subsidiaries of the Company).

Terje Bakken, Chair

Terje Bakken, born in 1966, is a partner with the investment company Reiten & Co AS and has been chairman of the board of the Company since its incorporation. Mr. Bakken has been with Reiten & Co AS since 1998. Mr. Bakken has extensive experience as a board member in public listed and private companies, including Navamedic ASA, Webstep ASA, Questback Holding AS and Grilstad Holding AS. Mr. Bakken holds a Master of Science in Financial Economics and Bachelor of Business and Administration degrees from the Norwegian School of Management. Bakken is a Norwegian citizen and resides in Oslo, Norway.

Current directorships and senior management positions	*Reiten & Co AS (board member), Navamedic ASA (chairman), Questback Holding AS (chairman) and Questback AS (chairman).*
Previous directorships and senior management positions last five years	*Blueway AS (board member), Webstep ASA, Grilstad Holding AS (board member) and Grilstad AS (board member).*

Kathrine Gamborg Andreassen, Board Member

Kathrine Gamborg Andreassen, born in 1966, has been CEO of Navamedic ASA since December 2018. Gamborg Andreassen is a seasoned and experienced executive who has held various management positions in Consumer Health and Fast-moving Consumer goods companies. Previously she held the position as CEO of the public listed company Weifa ASA, until the company was acquired by Karo Pharma AB in November 2017, and prior to that she was VP Consumer Health at Weifa AS. She has several years of experience as a consultant in strategy and marketing research. Gamborg Andreassen is also co-owner and chair of the board of directors of Novicus Pharma AS. Gamborg Andreassen studied Business Administration (BBA) at Handelsakademiet/ Oslo Business School and holds a MSc in Business Strategy & Marketing from the University of Wisconsin, Madison. Gamborg Andreassen is a Norwegian citizen and resides in Drøbak, Norway.

Current directorships and senior management positions	*Navamedic ASA (CEO), and Soleglad Invest AS (chairman).*
Previous directorships and senior management positions last five years	*Weifa ASA (CEO) and Weifa AS (VP Consumer Health), Novicus Pharma AS (chair), Vistin Pharma ASA (board member)*

Kristin Nyberg, Board Member

Kristin Nyberg, born in 1966, recently comes from the position as Country Director of Biogen Norway AS, a position she held for 12 years. Nyberg is an experienced pharma industry leader. She has held various roles in small, medium sized and big pharma companies for 26 years, such as sales representative in Leo Pharmaceutical AS, sales representative in MSD (Norge) AS, product manager in Roche Norge AS, AbbVie and product manager in Photocure ASA. She holds a MSc degree in Molecular Cell Biology from the University of Oslo and several internal leadership programs from the Pharma Industry at INSEAD, IESE and Henley. Nyberg is a Norwegian citizen and resides in Fjellhamar, Norway.

Current directorships and senior management positions	*n/a*
Previous directorships and senior management positions last five years	*Biogen Norway AS (Country Director)*

Thomas Grünfeld, Board Member

Thomas Grünfeld, born 1964, recently comes from the position as CEO of Labrida AS, a dental medical device company with international sales a position he held since 2012. He has also managed major public projects implementing personalized medicine in Norway, and is at the Board of Faculty of health sciences, Oslo Metropolitan University. Grünfeld has wide experience in business development, technology and finance from the health care sector. He has served as engagement manager at McKinsey & Co, CEO of Interagon AS (a spin-off from FAST Search and Transfer), CEO of Sarsia Life Science management (A life Science VC fund), Investment manager at Kistefos AS, and various board positions in

health care and consulting companies. By education, Grünfeld is a medical doctor (OBgy and surgery), and holds a master in health economics and administration. Grünfeld is a Norwegian citizen.

Current directorships and senior management positions	*Faculty of health sciences, Oslo Metropolian University (board member), Labrida AS (Head of finance and supply chain management), Grynt Holding AS (chairman) and NIM Supplement AS (board member)*
Previous directorships and senior management positions last five years	*Labrida AS (CEO)*

10.3 Management

10.3.1 Overview of Management

The Group's Management consists of two individuals (excluding the new CEO). The names of the members of Management and their respective positions, in addition to their holding of Shares and options in the Company, are presented in the table below. The Company's registered business address, Henrik Ibsens gate 90, Oslo, Norway, serves as business address for all members of Management in relation to their positions with the Company.

Name	Position	Held position since	Shares	Options
Ole Henrik Eriksen[1,5]	Interim Chief Executive Officer	13 June 2019	416,666	75,000[3]
Toril Ås[2]	Chief Financial Officer	13 June 2019	20,000	22,500[4]
Björn Larsson	Chief Executive Officer	N/A[5]	-	120,000

1: Ole Henrik Eriksen is also COO of Navamedic and is hired-in by the Company through the TSA.
2: Toril Ås is also the CFO of Navamedic and is hired-in by the Company through the TSA.
3: Series B options
4: Options issued under Navamedic's other employee share option programs.
5: On 24 October 2019, the Company announced that it had employed a new CEO, Björn Larsson, who will assume his position in medio December 2019. Ole Henrik Eriksen will step down from his position as Interim CEO from the date the new CEO has its first day with the Company, and following that date Ole Henrik Eriksen will no longer have any position with the Group.

10.3.2 Brief biographies of the members of Management

Set out below are brief biographies of the members of Management. The biographies include the members of Management's relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a member of Management is or has been a member of the administrative, management or supervisory bodies or partner the previous five years (not including directorships and executive management positions in subsidiaries of the Company).

Ole Henrik Eriksen, Interim Chief Executive Officer

Ole Henrik Eriksen has extensive experience from the pharma, biotech, diagnostics and medtech industries. Previous experience includes VP CMC in Nycomed Imaging, VP Business Development in Medinnova, CEO and COO in Clavis Pharma ASA, COO and responsible for Business Development in Weifa ASA and chairman of the board in Genetic Analysis AS. He was also one of the three founders of Novicus Pharma AS, as acquired by Navamedic ASA. Mr. Eriksen holds a B.Sc. in Organic Chemistry from the Norwegian University of Sciences and Technology in Trondheim. Eriksen resides in Oslo, Norway.

Current directorships and senior management positions	*COO of Navamedic ASA.*
Previous directorships and senior management positions last five years	*COO in Weifa AS, COO in Novicus Pharma AS and chairman of the board in Genetic Analysis AS.*

Toril Ås, Chief Financial Officer

Toril Marie Ås has more than 20 years' experience of leading finance functions in ICT, media and services industry organizations. Prior to joining Navamedic as the CFO in 2016, she held the position as CFO for Telenor Media Invest, Finance Director for the Telenor division "Corporate Functions and Group Activities" and she has been serving at several

boards such as Amedia, RiksTV, Norges Television, Tv2 Zebra and HMS Norge. Toril holds a MSc in Business from Bodø Graduate School of Business and a MSc in Management from London Business School. Ås resides in Oslo, Norway.

Current directorships and senior management positions	*CFO of Navamedic ASA.*
Previous directorships and senior management positions last five years	*CEO and chairman in Property and Consulting AS, CFO for Telenor Media Invest (a division of Telenor ASA).*

Björn Larsson, Chief Executive Officer

Björn Larson is an experienced marketing and business development professional, who has held various senior positions within medical technology (Dentsply (previously Astra Tech), Medtronic, Mentice), pharmaceuticals (AstraZeneca, Novo Nordisk) and biotechnology. He has comprehensive experience from commercialization of life science start-ups, in both operational roles and in board positions. Prior to joining the Company, Björn Larsson holds the position as Director, Corporate Communications at ABIGO Medical, a Swedish pharmaceutical and medtech company. He is also Chairman of the Board at Alzinova, a Swedish biotech company listed on Nasdaq First North, Sweden, developing a vaccine for the treatment of Alzheimer's disease. Björn Larsson holds an MSc in Engineering from Chalmers University of Technology, Gothenburg, Sweden. Larsson resides in Västra Frölunda, Sweden.

Current directorships and senior management positions	*Director, Corporate Communications at ABIGO Medical AB, chairman of the board in ALZINOVA AB and deputy chairman of IML (a trade organisation for Swedish SMEs within life science)*
Previous directorships and senior management positions last five years	*N/A*

10.4 Remuneration and benefits

10.4.1 Remuneration of the Board of Directors

At the extraordinary general meeting of the Company held on 1 October 2019, the following remuneration was resolved to the members of the Board of Directors: The chairperson of the board of directors shall receive NOK 250,000 and all other board members shall receive NOK 175,000.

10.4.2 Remuneration of Management

As the Company was incorporated in June 2019 and has not had any operations until the completion of the Demerger, the Company has not paid any remuneration to the members of the Management. The costs of the current members of Management are covered through the TSA.

10.4.3 Benefits upon termination

No employee, including any member of Management, has entered into employment agreements which provide for any special benefits upon termination. None of the Board Members or the members of the nomination committee has a service contract and none will be entitled to any benefits upon termination of office.

10.4.4 Loans and guarantees

The Company has not granted any loans, guarantees or made any other similar commitments to any of its Board Members or members of Management.

10.4.5 Pension and retirement benefits

As the Company was incorporated in June 2019, neither the Company nor any of its subsidiaries has paid any pension or retirement benefits to the members of the Management or the Board Members.

10.5 Audit committee

The Board of Directors has established an audit committee comprising Thomas Grünfeld (chair), Kathrine Gamborg Andreassen and Terje Bakken. All three members have relevant qualifications within accounting/auditing and Thomas Grünfeld is independent of the Company.

The primary purpose of the audit committee is to act as a preparatory and advisory committee for the Board of Directors in monitoring the Group's internal control of the risk management and financial reporting. This includes but is not limited to:

- all critical accounting policies and practices;
- quality, integrity and control of the Group's financial statements and reports;
- compliance with legal and regulatory requirements;
- qualifications and independence of the external auditors; and
- performance of the internal audit function and external auditors.

The audit committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

10.6 Nomination committee

The Articles of Association provide for a nomination committee composed of two or three members. The current members of the nomination committee are Bernt Olav Røttingsnes (chair) and Grete Hogstad.

The nomination committee is responsible for nominating candidates for the election of shareholder-elected members and chairperson to the Board of Directors and for nominating members to the nomination committee, as well as making recommendations for remuneration of these.

10.7 Corporate governance

The Company has adopted and implemented a corporate governance regime which in all material respects complies with the Norwegian Code of Practice for Corporate Governance last updated 17 October 2018 (the "Corporate Governance Code"). The Company complies in all material respects with the Corporate Governance Code, except for that:

(i) the composition of the Board of Directors does not comply with the requirement set out in section 8 of the Corporate Governance Code of having a majority of its members independent of the Company's material business associates, as the Board Members Terje Bakken and Kathrine Gamborg Andreassen are not considered independent of Navamedic (who is considered a material business associate of the Company because of the Loan Agreement and the TSA). The reason for the deviation was that the Loan Agreement and the TSA was entered after the Board Members were elected;

(ii) the authorisations given by the Company's general meeting to the Board of Directors to increase the share capital of the Company (see Section 12.7 "Authorization to increase the share capital and to issue Shares" for more information) and to acquire treasury shares (see Section 12.6 "Authorizations to acquire treasury shares" for more information) have been given for a period until the annual general meeting in 2021, which is not the next annual general meeting of the Company which is recommended in the Corporate Governance Code section 3. The reason for the deviation is because the authorisations were given at a time considered close to the next annual general meeting of the Company; and

(iii) the Board of Directors has not established a remuneration committee at the date of the Prospectus as recommended in the Corporate Governance Code section 9, as the Management at the date hereof are hired-in personnel from Navamedic pursuant to the TSA.

Neither the Board of Directors nor the general meeting have adopted any resolutions which are deemed to have a material impact on the Group's corporate governance regime.

10.8 Conflict of interests etc.

No Board Member or member of Management has, or had, as applicable, during the last five years preceding the date of the Prospectus:

- any convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or was disqualified by a court from acting as a member of the administrative,

management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or

- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his or her capacity as a founder, member of the administrative body or supervisory body, director or senior manager of a company.

There are currently no other actual or potential conflicts of interest between the Company and the private interests or other duties of any of the members of the Management and the Board of Directors, including any family relationships between such persons.

11 RELATED PARTY TRANSACTIONS

11.1.1 Introduction

This Section provides information about certain transactions which the Company is a party to with its related parties for the periods covered by the Financial Information and up until the date of this Prospectus. For the purpose of the following disclosures of related party transactions, "related party transactions" are those transactions that are set out as such in accordance with the Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

Transactions and shared costs have historically been charged from the Navamedic group to the Group, and consequently recognised in the Financial Information. Navamedic AB has also provided group contributions to the Group, to utilize parts of the tax losses carried forward in the Group.

In addition to the Navamedic group, the Group's related parties are members of Management and the Board of Directors, and their close associates in accordance with the Norwegian Public Limited Companies Act Section 1-5. The Group has not had any transactions with such persons for the period covered by the Financial Information. The companies within the Group (which prior to the Demerger was owned by Navamedic) are also considered related parties, but transaction and balances are eliminated in the Financial Information, and are not disclosed in this Section.

11.1.2 Transactions and balances with the Navamedic group

Transactions and balances within the Group are eliminated in the Carve-out Annual Financial Statements and the Carve-out Interim Financial Statements and are not disclosed therein. The Group had the following transactions and balances with the Navamedic group in the period covered by the Financial Information:

Amounts in NOK	Six months ended 30 June		Year ended 31 December		
	2019	2018	2018	2017	2016
Revenues	-	-	-	-	-
Expenses	1,290,482	487,971	934,903	1,047,462	653,000
Finance income	0	-	96,132	240,981	13,298
Finance expenses	257,986	-	416,080	314,554	543,830
Group contributions received		5,614,400	5,614,400	12,991,688	-
Receivables	-	-	-	1,715,735	5,501,375
Liabilities	31,656,581	26,915,651	26,792,013	23,661,092	28,426,536

By completing the Debt Conversion (see Section 12.3.2 "The Debt Conversion") and by entering into the Loan Agreement (see Section 9.11.1 "Loan Agreement"), the Group has refinanced its liabilities towards the Navamedic group.

11.1.3 The Transitional Services Agreement

The Company entered into a transitional services agreement with Navamedic on 1 October 2019 (the "TSA"), becoming effective on the completion date of the Demerger. The TSA provides for certain services being provided by Navamedic to the Company in a transitional period ending on 31 December 2020 on which date the services provided under the TSA shall automatically terminate. The Company has the right, at its sole discretion, to terminate any of the services delivered pursuant to the TSA, by giving one months' prior written notice to Navamedic.

The following services are to be provided by Navamedic group to the Company under the TSA:

Shared finance and administration functions

The Company shall pay NOK 1,500 per hour for the CEO of Navamedic, NOK 1,050 per hour for any executive/senior level employee of Navamedic and NOK 750 per hour for any administration and accountant services to be provided by Navamedic. All amounts are stated exclusive VAT. Other shared costs will be invoiced with a cost plus of 5%.

Lease of shared offices in Gothenburg

The Company shall pay SEK 30,000 to Navamedic AB per quarter for the lease of shared offices in Gothenburg. The lease agreement expires on 31 March 2020.

Other shared costs

The Navamedic group shall provide the Group with other shared costs such as IT-systems and phones etc. The price for such services shall be the actual costs incurred plus a mark-up of 5%.

12 CORPORATE INFORMATION AND DESCRIPTION OF THE SHARE CAPITAL

The following is a summary of certain corporate information and material information relating to the Shares and share capital of the Company and certain other shareholder matters, including summaries of certain provisions of the Articles of Association and applicable Norwegian law in effect as of the date of this Prospectus. The summary does not purport to be complete and is qualified in its entirety by the Articles of Association, included in Appendix A to this Prospectus, and applicable law.

12.1 Company corporate information

The Company's legal and commercial name is Observe Medical ASA. The Company is a public limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Public Limited Companies Act. The Company was incorporated by Navamedic ASA on 13 June 2019 and has its registered office at Henrik Ibsens gate 90, Oslo, Norway. The Company's registration number in the Norwegian Register of Business Enterprises is 822 907 822 and its LEI code is 9845005F38B74FFJ1B65.

The Company's Shares are registered in book-entry form with the VPS under ISIN NO 0010865009. The Company's register of shareholders in the VPS is administrated by DNB Bank ASA with address at Dronning Eufemiasgate 30, 0191 Oslo, Norway (the "VPS Registrar").

The Company's main telephone number is +47 67 11 25 40. The Group's website can be found at www.observemedical.com. The information on the website is not incorporated by reference to this Prospectus, nor does it in any other manner constitute a part of this Prospectus.

12.2 Legal structure

The Company is the parent of the Group, owning 100% of the shares in its subsidiary OMI, which is the owner of 100% of the shares in Observe Medical ApS which is the owner of 100% of the shares in Navamedic MedTech AB.

Company	Domicile	Activity	Shareholder	Ownership interest
Observe Medical International AB	Sweden	Operating company	Observe Medical ASA	100%
Observe Medical ApS	Denmark	Operating company	Observe Medical International AB	100%
Navamedic MedTech AB	Sweden	Operating company	Observe Medical Aps	100%

As at the date of this Prospectus, the Company is of the opinion that its holdings in all of its direct and indirect subsidiaries, as listed in the table above, are likely to have a significant effect on the assessment of the Company's own assets and liabilities, financial condition and profit or loss.

12.3 Share capital and share capital history

As at the date of this Prospectus, the Company's share capital is NOK 3,917,594.98 divided into 15,067,673 Shares, each with a par value of NOK 0.26. All the Shares have been created under the Norwegian Public Limited Companies Act, and are validly issued and fully paid up.

The Company has one class of shares. Neither the Company nor any of its direct or indirect subsidiaries own Shares in the Company.

The table below shows the development in the Company's share capital from its incorporation in June 2019 and up to the date of the Prospectus:

Date of registration	Type of change	Change in share capital (NOK)	New share capital (NOK)	Nominal value (NOK)	New number of total issued Shares	Subscription price per share (NOK)
17 June 2019	Incorporation	1,000,000	1,000,000.00	1.00	1,000,000	1.00
31 October 2019	Redemption of Shares	(1,000,000)	0.00	1.00	0	-
31 October 2019	Demerger	3,085,594.98	3,085,594.98	0.26	11,867,673	3.864549
1 November 2019	Debt Conversion	832,000	3,917,594.98	0.26	15,067,673	5.00

Other than the share capital increase of NOK 3,085,594.98 and the related issuance of 11,867,673 demerger consideration shares completed in connection with the Demerger (see Section 7.2.2 "The Demerger establishing the

Group" for more information) and the Debt Conversion (see Section 12.3.2 "The Debt Conversion" below for more information), no share capital increases in the Company have been paid for with assets other than cash.

Other than the share options described below and the Conversion Right for Navamedic included in the Loan Agreement as approved by the extraordinary general meeting of the Company (see Section 9.11.1 "Loan Agreement" for more information), there are no share options or other right to subscribe for or acquire Shares in the Company.

12.3.1 Share options

Upon completion of the Demerger, the 467,500 share options issued under Navamedic's long-term incentive program (400,000 options) and other employee share option programs (67,500 options) were "mirrored" and split so that these options were transferred to the Company, resulting in the Company having 467,500 share options issued upon completion of the Demerger. The terms and conditions applicable to the options in Navamedic also apply for the Company, however so that the exercise price for the options issued in the Company have been amended as set out below.

The exercise price for the options reflect the exchange ratio in the Demerger, so that the exercise price of the options in the Company is 26% of the initial exercise price of the options in Navamedic. Each option gives the holder the right to subscribe for one Share.

The Company's extraordinary general meeting approved the issuance of the options in a meeting held 1 October 2019 and resolved to give the Board of Directors an authorisation to issue shares upon exercise of the options. See Section 12.7 "Authorization to increase the share capital and to issue Shares" for more information about the authorisation given.

The table and text below sets out key information about the options the Company has in issue at the time of Listing:

Number of options	Exercise price	Vested / Vesting date	Expiry date
67,500	NOK 2.444	6 June 2020	6 June 2021
275,000 (Series A)[1]	NOK 3.12	Yes	24 January 2020
125,000 (Series B)[2]	NOK 3.12	Yes	31 March 2020

1: Shares issued upon exercise of the Series A options are subject to a 12 month's lock-up period.
2: Shares issued upon exercise of the Series B options are subject to a 24 month's lock-up period.

In addition to the options listed in the table above, the Company's new CEO has been granted 120,000 options in the Company as part of his compensation package which will be made available to him on the date he assumes his position. Half (60,000) of the options to be issued to the new CEO are Series A options that will vest with 1/3 every 12 months after the day of grant and shares issued upon exercise will be subject to a lock-up period of 12 months after exercise. The other 60,000 options are Series B options which vest on the day of grant and the shares issued upon exercise will be subject to a lock-up period of 24 months after exercise. The options are granted without consideration and each option give the right to acquire one share in the Company. At the date of this Prospectus, no further terms and conditions relating to these options have been finalised.

12.3.2 The Debt Conversion

On 1 October 2019, the Company's extraordinary general meeting resolved the issuance of 3,200,000 shares to Navamedic (the "Debt Conversion"). The share contribution was settled by Navamedic setting-off a loan it had to the Company in the amount of NOK 16,000,000 as contribution in kind. The subscription price was NOK 5.00 per share. The completion of the Debt Conversion was conditional upon the Demerger being completed. Following the Debt Conversion Navamedic owns approximately 21% of the Shares in the Company.

12.4 Admission to trading

The Company applied for the Shares to be admitted for trading and listing on Oslo Axess on 2 October 2019, and the board of directors of Oslo Børs approved the Company's listing application on 30 October 2019. Trading in the Shares on Oslo Axess is expected to commence on or about 4 November 2019. The Company has not applied for admission to trading of the Shares on any other stock exchange or regulated market and the Shares have not previously been subject to public trading.

12.5 Major shareholders

Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. See Section 13.8 "Disclosure obligations" for a description of the disclosure obligations under the Norwegian Securities Trading Act. Pursuant to Navamedic's shareholders' register as at 25 October 2019 and taking into account the dilutive effect of the Debt Conversion, , no shareholders other than Navamedic (21.24%), Ingerø Reiten Investment Company AS (19.36%), Topridge Pharma (9.41%) and Ro, Lars (8.76%) hold more than 5% of the Company's Shares.

There are no differences in voting rights between the shareholders.

To the extent known to the Company, there are no persons or entities that, directly or indirectly, jointly or severally, exercise or could exercise control over the Company. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

The Articles of Association do not contain any provisions that would have the effect of delaying, deferring or preventing a change of control of the Company. The Shares have not been subject to any public takeover bids during the current or last financial year.

12.6 Authorizations to acquire treasury shares

The Company's extraordinary general meeting held on 1 October 2019, granted the Board of Directors with an authorisation to purchase treasury shares for a maximum aggregate nominal value of NOK 391,750. The highest amount that can be paid per share is NOK 100 and the lowest amount that can be paid per shares is NOK 0.26. The authorisation to acquire treasury shares may be used, *inter alia*, as an instrument to optimize the Company's capital structure or as full or partial consideration in connection with acquisitions. The authorisation is valid until the Company's annual general meeting in 2021, but no longer than to and including 30 June 2021.

12.7 Authorization to increase the share capital and to issue Shares

At the Company's extraordinary general meeting held on 24 October 2019, the Board of Directors was granted an authorisation to increase the share capital of the Company with up to NOK 200,000 in order to enable the Company to settle the options which were issued in connection with the completion of the Demerger and other options to be issued under the Company's long-term incentive program or otherwise. The authorisation may not be used in connection with share capital increases with share contributions in other assets than cash nor with share capital increases in connection with mergers. The authorisation is valid until the Company's annual general meeting in 2021, but no longer than to and including 30 June 2021.

At the Company's extraordinary general meeting held on 1 October 2019, the Board of Directors was granted an authorisation to increase the Company's share capital with up to NOK 391,750 in order to give the Board of Directors financial flexibility in connection with financing further growth of the Group. The authorisation may be used in connection with share capital increases with share contributions in other assets than cash and in connection with mergers. The authorisation is valid until the Company's annual general meeting in 2021, but no longer than to and including 30 June 2021.

The preferential rights of existing shareholders to subscribe for new Shares pursuant to section 10-4 of the Norwegian Public Limited Companies Act may be deviated from with respect to the existing authorisations mentioned above.

12.8 Other financial instruments

Except for the share options described in Section 12.3.1 "Share options" and the Conversion Right included in the Loan Agreement as described in Section 9.11.1 "Loan Agreement", neither the Company nor any of its subsidiaries have issued any options, warrants, convertible loans, subordinated debt or other instruments or transferrable securities that would entitle a holder of any such instrument to subscribe for shares in the Company or its subsidiaries.

12.9 Shareholder rights

The Company has one class of shares in issue, and in accordance with the Norwegian Public Limited Companies Act, all shares in that class provide equal rights in the Company. Each of the Shares carries one vote. The rights attaching to the Shares at Listing are described in Section 12.10 "The Articles of Association" and Section 12.11 "Certain aspects of Norwegian corporate law".

12.10 The Articles of Association

The Company's Articles of Association are set out in Appendix A to this Prospectus. Below is a summary of provisions of the Articles of Association as of 1 October 2019 valid at the date of this Prospectus.

12.10.1 Objective of the Company

Pursuant to section 3 of the Articles of Association, the objective of the Company is to develop, produce, market and sell medical technical equipment and related products, provide connected consulting services and invest in related business.

12.10.2 Registered office

Pursuant to section 2 of the Articles of Association, the Company's registered office is in the municipality of Oslo, Norway.

12.10.3 Share capital and par value

Pursuant to article 4 of the Articles of Association, the Company's share capital is NOK 3,917,594.98 divided into 15,067,673 Shares, each Share, each with a par value of NOK 0.26.

12.10.4 Board of Directors

Pursuant to article 5 of the Articles of Association, the Board of Directors shall consist of between three and seven members. The board of directors is elected for a term of two years, unless otherwise decided by the general meeting in connection with the election.

12.10.5 Signature rights

Pursuant to article 6 of the Articles of Association, the chairperson of the Board together with one board member jointly have the right to sign for and on behalf of the Company.

12.10.6 Restrictions on transfer of Shares

The Articles of Association do not provide for any restrictions on the transfer of Shares, or a right of first refusal upon transfer of the Shares, nor does any such restrictions follow by applicable Norwegian law. Share transfers are not subject to approval by the Board of Directors.

12.10.7 General meetings

Documents concerning matters to be considered by the Company's general meeting, including documents which by law shall be included in or attached to the notice of the general meeting, do not need to be sent to the shareholders if such documents have been made available on the Company's website. A shareholder may nevertheless request that documents which relate to matters to be considered by the general meeting are sent to him/her.

The annual general meeting shall consider the following matters:

- Approval of the annual accounts and the annual report.
- The proposal of the board regarding dividends or other distributions.
- Other matters, which pursuant to law or the Articles of Association shall be considered by the general meeting.

Shareholders may give cast their votes in writing, including through electronic communication, in a period prior to the general meeting. The Board of Directors may establish guidelines for such advance voting. It must be stated in the notice of the general meeting which guidelines have been set out.

The Board of Directors may resolve that shareholders who wants to participate at the general meeting have to notify to the Company about this by a deadline which shall not be less than three days prior to the general meeting.

12.11 Certain aspects of Norwegian corporate law

General meetings

Through the general meeting of shareholders, shareholders exercise supreme authority in a Norwegian public limited liability company. In accordance with Norwegian law, the annual general meeting of shareholders is required to be held each year on or prior to 30 June. Norwegian law requires that written notice of annual general meetings, which sets

forth the date and time of, the venue for and the agenda of the general meeting, is sent to all shareholders with a known address no later than 21 days before the annual general meeting of a Norwegian public limited liability company listed on a stock exchange or a regulated market shall be held, unless the articles of association stipulate a longer deadline. The Articles of Association do not stipulate a deadline longer than 21 days.

A shareholder may vote at the general meeting either in person or by proxy appointed at its own discretion. Pursuant to the Norwegian Securities Trading Act, a proxy voting form shall be appended to the notice of the general meeting of shareholders in a Norwegian public limited liability company listed on a stock exchange or a regulated market unless such form has been made available to the shareholders on the company's website and the notice calling the meeting includes all information the shareholders need to access the proxy voting forms, including the relevant internet address.

Under Norwegian law a shareholder may only exercise rights that pertain to shareholders, including participate in a general meeting of shareholders, when it has been registered as a shareholder in the register of shareholders maintained with the VPS. Unless the articles of association explicitly states that the right to attend and vote at a general meeting of shareholders may only be exercised by a shareholder if it has been entered into the register of shareholders five working days prior to the general meeting, all shareholders who are registered as such on the date of the general meeting have the right to attend and exercise its voting rights at that meeting. The Articles of Association do not stipulate a record date for attendance and voting rights at a general meeting, meaning that and the record date for Shareholders to participate at a general meeting is therefore the date of the relevant general meeting.

Apart from the annual general meeting of shareholders, extraordinary general meetings of shareholders may be held if the board of directors considers it necessary. An extraordinary general meeting of shareholders must also be convened if, in order to discuss a specified matter, the auditor or shareholders representing at least 5% of the share capital demands this in writing. The requirements for notice and admission to participate in the annual general meeting also apply to extraordinary general meetings. However, the annual general meeting of shareholders of a Norwegian public limited liability company may with a majority of at least two-thirds of the aggregate number of votes cast, as well as at least two-thirds of the share capital represented at the general meeting resolve that extraordinary general meetings may be convened with a 14 days' notice period until the next annual general meeting provided that the company has procedures in place allowing shareholders to vote electronically. This has currently not been resolved by the Company's general meeting of shareholders.

Voting rights – amendments to the articles of association

Each of the Company's Shares carries one vote. In general, decisions that shareholders of a Norwegian public limited liability company are entitled to make under Norwegian law or the articles of association may be made by a simple majority of the votes cast. In the case of elections or appointments, the person(s) who receive(s) the greatest number of votes cast are elected. However, as required under Norwegian law, certain decisions, including resolutions to waive preferential rights to subscribe for shares in connection with any share issue in the company, to approve a merger or demerger of the company, to amend the articles of association, to authorize an increase or reduction in the share capital, to authorize an issuance of convertible loans or warrants by the company or to authorize the board of directors to purchase shares and hold them as treasury shares or to dissolve the company, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting. Norwegian law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval by the holders of such shares or class of shares as well as the majority required for amending the articles of association.

Decisions that (i) would reduce the rights of some or all of the company's shareholders in respect of dividend payments or other rights to assets or (ii) restrict the transferability of the shares, require that at least 90% of the share capital represented at the general meeting in question vote in favour of the resolution, as well as the majority required for amending the articles of association.

Only a shareholder registered as such in the VPS is entitled to vote for shares of a Norwegian public limited liability company listed on a stock exchange or regulated market. Beneficial owners of the shares who are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor is any person who is designated in the VPS register as the holder of such shares as a nominee. A nominee may not meet or vote for shares registered on a nominee account ("NOM-account"). A shareholder holding shares through a NOM-account must, in order to be eligible to register, meet and vote for such shares at the general meeting, transfer the shares from such NOM-account to an account in the shareholder's name.

There are no quorum requirements that apply to the general meeting of a Norwegian public limited liability company.

Additional issuances, preferential rights and dilution

If the Company issues any new shares, including bonus share issues, the Articles of Association must be amended, which requires the same vote as other amendments to the Articles of Association. In addition, under Norwegian law, the shareholders have a preferential right to subscribe for new shares issued by the Company. Preferential rights may be derogated from by resolution in a general meeting passed by the same vote required to amend the Articles of Association. A derogation of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding Shares. Existing shareholders who do not participate in an issuance of new Shares, including bonus shares, will be diluted.

The general meeting may, by the same vote as is required for amending the Articles of Association, authorize the Board of Directors to issue new shares, and to derogate from the preferential rights of shareholders in connection with such issuances. Such authorization may be effective for a maximum of two years, and the nominal value of the Shares to be issued may not exceed 50% of the registered nominal share capital when the authorization is registered with the Norwegian Register of Business Enterprises.

Under Norwegian law, the Company may increase its share capital by a bonus share issue, subject to approval by the shareholders, by transfer from the Company's distributable equity and thus the share capital increase does not require any payment of a subscription price by the shareholders. Any bonus issues may be carried out either by issuing new shares to the Company's existing shareholders or by increasing the nominal value of the Company's outstanding Shares.

Issuance of new shares to shareholders who are citizens or residents of the United States upon the exercise of preferential rights may require the Company to file a registration statement in the United States under United States securities laws. Should the Company in such a situation decide not to file a registration statement, the Company's U.S. shareholders may not be able to exercise their preferential rights. If a U.S. shareholder is ineligible to participate in a rights offering, such shareholder would not receive the rights at all and the rights would be sold on the shareholder's behalf by the Company. Shareholders in other jurisdictions outside Norway may be similarly affected if the rights and the new Shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. The Company has not filed a registration statement under the U.S. Securities Act in connection with the Listing or sought approvals under the laws of any other jurisdiction outside Norway in respect of any pre-emptive rights or the Shares, does not intend to do so and doing so in the future may be impractical and costly. To the extent that the Company's shareholders are not able to exercise their rights to subscribe for new shares nor receive nor trade such subscription rights, the value of their subscription rights will be lost and such shareholders' proportional ownership interests in the Company may be reduced.

Minority rights

Norwegian law sets forth a number of protections for minority shareholders of the Company, including but not limited to those described in this paragraph and the description of general meeting as set out above. Any of the Company's shareholders may petition Norwegian courts to have a decision of the Board of Directors or the Company's shareholders which has been made at the general meeting declared invalid on the grounds that it unreasonably favours certain shareholders or third parties to the detriment of other shareholders or the Company itself. The Company's shareholders may also petition the courts to dissolve the Company as a result of such decisions to the extent particularly strong reasons are considered by the court to make necessary a dissolution of the Company.

Minority shareholders holding 5% or more of the Company's share capital have a right to demand in writing that the Board of Directors convene an extraordinary general meeting to discuss or resolve specific matters. In addition, any of the Company's shareholders may in writing demand that the Company place an item on the agenda for any general meeting as long as the Company is notified within seven days before the deadline for convening the general meeting. If the notice has been issued when such a written demand is presented, a renewed notice must be issued if the deadline for issuing notice of the relevant general meeting has not expired.

Rights of redemption and repurchase of Shares

The share capital of the Company may be reduced by reducing the nominal value of the Shares or by cancelling Shares. Such a decision requires the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at a general meeting. Redemption of individual Shares requires the consent of the holders of the Shares to be redeemed.

The Company may purchase its own Shares provided that the Board of Directors has been granted an authorization to do so by a general meeting with the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at the meeting. The aggregate nominal value of treasury shares acquired, and held by the Company must not exceed 10% of the Company's share capital, and treasury shares may only be acquired if the Company's distributable equity, according to the latest adopted balance sheet, exceeds the consideration to be paid for the shares. The authorization by the general meeting cannot be granted for a period exceeding two years.

Shareholder vote on certain reorganizations

A decision of the Company's shareholders to merge with another company or to demerge requires a resolution by the general meeting passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the general meeting. A merger plan or demerger plan signed by the Board of Directors along with certain other required documentation, would have to be sent to all of the Company's shareholders, or if the Articles of Association so stipulate, made available to the shareholders on the Company's website, at least one month prior to the general meeting to pass upon the matter.

Liability of the members of the Board of Directors

Members of the Board of Directors owe a fiduciary duty to the Company and its shareholders. Such fiduciary duty requires that the Board Members act in the best interests of the Company when exercising their functions and exercise a general duty of loyalty and care towards the Company. Their principal task is to safeguard the interests of the Company.

Members of the Board of Directors may each be held liable for any damage they negligently or willfully cause the Company. Norwegian law permits the general meeting of shareholders to discharge a board member from liability, but such discharge is not binding on the Company if substantially correct and complete information was not provided at the relevant general meeting passing upon the matter. If a resolution to discharge Board Members from liability or not to pursue claims against such a person has been passed by the general meeting with a smaller majority than that required to amend the Articles of Association, shareholders representing more than 10% of the share capital or, if there are more than 100 shareholders, more than 10% of the shareholders may pursue the claim on the Company's behalf and in its name. The cost of any such action is not the Company's responsibility but can be recovered from any proceeds the Company receives as a result of the action. If the decision to discharge any of the Board Members from liability or not to pursue claims against the Board Members is made by such a majority as is necessary to amend the Articles of Association, the minority shareholders of the Company cannot pursue such claim in the Company's name.

Civil proceedings against the Company in jurisdictions other than Norway

Furthermore, investors shall note that they may be unable to recover losses in civil proceedings in jurisdictions other than Norway. The Company is a public limited liability company organized under the laws of Norway. All of the Board Members and the members of the management reside in Norway. As a result, it may not be possible for investors to effect service of process in other jurisdictions upon such persons or the Company, to enforce against such persons or the Company judgments obtained in non-Norwegian courts, or to enforce judgments on such persons or the Company in other jurisdictions.

Indemnification of Board Members

Neither Norwegian law nor the Articles of Association contains any provision concerning indemnification by the Company of the Board of Directors. The Company is permitted to purchase insurance for its Board Members against certain liabilities that they may incur in their capacity as such.

Distribution of assets on liquidation

Under Norwegian law, the Company may be wound-up by a resolution of the Company's shareholders at a general meeting passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at that meeting. In the event of liquidation, the Shares rank equally in the event of a return on capital.

12.12 Shareholders agreement

To the Company's knowledge, there are no shareholders' agreements related to the Shares.

13 SECURITIES TRADING IN NORWAY

Set out below is a summary of certain aspects of securities trading in Norway. The summary is based on the rules and regulations in force in Norway as at the date of this Prospectus, which may be subject to changes occurring after such date. This summary does not purport to be a comprehensive description of securities trading in Norway. Investors who wish to clarify aspects of securities trading in Norway should consult with and rely upon their own advisors.

13.1 Introduction

Oslo Børs was established in 1819 and offers the only regulated market for securities trading in Norway. Oslo Børs ASA is 100% owned by Oslo Børs VPS Holding ASA which was acquired by Euronext on 18 June 2019. Euronext owns seven regulated markets across Europe, including Amsterdam, Brussels, Dublin, Lisbon, London, Oslo and Paris.

As of 31 December 2018, the total capitalization of companies listed on Oslo Børs amounted to approximately NOK 2,462 billion. Shareholdings of non-Norwegian investors as a percentage of total market capitalization as at 31 December 2018 amounted to approximately 38.5%.

Oslo Børs has entered into a strategic cooperation with the London Stock Exchange Group with regards to, inter alia, trading systems and product development across for equities, fixed income and derivatives markets.

13.2 Market value of the Shares

The market value of all shares on Oslo Børs, including the Shares, may fluctuate significantly, which could cause investors to lose a significant part of their investment. The market value of listed shares could fluctuate significantly in response to a number of factors beyond the respective issuer's control, including quarterly variations in operating results, adverse business developments, changes in financial estimates and investment recommendations or ratings by securities analysts, announcements by the respective issuer or its competitors of new product and service offerings, significant contracts, acquisitions or strategic relationships, publicity about the issuer, its products and services or its competitors, lawsuits against the issuer, unforeseen liabilities, changes in management, changes to the regulatory environment in which the issuer operates or general market conditions.

Furthermore, future issuances of shares or other securities may dilute the holdings of shareholders and could materially affect the price of the shares. Any issuer, including the Company, may in the future decide to offer additional shares or other securities to finance new capital-intensive projects, in connection with unanticipated liabilities or expenses or for any other purposes, including for refinancing purposes. There are no assurances that any of the issuers on Oslo Børs will not decide to conduct further offerings of securities in the future. Depending on the structure of any future offering, certain existing shareholders may not have the ability to purchase additional equity securities. If a listed company raises additional funds by issuing additional equity securities, the holdings and voting interests of existing shareholders could be diluted, and thereby affect the share price.

13.3 Trading and settlement

Trading of equities on Oslo Børs is currently carried out in the electronic trading system Millennium Exchange. This trading system is in use by all markets operated by the London Stock Exchange, including the Borsa Italiana, as well as by the Johannesburg Stock Exchange.

Official trading on Oslo Børs takes place between 09:00 hours (CET) and 16:20 hours (CET) each trading day, with pre-trade period between 08:15 hours (CET) and 09:00 hours (CET), closing auction from 16:20 hours (CET) to 16:25 hours (CET) and a post-trade period from 16:25 hours (CET) to 17:30 hours (CET). Reporting of after exchange trades can be done until 17:30 hours (CET).

The settlement period for trading on Oslo Børs is two trading days (T+2). This means that securities will be settled on the investor's account in VPS two days after the transaction, and that the seller will receive payment after two days.

Investment services in Norway may only be provided by Norwegian investment firms holding a license under the Norwegian Securities Trading Act, branches of investment firms from an EEA member state or investment firms from outside the EEA that have been licensed to operate in Norway. Investment firms in an EEA member state may also provide cross-border investment services into Norway.

It is possible for investment firms to undertake market-making activities in shares listed in Norway if they have a license to this effect under the Norwegian Securities Trading Act, or in the case of investment firms in an EEA member state, a

license to carry out market-making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Norwegian Securities Trading Act relating to brokers' trading for their own account. However, such market-making activities do not as such require notification to the Norwegian FSA or Oslo Børs except for the general obligation of investment firms that are members of Oslo Børs to report all trades in stock exchange listed securities.

13.4 Information, control and surveillance

Under Norwegian law, Oslo Børs is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of Oslo Børs monitors all market activity on a continuous basis. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The Norwegian FSA controls the issuance of securities in both the equity and bond markets in Norway and evaluates whether the issuance documentation contains the required information and whether it would otherwise be unlawful to carry out the issuance.

Under Norwegian law, a company that is listed on a Norwegian regulated market, or has applied for listing on such market, must promptly release any inside information directly concerning the company (i.e. precise information about financial instruments, the issuer thereof or other matters which are likely to have a significant effect on the price of the relevant financial instruments or related financial instruments, and which are not publicly available or commonly known in the market). A company may, however, delay the release of such information in order not to prejudice its legitimate interests, provided that it is able to ensure the confidentiality of the information and that the delayed release would not be likely to mislead the public. Oslo Børs may levy fines on companies violating these requirements.

13.5 The VPS and transfer of Shares

The Company's principal share register is operated through the VPS. The VPS is the Norwegian paperless centralized securities register. It is a computerized book-keeping system in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. The VPS and Oslo Børs are both wholly-owned by Oslo Børs VPS Holding ASA.

All transactions relating to securities registered with the VPS are made through computerized book entries. No physical share certificates are, or may be, issued. The VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To give effect to such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, Norges Bank (being, the Central Bank of Norway), authorized securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

As a matter of Norwegian law, the entry of a transaction in the VPS is *prima facie* evidence in determining the legal rights of parties as against the issuing company or any third party claiming an interest in the given security. A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition, and the acquisition is not prevented by law, the relevant company's articles of association or otherwise.

The VPS is liable for any loss suffered as a result of faulty registration or an amendment to, or deletion of, rights in respect of registered securities unless the error is caused by matters outside the VPS' control which the VPS could not reasonably be expected to avoid or overcome the consequences of. Damages payable by the VPS may, however, be reduced in the event of contributory negligence by the aggrieved party.

The VPS must provide information to the Norwegian FSA on an ongoing basis, as well as any information that the Norwegian FSA requests. Further, Norwegian tax authorities may require certain information from the VPS regarding any individual's holdings of securities, including information about dividends and interest payments.

13.6 Shareholder register

Under Norwegian law, shares are registered in the name of the beneficial owner of the shares. Beneficial owners of the Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote for such Shares unless their ownership is re-registered in their names with the VPS prior to any general meeting. As a general rule, there are no arrangements for nominee registration and Norwegian shareholders are not allowed to register their shares in the VPS through a nominee. However, foreign shareholders may register their shares

in the VPS in the name of a nominee (bank or other nominee) approved by the Norwegian FSA. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions, but cannot vote in general meetings on behalf of the beneficial owners. There is no assurance that beneficial owners of the Shares will receive the notice of any general meeting in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote for their Shares in the manner desired by such beneficial owners. See Section 12.11 "Certain aspects of Norwegian corporate law" under the subheading "Voting rights – amendments to the articles of association" for more information on nominee accounts.

13.7 Foreign investment in shares listed in Norway

Foreign investors may trade shares listed on Oslo Børs through any broker that is a member of Oslo Børs, whether Norwegian or foreign.

Foreign investors are to note that the rights of holders of listed shares of companies incorporated in Norway are governed by Norwegian law and by the respective company's articles of association. These rights may differ from the rights of shareholders in other jurisdictions. In particular, Norwegian law limits the circumstances under which shareholders of Norwegian companies may bring derivative actions. For instance, under Norwegian law, any action brought by a listed company in respect of wrongful acts committed against such company will be prioritised over actions brought by shareholders claiming compensation in respect of such acts. In addition, it may be difficult to prevail in a claim against such company under, or to enforce liabilities predicated upon, securities laws in other jurisdictions. See Section 12.11 "Certain aspects of Norwegian corporate law" for more information.

13.8 Disclosure obligations

If a person's, entity's or consolidated group's proportion of the total issued shares and/or rights to shares in a company listed on a regulated market in Norway (with Norway as its home state, which will be the case for the Company) reaches, exceeds or falls below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or the voting rights of that company, the person, entity or group in question has an obligation under the Norwegian Securities Trading Act to notify Oslo Børs and the issuer immediately. The same applies if the disclosure thresholds are passed due to other circumstances, such as a change in the company's share capital.

13.9 Insider trading

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement to such dispositions, must not be undertaken by anyone who has inside information, as defined in Section 3-2 of the Norwegian Securities Trading Act. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions.

13.10 Mandatory offer requirement

The Norwegian Securities Trading Act requires any person, entity or consolidated group that becomes the owner of shares representing more than one-third (or more than 40% or 50%) of the voting rights of a company listed on a Norwegian regulated market (with the exception of certain foreign companies) to, within four weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party's own shareholding, represent more than one-third of the voting rights in the company and Oslo Børs decides that this is regarded as an effective acquisition of the shares in question.

The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

When a mandatory offer obligation is triggered, the person subject to the obligation is required to immediately notify Oslo Børs and the company in question accordingly. The notification is required to state whether an offer will be made to acquire the remaining shares in the company or whether a sale will take place. As a rule, a notification to the effect that an offer will be made cannot be retracted. The offer and the offer document required are subject to approval by Oslo Børs before the offer is submitted to the shareholders or made public.

The offer price per share must be at least as high as the highest price paid or agreed by the offeror for the shares in the six-month period prior to the date the threshold was exceeded. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered.

In case of failure to make a mandatory offer or to sell the portion of the shares that exceeds the relevant threshold within four weeks, Oslo Børs may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, a shareholder who fails to make an offer may not, as long as the mandatory offer obligation remains in force, exercise rights in the company, such as voting in a general meeting, without the consent of a majority of the remaining shareholders. The shareholder may, however, exercise his/her/its rights to dividends and pre-emption rights in the event of a share capital increase. If the shareholder neglects his/her/its duty to make a mandatory offer, Oslo Børs may impose a cumulative daily fine that runs until the circumstance has been rectified.

Any person, entity or consolidated group that owns shares representing more than one-third of the votes in a company listed on a Norwegian regulated market (with the exception of certain foreign companies) is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) if the person, entity or consolidated group through acquisition becomes the owner of shares representing 40%, or more of the votes in the company. The same applies correspondingly if the person, entity or consolidated group through acquisition becomes the owner of shares representing 50% or more of the votes in the company. The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

Any person, entity or consolidated group that has passed any of the above mentioned thresholds in such a way as not to trigger the mandatory bid obligation, and has therefore not previously made an offer for the remaining shares in the company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the company.

13.11 Compulsory acquisition

Pursuant to the Norwegian Public Limited Companies Act, a shareholder who, directly or through subsidiaries, acquires shares representing 90% or more of the total number of issued shares in a Norwegian public limited company, as well as 90% or more of the total voting rights, has a right, and each remaining minority shareholder of the company has a right to require such majority shareholder, to effect a compulsory acquisition for cash of the shares not already owned by such majority shareholder. Through such compulsory acquisition the majority shareholder becomes the owner of the remaining shares with immediate effect.

If a shareholder acquires shares representing more than 90% of the total number of issued shares, as well as more than 90% of the total voting rights, through a voluntary offer in accordance with the Securities Trading Act, a compulsory acquisition can, subject to the following conditions, be carried out without such shareholder being obliged to make a mandatory offer: (i) the compulsory acquisition is commenced no later than four weeks after the acquisition of shares through the voluntary offer, (ii) the price offered per share is equal to or higher than what the offer price would have been in a mandatory offer, and (iii) the settlement is guaranteed by a financial institution authorized to provide such guarantees in Norway.

A majority shareholder who effects a compulsory acquisition is required to offer the minority shareholders a specific price per share, the determination of which is at the discretion of the majority shareholder. However, where the offeror, after making a mandatory or voluntary offer, has acquired more than 90% of the voting shares of a company and a corresponding proportion of the votes that can be cast at the general meeting, and the offeror pursuant to Section 4-25 of the Norwegian Public Limited Companies Act completes a compulsory acquisition of the remaining shares within three months after the expiry of the offer period, it follows from the Norwegian Securities Trading Act that the redemption price shall be determined on the basis of the offer price for the mandatory/voluntary offer unless specific reasons indicate another price.

Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified deadline of not less than two months, request that the price be set by a Norwegian court. The cost of such court procedure will, as a general rule, be the responsibility of the majority shareholder, and the relevant court will have full discretion in determining the consideration to be paid to the minority shareholder as a result of the compulsory acquisition.

Absent a request for a Norwegian court to set the price or any other objection to the price being offered, the minority shareholders would be deemed to have accepted the offered price after the expiry of the specified deadline.

13.12 Foreign exchange controls

There are currently no foreign exchange control restrictions in Norway that would potentially restrict the payment of dividends to a shareholder outside Norway, and there are currently no restrictions that would affect the right of shareholders of a company that has its shares registered with the VPS who are not residents in Norway to dispose of their shares and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transactions into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the National Insurance Administration and the Norwegian FSA have electronic access to the data in this register.

14 TAXATION

Set out below is a summary of certain Norwegian tax matters related to an investment in the Company. The summary regarding Norwegian taxation is based on the laws in force in Norway as at the date of this Prospectus, which may be subject to any changes in law occurring after such date. Such changes could possibly be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the shares in the Company. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisors. Shareholders resident in jurisdictions other than Norway and shareholders who cease to be resident in Norway for tax purposes (due to domestic tax law or tax treaty) should specifically consult with and rely upon their own tax advisors with respect to the tax position in their country of residence and the tax consequences related to ceasing to be resident in Norway for tax purposes.

Please note that for the purpose of the summary below, a reference to a Norwegian or non-Norwegian shareholder refers to the tax residency rather than the nationality of the shareholder.

The tax legislation in the Company's jurisdiction of incorporation and the tax legislation in the jurisdictions in which the shareholders are resident for tax purposes may have an impact on the income received from shares in the Company.

14.1 Norwegian taxation

14.1.1 Taxation of dividends

Norwegian Personal Shareholders

Dividends distributed by the Company to shareholders who are individuals resident in Norway for tax purposes ("Norwegian Personal Shareholders") are taxable in Norway for such shareholders currently at an effective tax rate of 31.68% to the extent the dividend exceeds a tax-free allowance; i.e. dividends received, less the tax free allowance, shall be multiplied by 1.44 which are then included as ordinary income taxable at a flat rate of 22%, increasing the effective tax rate on dividends received by Norwegian Personal Shareholders to 31.68%.

The allowance is calculated on a share-by-share basis. The allowance for each share is equal to the cost price of the share multiplied by a determined risk free interest rate based on the effective rate of interest on treasury bills (Nw.: statskasseveksler) with three months maturity plus 0.5 percentage points, after tax. The allowance is calculated for each calendar year, and is allocated solely to Norwegian Personal Shareholders holding shares at the expiration of the relevant calendar year.

Norwegian Personal Shareholders who transfer shares will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated allowance one year exceeding the dividend distributed on the share ("excess allowance") may be carried forward and set off against future dividends received on, or gains upon realization, of the same share.

Norwegian Personal Shareholders may hold the shares through a Norwegian share saving account (Nw.: aksjesparekonto). Dividends received on shares held through a share saving account will not be taxed with immediate effect. Instead, withdrawal of funds from the share saving account exceeding the paid in deposit will be regarded as taxable income, regardless of whether the funds are derived from gains or dividends related to the shares held in the account. Such income will be taxed with an effective tax rate of 31.68%, cf. above. Norwegian Personal Shareholders will still be entitled to a calculated tax-free allowance. Please refer to Section 14.1.2 "Taxation of capital gains on realization of shares − Norwegian personal shareholders" for further information in respect of Norwegian share saving accounts.

Norwegian Corporate Shareholders

Dividends distributed by the Company to shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes ("Norwegian Corporate Shareholders"), are effectively taxed at rate of currently 0.66% (3% of dividend income from such shares is included in the calculation of ordinary income for Norwegian Corporate Shareholders and ordinary income is subject to tax at a flat rate of currently 22%). For Norwegian Corporate Shareholders that are considered to be "Financial Institutions" under the Norwegian financial activity tax (banks, holding companies), the effective rate of taxation for dividends is 0.75%.

Non-Norwegian Personal Shareholders

Dividends distributed by the Company to shareholders who are individuals not resident in Norway for tax purposes ("Non-Norwegian Personal Shareholders"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident. The withholding obligation lies with the company distributing the dividends and the Company assumes this obligation.

Non-Norwegian Personal Shareholders resident within the EEA for tax purposes may apply individually to Norwegian tax authorities for a refund of an amount corresponding to the calculated tax-free allowance on each individual share, please refer to Section "Taxation of dividends – Non-Norwegian Personal Shareholders" above. However, the deduction for the tax-free allowance does not apply in the event that the withholding tax rate, pursuant to an applicable tax treaty, leads to a lower taxation of the dividends than the withholding tax rate of 25% less the tax-free allowance.

If a Non-Norwegian Personal Shareholder is carrying on business activities in Norway and the shares are effectively connected with such activities, the shareholder will be subject to the same taxation of dividends as a Norwegian Personal Shareholder, as described above.

Non-Norwegian Personal Shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

All Non-Norwegian Personal Shareholders must document their entitlement to a reduced withholding tax rate by obtaining a certificate of residence issued by the tax authorities in the shareholder's country of residence, confirming that the shareholder is resident in that state. The documentation must be provided to either the nominee or the account operator (VPS).

Non-Norwegian Personal Shareholders should consult their own advisers regarding the availability of treaty benefits in respect of dividend payments, including the possibility of effectively claiming a refund of withholding tax.

Non-Norwegian Personal Shareholders resident in the EEA for tax purposes may hold their shares through a Norwegian share saving account. Dividends received on and gains derived upon the realization of shares held through a share saving account by a Non-Norwegian Personal Shareholder resident in the EEA will not be taxed with immediate effect. Instead, withdrawal of funds from the share saving account exceeding the Non-Norwegian Personal Shareholder's paid in deposit, will be subject to withholding tax at a rate of 25% (unless reduced pursuant to an applicable tax treaty). Capital gains realized upon realization of shares held through the share saving account will be regarded as paid in deposits, which may be withdrawn without taxation. Losses will correspondingly be deducted from the paid in deposit, reducing the amount which can be withdrawn without withholding tax.

The obligation to deduct and report withholding tax on shares held through a saving account, cf. above, lies with the account operator.

Non-Norwegian Corporate Shareholders

Dividends distributed by the Company to shareholders who are limited liability companies (and certain other entities) domiciled outside of Norway for tax purposes ("Non-Norwegian Corporate Shareholders"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident.

Dividends distributed to Non-Norwegian Corporate Shareholders domiciled within the EEA for tax purposes are exempt from Norwegian withholding tax provided that the shareholder is the beneficial owner of the shares and that the shareholder is genuinely established and performs genuine economic business activities within the relevant EEA jurisdiction.

If a Non-Norwegian Corporate Shareholder is carrying on business activities in Norway and the shares are effectively connected with such activities, the shareholder will be subject to the same taxation of dividends as a Norwegian Corporate Shareholder, as described above.

Non-Norwegian Corporate Shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted. The same will

apply to Non-Norwegian Corporate Shareholders who have suffered withholding tax although qualifying for the Norwegian participation exemption.

All Non-Norwegian Corporate Shareholders must document their entitlement to a reduced withholding tax rate by either (i) presenting an approved withholding tax refund application or (ii) present an approval from the Norwegian tax authorities confirming that the recipient is entitled to a reduced withholding tax rate. In addition, a certificate of residence issued by the tax authorities in the shareholder's country of residence, confirming that the shareholder is resident in that state, must be obtained. Such documentation must be provided to either the nominee or the account operator (VPS).

The withholding obligation in respect of dividends distributed to Non-Norwegian Corporate Shareholders and on nominee registered shares lies with the company distributing the dividends and the Company assumes this obligation.

Non-Norwegian Corporate Shareholders should consult their own advisers regarding the availability of treaty benefits in respect of dividend payments, including the possibility of effectively claiming a refund of withholding tax.

14.1.2 Taxation of capital gains on realization of shares

Norwegian Personal Shareholders

Sale, redemption or other disposal of shares is considered a realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholder through a disposal of shares is taxable or tax deductible in Norway. The effective tax rate on gain or loss related to shares realized by Norwegian Personal Shareholders is currently 31.68%; i.e. capital gains (less the tax free allowance) and losses shall be multiplied by 1.44 which are then included in or deducted from the Norwegian Personal Shareholder's ordinary income in the year of disposal. Ordinary income is taxable at a flat rate of 22%, increasing the effective tax rate on gains/losses realized by Norwegian Personal Shareholders to 31.68%.

The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

The taxable gain/deductible loss is calculated per share as the difference between the consideration for the share and the Norwegian Personal Shareholder's cost price of the share, including costs incurred in relation to the acquisition or realization of the share. From this capital gain, Norwegian Personal Shareholders are entitled to deduct a calculated allowance provided that such allowance has not already been used to reduce taxable dividend income. Please refer to Section "Taxation of dividends − Norwegian Personal Shareholders" above for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain, and cannot increase or produce a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realization of a share will be annulled. Unused allowance may not be set off against gains from realization of other shares.

If the Norwegian Personal Shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

Special rules apply for Norwegian Personal Shareholders that cease to be tax-resident in Norway.

Gains derived upon the realization of shares held through a share saving account will be exempt from immediate Norwegian taxation and losses will not be tax deductible. Instead, withdrawal of funds from the share saving account exceeding the Norwegian Personal Shareholder's paid in deposit, will be regarded as taxable income, subject to tax at an effective tax rate of 31.68%. Norwegian Personal Shareholders will be entitled to a calculated tax-free allowance provided that such allowance has not already been used to reduce taxable dividend income, please refer to Section "Taxation of dividends − Norwegian Personal Shareholders" above. The tax-free allowance is calculated based on the lowest paid in deposit in the account during the income year, plus any unused tax-free allowance from previous years. The tax-free allowance can only be deducted in order to reduce taxable income, and cannot increase or produce a deductible loss. Any excess allowance may be carried forward and set off against future withdrawals from the account or future dividends received on shares held through the account.

Norwegian Personal Shareholders holding shares through more than one share saving account may transfer their shares or securities between the share saving accounts without incurring Norwegian taxation.

Norwegian Corporate Shareholders

Norwegian Corporate Shareholders are exempt from tax on capital gains derived from the realization of shares qualifying for participation exemption, including shares in the Company. Losses upon the realization and costs incurred in connection with the purchase and realization of such shares are not deductible for tax purposes.

Special rules apply for Norwegian Corporate Shareholders that cease to be tax-resident in Norway.

Non-Norwegian Personal Shareholders

Gains from the sale or other disposal of shares by a Non-Norwegian Personal Shareholder will not be subject to taxation in Norway unless the Non-Norwegian Personal Shareholder holds the shares in connection with business activities carried out or managed from Norway. Please refer to the Section "Taxation of dividends – Non-Norwegian Personal Shareholders" above for a description of the availability of a Norwegian share saving accounts.

Non-Norwegian Corporate Shareholders

Capital gains derived by the sale or other realization of shares by Non-Norwegian Corporate Shareholders are not subject to taxation in Norway unless the shareholding is effectively connected to the conduct of trade or business in Norway.

14.1.3 Net wealth tax

The value of shares is included in the basis for the computation of net wealth tax imposed on Norwegian Personal Shareholders. Currently, the marginal net wealth tax rate is 0.85% of the value assessed. The value for assessment purposes for listed shares is equal to 75% of the listed value as of 1 January in the year of assessment (i.e. the year following the relevant fiscal year). The value of debt allocated to the listed shares for Norwegian wealth tax purposes is reduced correspondingly (i.e. to 75%).

Norwegian Corporate Shareholders are not subject to net wealth tax.

Non-Norwegian (Personal and Corporate) Shareholders are generally not subject to Norwegian net wealth tax. Non-Norwegian Personal Shareholders can, however, be taxable if the shareholding is effectively connected to the conduct of trade or business in Norway.

14.1.4 VAT and transfer taxes

No VAT, stamp or similar duties are currently imposed in Norway on the transfer or issuance of shares.

14.1.5 Inheritance tax

A transfer of shares through inheritance or as a gift does not give rise to inheritance or gift tax in Norway.

15 SELLING AND TRANSFER RESTRICTIONS

The Shares may, in certain jurisdictions, be subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Receipt of this Prospectus shall not constitute an offer for Shares and this Prospectus is for information only and should not be copied or redistributed. Accordingly, if an existing shareholder receives a copy of this Prospectus, the existing shareholder should not distribute or send the same, or transfer the Shares to any person or in or into any jurisdiction where to do so would or might contravene with local securities laws or regulations. If an existing shareholder forwards this Prospectus into any such territories (whether under a contractual or legal obligation or otherwise), the existing shareholder should direct the recipient's attention to the contents of this Section 15 "Selling and transfer restrictions".

The Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into, any jurisdiction in which it would not be permissible to offer the Shares and this Prospectus shall not be accessed by any person in any jurisdiction in which it would not be permissible to offer the Shares.

Neither the Company nor its representatives, is making any representation to any purchaser of Shares regarding the legality of an investment in the Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

The information set out in this Section 15 "Selling and transfer restrictions" is intended as a general guide only. If you are in any doubt about any of the contents of these restrictions, or whether any of these restrictions apply to you, you should obtain independent professional advice without delay.

16 ADDITIONAL INFORMATION

16.1 Auditor and advisors

The Company's independent auditor is KPMG with company registration number 935 174 627, and registered business address Sørkedalsveien 6, 0369 Oslo, Norway. The partners of KPMG are members of The Norwegian Institute of Public Accountants (*Nw.: Den Norske Revisorforening*). KPMG has been the auditor of the Company since its incorporation.

Advokatfirmaet Thommessen AS (Haakon VIIs gate 10, 0161 Oslo, Norway) is acting as Norwegian legal counsel to the Company in connecting with the Listing.

16.2 Documents available

Copies of the following documents will be available for inspection at the Company's offices at Henrik Ibsens gate 90, 0255 Oslo, Norway, during normal business hours from Monday to Friday each week (except public holidays) for a period of twelve months from the date of this Prospectus. The documents can also be obtained at the Company's website www.observemedical.com.

- The Company's certificate of incorporation and Articles of Association; and
- All reports, letters, and other documents, valuations and statements prepared by any expert at the Company's request any part of which is included or referred to in this Prospectus.

17 DEFINITIONS AND GLOSSARY

In the Prospectus, the following defined terms have the following meanings:

Articles of Association	The Company's articles of association attached hereto as Appendix A.
APMs	Alternative performance measures.
BD	Bard (part of Becton, Dickinson and Co.).
Board of Directors	The Board of Directors of the Company.
Board Members	The members of Board of Directors.
Carve-out Annual Financial Statements	The financial statements for the financial years ending 31 December 2016, 2017 and 2018, prepared from Navamedic's audited consolidated financial statements showing balance sheet, income statement and other comprehensive income, a statement of changes in equity, cash flow statement and accounting policies and explanatory notes.
Carve-out Interim Financial Statements	The interim financial statements for the six months' period ended 30 June 2019, prepared from Navamedic's unaudited consolidated interim financial statements, including comparative interim financial information for the same period in the prior financial year (except for comparative balance sheet information).
CAUTI	Catheter Associated Urinary Tract Infections.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
CET	Central European Time.
Company	Observe Medical ASA.
Company's Financial Statements	The Company's financial information of the Company itself, covering the period from its incorporation and until 30 September 2019.
Contingent Consideration	The earn-out obligation (a contingent consideration) to the sellers of Observe Medical International AB related to the Navamedic's acquisition of Observe Medical International AB in 2015, which was transferred to the Company as part of the Demerger.
Conversion Right	Navamedic's right to, following 31 October 2020, to request that all, but not parts of, the loan outstanding under the Loan Agreement with any accrued, but unpaid, interest is converted into Shares in the Company.
Corporate Governance Code	The Norwegian Code of Practice for Corporate Governance last updated 17 October 2018.
Debt Conversion	The share capital increase in the Company resolved by the extraordinary general meeting of the Company on 1 October 2019, issuing 3,200,000 Shares to Navamedic at a subscription price of NOK 5.00 per share. The share contribution was settled by Navamedic setting-off a loan it had to the Company in the amount of NOK 16,000,000 as contribution in kind.
Demerger	The demerger whereby all of Navamedic's shares in Observe Medical International AB were transferred to the Company together with the Contingent Consideration and a relevant portion of the share options issued in Navamedic.
Demerger Plan	Means the demerger plan entered into by the board of directors of Navamedic and the Company on 19 June 2019, as approved by their respective general meetings on 5 August 2019, regarding the Demerger.
EEA	The European Economic Area.
ER	Emergency Room.
ESMA	The European Securities and Markets Authority.
EU	The European Union.
EUR	The lawful currency of the participating member states in the European Union.
EU Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on this prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.
Financial Information	Carve-out Annual Financial Statements and the Carve-out Interim Financial Statements, as incorporated by reference hereto, respectively.
Forward-looking Statements	Statements that reflect the Company's current views with respect to future events and financial and operational performance, typically identified by the use of forward-looking terminology, such as the terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "should", "will", "would" or, in each case, their negative, or other variations or comparable terminology.
Group or Observe Medical	The Company taken together with its subsidiaries.
HAI	Hospital Acquired Infections.

ICU	Intensive Care Units.
IAS 34	International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU.
IFRS	International Financial Reporting Standards as adopted by the EU.
KPMG	KPMG AS.
LEI	Legal Entity Identifier.
Liquidity Facility	A subordinated convertible term loan facility in the maximum amount of NOK 13,000,000.
Listing	The listing of the Shares on Oslo Axess.
Loan Agreement	The convertible subordinated loan agreement entered into with Navamedic providing the Company with a loan in the aggregate amount of NOK 32,000,000.
Management	The members of the management of the Group.
MD	Medical Device.
MiFID II	EU Directive 2014/65/EU on markets in financial instruments, as amended.
MiFID II Product Governance Requirements	MiFID II, Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing measures.
Navamedic	Navamedic ASA, company registration number 985 012 059, being the transferring company in the Demerger.
NOK	Norwegian Kroner, the lawful currency of Norway.
NOM-account	Nominee account.
Non-Norwegian Corporate Shareholders	Shareholders who are limited liability companies and certain similar corporate entities not resident in Norway for tax purposes.
Non-Norwegian Personal Shareholders	Shareholders who are individuals not resident in Norway for tax purposes.
Norwegian Corporate Shareholders	Shareholders who are limited liability companies and certain similar corporate entities resident in Norway for tax purposes.
Norwegian FSA	The Financial Supervisory Authority of Norway *(Nw.: Finanstilsynet)*.
Norwegian Personal Shareholders	Shareholders who are individuals resident in Norway for tax purposes.
Norwegian Public Limited Companies Act	Norwegian Public Limited Companies Act of 13 June 1997 No 45 *(Nw.: allmennaksjeloven)*.
Norwegian Securities Trading Act	The Norwegian Securities Trading Act of 28 June 2007 No 75 *(Nw.: verdipapirhandelloven)*.
OMI	Observe Medical International AB, a subsidiary of the Company.
Oslo Axess	Oslo Axess, a Norwegian stock exchange operated by Oslo Børs.
Oslo Børs	Oslo Børs, a Norwegian stock exchange operated by Oslo Børs ASA.
PDMS	Patient Data Management Systems.
Prospectus	This Prospectus dated 4 November 2019.
Q3 2019 presentation	Financial figures for the Navamedic group for the first nine months of 2019 and as of 30 September 2019.
R&D	Research and development.
RoW	Rest of the World.
SEK	Swedish Kroner, the lawful currency of Sweden.
Share(s)	Means the 15,067,673 shares of the Company, each with a nominal value of NOK 0.26.
SPA	The share purchase agreement entered into between Navamedic (as the buyer) and the sellers of OMI on 3 August 2015 for the acquisition of the shares in OMI.
TSA	The transitional services agreement the Company entered into with Navamedic.
UK	The United Kingdom.
U.S. or United States	The United States of America.
UTI	Urinary Tract Infection.
VPS	The Norwegian Central Securities Depository *(Nw.: Verdipapirsentralen)*.
VPS Registrar	DNB Bank ASA.

APPENDIX A

ARTICLES OF ASSOCIATION

VEDTEKTER

FOR

OBSERVE MEDICAL ASA

Slik de lyder per 1. oktober 2019

§ 1 – Firma

Selskapets navn er Observe Medical ASA. Selskapet er et allmennaksjeselskap.

§ 2 – Forretningskontor

Selskapets forretningskontor er i Oslo kommune.

§ 3 – Virksomhet

Selskapets virksomhet er å utvikle, produsere, markedsføre og selge medisinsk teknisk utstyr og relaterte produkter, utføre konsulenttjenester i denne sammenheng, samt å investere i relatert virksomhet.

§ 4 – Aksjekapital

Selskapets aksjekapital er kr 3 917 594,98 fordelt på 15 067 673 aksjer, hver pålydende kr 0,26.

§ 5 – Styre

Selskapets styre skal ha minimum tre og maksimalt syv medlemmer, etter generalforsamlingens nærmere beslutning.

§ 6 – Signatur

Selskapets firma kan tegnes av styrets leder og ett styremedlem i fellesskap.

ARTICLES OF ASSOCIATION

OF

OBSERVE MEDICAL ASA

As of 1 October 2019

§ 1 – Company name

The name of the company is Observe Medical ASA. The company is a public limited liability company.

§ 2 – Registered office

The company's registered office is in the municipality of Oslo.

§ 3 – **The company's business**

The company's purpose is to develop, produce, market and sell medical technical equipment and related products, provide connected consulting services and invest in related business.

§ 4 – Share capital

The share capital of the company is NOK 3,917,594.98, divided into 15,067,673 shares, each with a nominal value of NOK 0.26.

§ 5 – Board of Directors

The board of directors shall consist of minimum three and maximum seven directors pursuant to the further decision of the general meeting.

§ 6 – Signatory rights

The chairman of the board and one board member jointly may sign for and on behalf of the company.

§ 7 – Valgkomité

Selskapet skal ha en valgkomité. Valgkomiteen skal bestå av to til tre medlemmer, etter generalforsamlingens beslutning, hvor flertallet skal være uavhengige av styret og den daglige ledelse. Minimum to av medlemmene skal være aksjeeiere eller representanter for aksjeeierne. Valgkomiteen skal fremsette forslag for generalforsamlingen til kandidater ved valg av medlemmer til styret og styrets leder, samt medlemmer til valgkomiteen og komiteens leder. Valgkomiteen skal også fremsette forslag om honorar til styret og valgkomiteens medlemmer. Funksjonstiden for valgkomiteens medlemmer skal være to år av gangen om ikke generalforsamlingen fastsetter en annen periode i forbindelse med valget. Generalforsamlingen kan fastsette instruks for valgkomiteen.

§ 7 – Nomination committee

The company shall have a nomination committee. The nomination committee shall consist of two to three members, as resolved by the general meeting, where the majority of the members shall be independent of the board of directors and the management. At least two of the members shall be shareholders or represent the shareholders. The nomination committee shall propose candidates to the annual general meeting in election of board members and the chairperson of the board, and to members of the nomination committee, including its chair. The nomination committee shall also submit proposals on board remuneration and remuneration to the members of the nomination committee. The term of the members of the nomination committee shall be two years at a time unless the general meeting decides otherwise in connection with the election. The general meeting can determine an instruction for the nomination committee.

§ 8 – Generalforsamling

På den ordinære generalforsamling skal blant annet følgende saker behandles:

1. Godkjennelse av årsregnskap og årsberetning.
2. Styrets forslag om utbytte eller andre utdelinger.
3. Andre saker som i henhold til lov eller vedtekter hører inn under generalforsamlingen.

Styret kan beslutte at aksjonærer som vil delta på generalforsamlingen, må melde dette til selskapet innen en bestemt frist som ikke kan utløpe tidligere enn tre dager før generalforsamlingen.

Aksjeeiere kan avgi sin stemme skriftlig, herunder ved bruk av elektronisk kommunikasjon, i en periode før

§ 8 – General Meeting

The ordinary general meeting shall amongst other things consider the following matters:

1. Approval of the annual accounts and annual report.
2. The proposal of the board regarding dividends or other distributions.
3. Other matters which pursuant to law or the articles of association shall be considered by the general meeting.

The board of directors may decide that shareholders who want to participate in the general meeting must notify the company thereof within a specific deadline that cannot expire earlier than three days prior to the general meeting.

The shareholders may cast their votes in writing, including through electronic communication, in a period prior to the general

generalforsamlingen. Styret kan fastsette nærmere retningslinjer for slik forhåndsstemming. Det skal fremgå av generalforsamlingsinnkallingen hvilke retningslinjer som er fastsatt.

meeting. The board of directors may establish specific guidelines for such advance voting. It must be stated in the notice of the general meeting which guidelines have been set.

Dokumenter som gjelder saker som skal behandles på generalforsamlingen kan gjøres tilgjengelige på selskapets internettsider. Det samme gjelder dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen. Dersom dokumentene gjøres tilgjengelig på denne måten skal ikke lovens krav om utsendelse til aksjeeierne få anvendelse. En aksjeeier kan likevel kreve å få tilsendt dokumenter som gjelder saker som skal behandles på generalforsamlingen.

Documents concerning matters to be considered at the general meeting may be made available on the company's website. This is also applicable for documents that by law shall be included in or attached to the notice. In case documents are made available in such manner, the statutory requirements for distribution to shareholders shall not be applicable. A shareholder still has the right to receive documents concerning matters to be considered at the general meeting upon request.

APPENDIX B

THE CARVE-OUT ANNUAL FINANCIAL STATEMENTS

FULL-YEAR CARVE-OUT FINANCIAL STATEMENTS

2016 - 2018

Contents

Carve-out statement of comprehensive income

Amounts in NOK	Note	2018	2017	2016
		1 January - 31 December		
Revenue		106 185	197 772	614 314
Revenue		106 185	197 772	614 314
Cost of materials	9	-474 979	1 374 535	387 637
Payroll expenses	14	4 217 022	5 353 577	4 647 425
Other operating expenses	13	4 187 051	4 459 003	6 197 933
Operating result before depreciation and impairment (EBITDA)		-7 822 910	-10 989 344	-10 618 681
Depreciation and amortization	6, 7	3 901 020	3 981 088	4 024 738
Operating result (EBIT)		-11 723 929	-14 970 432	-14 643 419
Financial income		106 373	273 150	0
Net currency gains/losses		298 279	296 206	578 441
Change in contingent consideration (+ income / - cost)		14 009 000	-2 618 000	4 051 000
Financial expenses		416 071	350 805	557 128
Net finance		13 997 582	-2 399 448	4 072 313
Result before tax		2 273 653	-17 369 880	-10 571 105
Tax expense	15	0	0	0
Net result for the year		2 273 653	-17 369 880	-10 571 105
Other comprehensive income that may be reclassified subsequently to profit or loss				
Translation differences		-2 459 220	1 075 417	-4 806 207
Total comprehensive income		-185 567	-16 294 463	-15 377 313
Net result for the year is allocated to:				
Shareholders in the parent company		2 273 653	-17 369 880	-10 571 105
		2 273 653	-17 369 880	-10 571 105
Total comprehensive income is allocated to:				
Shareholders in the parent company		-185 567	-16 294 463	-15 377 313
		-185 567	-16 294 463	-15 377 313
Earnings per share (NOK per share)	16	0.19	-1.46	-0.89

Carve-out balance sheet

Amounts in NOK	Note	31.12.2018	31.12.2017	31.12.2016
ASSETS				
Intangible assets	7	23 507 880	25 821 008	26 611 160
Total intangible assets		23 507 880	25 821 008	26 611 160
Operating equipment, fixtures, office machines, etc.	6	57 413	524 775	767 546
Total tangible assets		57 413	524 775	767 546
Goodwill	7	31 165 525	32 113 245	30 558 342
Total other non current assets		31 165 525	32 113 245	30 558 342
Total fixed assets		54 730 817	58 459 028	57 937 048
Current assets				
Inventories	9	2 399 223	1 431 010	1 460 547
Trade receivables and other receivables	8	1 079 331	372 552	534 892
Receivables on Navamedic group		0	1 715 735	5 501 375
Prepaid tax	12	0	0	100 882
Bank deposits	10	621 144	2 058 940	3 505 015
Total current assets		4 099 698	5 578 237	11 102 711
Total assets		58 830 515	64 037 264	69 039 759
Total equity		16 822 851	11 394 019	14 696 794
LIABILITIES				
Non-current liabilities				
Contingent consideration	10	12 177 000	26 186 000	23 568 000
Total non-current liabilities		12 177 000	26 186 000	23 568 000
Current liabilities				
Trade account payables	10	1 924 148	695 367	945 397
Public duties payable	10	494 089	515 183	438 770
Loans from Navamedic group	10	25 032 427	22 804 536	27 771 861
Payables to Navamedic group	10	1 759 586	856 556	654 675
Other current liabilities	10	620 414	1 585 603	964 263
Total current liabilities		29 830 664	26 457 246	30 774 966
Total liabilities		42 007 664	52 643 246	54 342 966
Total equity and liabilities		58 830 515	64 037 264	69 039 759

Oslo, 1 October 2019

The Board of Directors and CEO of Navamedic ASA

Terje Bakken (sign.)
Chair of the Board

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

Carve-out statement of changes in equity

Amounts in NOK

	Equity		
	Contributed equity and retained earnings	Translation differences	Total
Equity as at 1 January 2016	23 981 009	6 093 098	30 074 107
Contributed equity (group contribution)	0	0	0
Net result for the year	-10 571 105	0	-10 571 105
Translation differences	0	-4 806 207	-4 806 207
Equity as at 31 December 2016	13 409 903	1 286 891	14 696 794
Equity as at 1 January 2017	13 409 903	1 286 891	14 696 794
Contributed equity (group contribution)	12 991 688	0	12 991 688
Net result for the year	-17 369 880	0	-17 369 880
Translation differences	0	1 075 417	1 075 417
Equity as at 31 December 2017	9 031 711	2 362 308	11 394 019
Equity as at 1 January 2018	9 031 711	2 362 308	11 394 019
Contributed equity (group contribution)	5 614 400		5 614 400
Net result for the year	2 273 653		2 273 653
Translation differences		-2 459 220	-2 459 220
Equity as at 31 December 2018	16 919 764	-96 912	16 822 852

Observe Medical ASA will be the parent of the Observe Medical group on completion of the demerger from Navamedic ASA. Observe Medical ASA was incorporated on 13 June 2019.The demerger is conditional on listing of the shares in Observe Medical ASA. These special purpose financial statements have been prepared for inclusion in the listing prospectus for Observe Medical ASA shares. Accordingly, Observe Medical ASA and the group had no shares outstanding in the periods presented. See also note 2.2.2 Carve-out and combination principles.

Carve-out cash flow statement

Amounts in NOK	Note	2018	2017	2016
Cash flow from operating activities				
Result before tax		2 273 653	-17 369 880	-10 571 105
Depreciation and impairment	6,7	3 901 020	3 981 088	4 024 738
Change FV contingent consideration with no cash effect	10	-14 009 000	2 618 000	-4 051 000
Change in inventories		-968 213	29 536	-592 770
Change in trade receivables and other receivables		-706 779	162 340	362 206
Change trade account payables and other current liabilities		2 131 810	-48 148	873 413
Changes in other current items		-986 282	697 753	-422 534
Net cash flow from operating activities		-8 363 792	-9 828 428	-10 450 759
Cash flow from investing activities				
Purchase / disposal of tangible and intangible assets		-1 949 429	-1 568 464	-1 406 295
Net cash flow used for investing activities		-1 949 429	-1 568 464	-1 406 295
Cash flow from financing activities				
Change in net interest bearing debt to Navamedic	10	3 943 626	-1 181 685	14 325 131
Equity contribution	10	5 614 400	12 991 688	0
Payments of lease liabilities				
Net cash flow used for financing activities		9 558 026	11 810 004	14 325 131
Exchange rate fluctuations		-682 601	-1 859 187	332 622
Changes in cash		-1 437 795	-1 446 075	2 800 699
Bank deposits as at 1 January		2 058 940	3 505 015	704 316
Bank deposits end of period	10	621 144	2 058 940	3 505 015

Explanatory notes to the full year carve-out financial statements 2016 - 2018

Note 1 – General information

Observe Medical ASA is a Norwegian limited liability company incorporated on 13 June 2019 to own and manage the Observe Medical business previously owned by Navamedic ASA.

In August 2015, Navamedic ASA acquired Observe Medical International AB, and has subsequently reported the Observe Medical business as a separate business segment named Medtech. Navamedic's Medtech segment will be demerged from Navamedic ASA and merged into Observe Medical ASA ("OM ASA" or "the company" and together with its direct and indirect subsidiaries following the completion of the demerger, the "OM group" or "the group"), which will be listed on Oslo Axess upon completion of the demerger.

On the completion of the demerger, all of Navamedic ASA's shares in Observe Medical International AB will be transferred to OM ASA together with an earn-out obligation to the sellers of Observe Medical International AB related to Navamedic ASA's acquisition of Observe Medical International AB in 2015 (the "contingent consideration"), while all other assets, rights and liabilities will remain with Navamedic ASA.

Upon completion of the demerger, Observe Medical International AB will be a wholly owned subsidiary of OM ASA and OM ASA will indirectly be the owner of Observe Medical International AB and its subsidiaries Observe Medical Aps and Navamedic MedTec AB.

In 2015, Navamedic ASA acquired the Medtech company Observe Medical International AB with subsidiaries, which has developed the next generation digital urine meter, Sippi®.

Observe Medical ASA is registered and based in Norway. Its head office is located in Henrik Ibsensgate 90, 0255 Oslo, Norway.

Going concern and liquidity

These financial statements have been prepared on the assumption that the group is a going concern, and the board confirms that the basis for this assumption is present. The board based its opinion on the future prospects and potential of the Sippi® product family. Sippi® puts the group well on the way towards achieving fully-automated, digital urine measuring systems, which represent significant, long-term earnings potential for the group and its available liquidity financing.

Up to the demerger to be completed in connection with the listing of the OM ASA shares on Oslo Axess in the fourth quarter 2019, the group is dependent on financing from Navamedic Group. In September 2019 the company has entered into a loan arrangement with Navamedic ASA to refinance existing loans and ensure financing to support operations and development the first year after Listing.

As part of the new loan financing agreement, Navamedic ASA also will convert NOK 16 million of existing interest bearing debt to equity in OM ASA. See note 18 for further description of the loan agreement and the debt conversion. With this funding, management believes the company will be able to carry out planned operations and development for the next 12 months without any further need for additional financing. With weaker or delayed revenue growth than planned during the next 12 months the company can continuously adjust the variable costs to avoid further financing needs.

Management performs on a regular basis cash-flow projections to evaluate whether it will be in a position to cover the liquidity needs for the next 12-month period. In developing estimates of future cash flows, the management makes assumptions about revenue and revenue growth, cost of materials, payroll and operating expenses, capital expenditure, loan repayments and interest charges. The assumptions applied are based on historical experience and future expectations.

The company entered into loan a convertible loan agreement for additional liquidity of NOK 13 million on September 2019, and management believes that the current cash and cash equivalents considering the net cash outflows expected to be generated from operations, together with the measures described above, are sufficient to meet the working capital needs and other liquidity requirements for the next 12 months from the date of this report.

Note 2 – Summary of the most important accounting policies and basis for carve-out and combination

The basis for preparation and most important accounting policies used in the preparation of the carve-out financial statements are described below. The basis and policies are applied consistently in all of the periods presented, unless the description states otherwise.

2.1 Statement of compliance

These special purpose carve-out financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board as adopted by the European Union (IFRS (EU)) for the periods presented and the carve-out and combination basis as described below.

IFRS 10 requires the parent company, OM ASA, to control its subsidiaries at the balance sheet date in order to prepare consolidated financial statements. OM ASA will not obtain such control until the demerger and merger is completed in connection with the listing, which is expected in the fourth quarter of 2019. IFRS 10 has therefore not been applied for the carve-out financial statements.

IFRS provides no guidance for the preparation of carve-out financial statements. Following IAS 8.12 and industry practice, the predecessor accounting approach has been applied in the carve-out financial statements of OM group. The carve-out financial statements of OM group reflect the Medtech business including the fair value adjustments and contingent consideration included in the IFRS consolidated financial statement of Navamedic ASA. OM group applies the same accounting policies and measurement principles in preparing the carve-out financial statements as used by the Navamedic ASA group.

Upon completion of the demerger and merger, it is expected that OM ASA will present first-time consolidated financial statements for the year ending 31 December 2019 in accordance with IFRS 1, First-Time Adoption of International Financial Reporting Standards, using these carve-out financial statements as comparative information.

2.2. Principles of carve-out, combination and allocation

Observe Medical believes that the preparation of carve-out financial statements is useful to financial statement users in assessing the historical results of the Medtech business, including contingent consideration, which was historically controlled by Navamedic ASA. While the preparation of carve-out financial statements may produce similar results as if the Medtech business including the contingent consideration had been consolidated for all periods presented, IFRS does not explicitly provide for the preparation of carve-out financial statements.

The historical results of operations, financial position, and cash flows of the group may not be indicative of what they would have been had the group been a separate independent stand-alone group. The historical results as described above may not be indicative of what the group's results of operations, financial position and cash flows may be in the future.

The re-organisation of ownership interests, assets and liabilities under common control is outside the scope of IFRS 3 Business Combinations. Since IFRS (EU) does not provide specific guidance, accounting policies have been established by the group to account for such

transactions at their historical carrying amounts recognised in Navamedic group, as if the re-organisation occurred at the beginning of the earliest period presented.

The Observe Medical carve-out group consists of ownership interests, assets and liabilities that have historically been under common control of Navamedic ASA for all periods presented.

The group's financial statements have been prepared on the basis of historical cost, with the exception of contingent consideration which is recognized at fair value through profit or loss.

Preparing financial statements in accordance with IFRS requires the use of estimates. Furthermore, applying the group's accounting policies requires the management team to use its judgment. Areas that involve a high degree of estimation and a high degree of complexity, or areas where assumptions and estimates are significant for the carve-out financial statements, are described in note 4.

Estimates made for the preparation of these financial statements are consistent with estimates made for the same dates in accordance with the preparation of the annual financial statements for Navamedic group, of which the group was a part for the periods presented. The only exception is related to non-recognition of net deferred tax assets when presenting the group separate from the Navamedic group. Accounting policies relevant for the preparation of these financial statements are also consistent with those of Navamedic group.

Any information after 1 January 2016 about estimates that Navamedic group had made in relation to the assets and liabilities of the group are treated in the same way as non-adjusting events after the reporting period in accordance with IAS 10 *Events after the Reporting Period*. Management is however not aware of any significant new information.

The carve-out financial statements have been prepared on the assumption that the group is a going concern (see further discussion above).

These carve-out financial statements were approved by the board and CEO of Navamedic ASA on 1 of October 2019.

2.2.2 Carve-out and combination principles

The group's carve-out financial statements cover the following companies:

- Observe Medical International AB
- Observe Medical ApS
- Navamedic Medtech AB

Observe Medical ASA, which will acquire this Medtech business via the demerger from Navamedic ASA, was established on 13 June 2019, and is not part of the group for the periods presented. OM ASA was established with a share capital and total equity of NOK 1 million, and a corresponding bank account. On completion of the demerger, this share capital is expected to be repaid to Navamedic ASA. Consequently, inclusion of the parent company OM ASA into the group would not have had a significant effect on the group for the periods presented.

The companies included in the Medtech business did form a group of companies, with Observe Medical International AB as the parent company. However, consolidated financial statements have historically not been prepared. Furthermore, these carve-out financial statements also include the fair value adjustments, goodwill and contingent consideration recognized by the Navamedic group on acquisition of Observe Medical International AB in 2015.

The total assets and liabilities included in the carve-out financial statements, with carrying values as reflected in Navamedic group's consolidated financial statements, has not, as per the reporting date, formed a group controlled by a separate legal entity and therefore it is not meaningful to present share capital or an analysis of changes in share capital between periods.

Total equity as at 1 January 2016 is equal to carrying values of the carve-out net assets contributed by Navamedic to the group at this date. Total equity comprises "Contributed equity and retained earnings" and "translation differences". Change in contributed equity includes the net equity impact of equity transactions with the Navamedic group, which are group contributions received from Navamedic AB.

2.2.3 Carve-out allocations

Transactions and shared costs have historically been charged from Navamedic to Observe Medical International AB and its subsidiaries, and consequently recognised in the group's carve-out financial statements. This is primarily management fee (to cover costs and activities as finance and management support), rent of office space and net interest expense on intercompany debt. Navamedic AB has also provided group contributions to the OM group, to utilize parts of the tax losses carried forward in the OM group. No further carve-out allocations have been made in the preparation of the carve-out financial statements.

Navamedic ASA had 90.000 employee share options outstanding at 31 December 2018, giving right to subscribe for one share in Navamedic ASA for each share option. The vesting period is two years from June 2018 and a maximum lifetime of three years. The fair value was estimated to NOK 5.17 per Navamedic ASA option at the grant date in June 2018. The holders of employee share options at the date of the demerger and merger into OM ASA will receive the same number of share options in OM ASA as they have in Navamedic ASA. The strike price for the Navamedic shares was NOK 9.40 per share, and will be reduced by 26%, and the strike price for shares in OM ASA will be the same 26% (NOK 2.44 per OM ASA share). 26% is the fraction that was used in the demerger plan signed 19 June 2019, which was based on the estimated relative fair values of Navamedic ASA and OM ASA at that point in time. In 2018, Navamedic ASA recognized NOK 134,216 as option expense. No carve-out adjustments have been made in these carve-out financial statements related to the employee share options. Some deferred income tax assets were recognized in Navamedic's consolidated financial statements, relating to the carved-out business. In the preparation of the carve-out financial statement, no basis for recognizing net deferred tax assets have been identified, and consequently no net deferred tax assets have been recognized.

In addition to the legal entities, contingent consideration recognized by the Navamedic group on acquisition of Observe Medical International AB has been included, with the carrying values and profit or loss effects recognized in Navamedic's consolidated financial statements. The contingent consideration is recognized at fair value through profit or loss. See note 11 for further description of the contingent consideration.

At acquisition of Observe Medical International AB, Navamedic recognized fair value adjustments on intangible assets and goodwill. The fair value adjustments of intangible assets have subsequently been partially amortized through profit or loss. These fair value adjustments, goodwill and subsequent amortization have been included in the group with the values recognized in the Navamedic group.

Earnings per share information has been presented reflecting the number of shares of OM ASA after the demerger from Navamedic ASA but before conversion of any debt, see note 15.

2.2.4 Changes to accounting policies and disclosures

The group has carried forward the carrying values of assets and liabilities as reported by the Navamedic group, and applied the same accounting policies. The accounting policies applied are the same for all periods presented, except as described below for IFRS 9 and IFRS 15.

Standards adopted in 2016, 2017 and 2018

In 2016 and 2017, Navamedic and the group did not adopt any new standards or interpretations. With effect from 1 January 2018, Navamedic and the group implemented **IFRS 9 *financial instruments*** and **IFRS 15 *revenues from contracts with customers*.** Navamedic implemented these standards without changing comparative figures for previous periods. Implementation of IFRS 9 and IFRS 15 did not have any effect for Navamedic group at 1 January 2018. Implementation of IFRS 9 and IFRS 15 did not have any effect on the OM group's financial statements.

For IFRS 9, this is because the only financial instruments are financial assets and liabilities at amortized costs and contingent consideration at fair value through profit or loss, there was no impact on the group on classification of financial instruments and nor from the implementation of the expected credit loss model. The group currently does not apply hedge accounting.

The group is still in the start-up phase in the sale of Sippi® product family, and has for the periods presented only insignificant sales and revenues. Consequently, implementation of IFRS 15 did not have any impact for the OM group.

Standards, amendments and interpretations of existing standards that have not come into effect and which the group has chosen not to adopt early.

A number of new standards, revisions to standards, and interpretations did not come into force for the group for the period that ended 31 December 2018 and have not been applied in the preparation of these carve-out financial statements.

The only one that currently could potentially have an effect for the group is **IFRS 16 *Leasing*.** The new standard requires lessees to recognise right of use assets and lease liabilities for all leases, with the exception of some agreements with a lease period of less than one year or where the value of the underlying asset is low. Depreciation, impairment, and interest expenses must be recognised in the comprehensive income statement.

The group will implement IFRS 16 on 1 January 2019 without adjusting the comparative figures. The group will use the simplification to recognize the right of use assets equivalent to lease liabilities and therefore does not expect there to be any impact on equity upon implementation on 1 January 2019.

At 31 December 2018, the group had lease contracts for three cars, with total annual lease payments of approximately NOK 220 thousand and remaining lease periods of 2 to 2.5 years. Employees of the group is currently co-located with Navamedic AB. Navamedic AB charges the group for the office space used, but there is no legal contract between Navamedic AB and the group, and the group has evaluated that this does not represent a lease contract that needs to be recognized at 1 January 2019. The annualized rent amount for 2019 is less than NOK 100 thousand.

On implementation, the group expects to recognize lease liabilities and right of use assets of NOK 483 thousand at 1 January 2019.

2.3 Basis of combination

Companies that have been controlled by Navamedic ASA, and that are part of the Observe Medical International AB group, have been fully combined for all periods presented for the purpose of these financial statements ("subsidiaries"). In the reorganization to be completed with the demerger of the Medtech business, the carrying values and comparative figures as reported in the Navamedic group have been used for the purpose of these carve-out financial statements. The discussion of control, acquisition method, consolidation etc. consequently refers to the Navamedic group, and carried forward by the OM group for the purpose of these carve-out financial statements.

Control exists when an entity is exposed, or has rights, to variable returns from its involvement with the investee and is able to affect those returns by exercising power over the investee. Power means existing rights that provide the investor with the ability to direct relevant activities, i.e. the activities that significantly affect the investee's returns. There are no non-controlling interests for the periods presented.

The acquisition method is used for acquisitions of business. For the group, this relates to the acquisition of Observe Medical International AB in 2015. The consideration is measured at the fair value of the assets transferred, liabilities assumed, and equity instruments issued. Contingent consideration is included in the consideration at estimated fair value at the acquisition date, with subsequent changes that are not adjustments during the measurement period recognized through profit or loss. Identifiable assets, liabilities, and contingent liabilities are recognised at their fair values at the acquisition date, with goodwill as residual.

Transaction related costs incurred in a business combination is recognised as an expense when incurred.

Intra-group income, expenses, and balances are eliminated in preparing the group's financial statements.

2.4 Segment information

The group currently has only one segment, the Medtech business.

2.5 Translation of foreign currency

a) Functional currency and presentation currency

The financial statements of an individual entity are measured using the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of Observe Medical International AB and Navamedic Medtech AB is SEK, and DKK for Observe Medical ApS. As it was the shares in Observe Medical International AB that were acquired in 2015, the fair value adjustments and

goodwill has been recognized in SEK. The carve-out financial statements are presented in NOK.

b) Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency using the exchange rate at the date of the transaction. Currency gains and losses that arise at settlement and translation of monetary items in foreign currency at the exchange rate on the balance sheet date are recognised through profit or loss. Currency gains and losses are presented net as financial income or financial expenses.

c) Group companies

The financial statements of group companies with functional currencies different from the presentation currency are translated in the following way:

a) Assets and liabilities, including goodwill and fair value adjustments, are translated using the exchange rate on the balance sheet date

b) income statements are translated using the average exchange rate for the year

c) translation differences are recognised in other comprehensive income and specified in equity as a separate item

2.6 Intangible assets

Technology assets

The fair value of patented and unpatented technology associated with Sippi® was estimated at the acquisition of Observe Medical International AB (OMI AB) in 2015. This was estimated based on the estimated annual revenue from Sippi® over a period of 20 years, discounted by 18.3%. The revenue was based on estimates of market size, estimated market share and expected sales prices, and is consistent with the calculation of contingent consideration for the acquisition of OMI AB. The technology asset is amortized on a straight-line basis over 10 years. The shorter period than the one used to estimate fair value upon acquisition is justified by the risk of technological obsolescence. IAS 38 states that uncertainty justifies estimating the useful life of an intangible asset on a prudent basis, but it does not justify choosing a life that is unrealistically short. The amortization method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity, and normally this cannot be based on expected revenue. If that pattern cannot be determined reliably, the straight-line method shall be used.

Subsequent to the acquisition in 2015, the group has capitalized some further costs related to the development of Sippi®, as well as patent.

2.7 Impairment of non-financial assets

Tangible assets and intangible assets with finite useful lives are assessed for impairment when there are indications of impairment.

An impairment amounting to the difference between the carrying value and recoverable amount is recognised through profit or loss. The recoverable amount is the highest of value in use and fair value less cost of disposal.

When assessing possible impairment, assets are grouped at the lowest level that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. The group currently has only one cash generating unit.

Goodwill is not amortized, and tested at least annually for impairment.

2.8 Inventories

Inventories are measured at the lowest of acquisition cost and net realisable value. Acquisition cost is calculated using the first-in, first-out method (FIFO). Net realisable value is the estimated selling price less costs for completion and sale.

2.9 Financial assets

The company has financial assets in the category of amortised cost, which primarily consist of short term receivables and bank deposits. Such financial assets are initially recognised at fair value in addition to transaction costs and then at amortised cost using the effective interest method adjusted for impairment.

For the periods presented, no credit losses have been realized and no provisions for expected credit losses have been recognized.

2.10 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank deposits, with a maximum of three months' original duration.

2.11 Financial liabilities

Financial liabilities include:

(a) Financial liabilities at fair value through profit or loss: Contingent consideration from acquisition; and

(b) financial liabilities at amortised cost: primarily current intercompany loans and payables.

2.12 Tax

The tax expense consists of tax payable and deferred tax.

The group has historically operated with significant losses for tax and accounting purposes. The group has operations, and tax losses carried forward, in Denmark and Sweden. So far, the group has had no basis for recognition of net deferred tax assets according to IAS 12 *Income taxes*. For all periods presented, the group has reported zero net deferred tax assets or income tax expense.

Deferred tax assets and deferred tax is offset if there is a legally enforceable right to offset assets in the event of tax payable against liabilities in the event of tax payable, and the deferred tax assets and deferred tax relate to income tax that is imposed by the same tax authority for either the same taxable enterprise or different taxable enterprises that intend to settle liabilities and assets in the event of tax payable net. At the acquisition of Observe Medical International AB in 2015, NOK 6.7 million deferred tax asset was recognized on tax losses carried forward, which was the same amount as deferred tax liability recognized on the fair value adjustments of the technology intangible assets, with net zero deferred tax recognized. In subsequent periods, the deferred tax asset has been reduced in line with the reduced deferred tax liability on the intangible assets.

2.13 Pensions

The group has entered into a mandatory defined-contribution pension scheme for employees in Sweden. The contributions are recognised as payroll expenses as the obligation to pay contributions accrue.

2.15 Revenue recognition

Revenue from contracts with customers

The group is in the process of commercialization of its digital urine meters for use in intensive care wards in hospitals, in the Nordic region and other selected European countries

The group has established its sales and distribution model for its digital urine meters. The model will be furthered developed in line with the expansion of the company. The group has for the periods presented insignificant sales and revenues. Further information on revenue recognition or disclosures according to IFRS 15 is consequently not relevant for these financial statements.

2.16 Leases

Leases where a material element of the risk and return associated with ownership does not lie with the lessee, are classified as operational leases. Rent is recognised as expense on a straight-line basis over the lease period.

Note 3 – Financial risk management

Financial risk factors

The group's operations expose it to various types of financial risk: market risk (including currency risk, interest risk, and price risk), credit risk, and liquidity risk.

Market and operational risk

The group is exposed to market risk. The group believes that such risk primarily arise in relation to the development of future sales of the group's products, measured in terms of both price and volume. Factors that can influence market risk include increased competition, instructions to reduce prices from the authorities, and competition from existing and future medtech companies.

For the periods presented, currency risk has primarily been related to payables and receivables within the OM group and the Navamedic group. At 31 December 2018, the main currency exposure was related to liabilities the Danish company Observe Medical Aps had to Navamedic AB. The liabilities amounted to SEK 24.9 million, and if DKK had weakened by 5% in relation to SEK at 31 December 2018, this would result in a reduction in the pre-tax result of NOK 1.2 million.

Going forward, it is expected that revenues will be generated in both the functional currency of the selling entity and in foreign currencies. This may also apply to cost of materials. The group has so far not adopted specific currency hedging strategies in relation to its operations.

Credit risk

The group has for the periods presented had insignificant credit risk.

Liquidity risk and going concern

The group has subsequent to the acquisition by Navamedic in 2015 been dependent on loans and group contributions from the Navamedic group to finance its further development and operations.

The group has had no long-term financing. The contingent consideration is payable only if the group realises substantial future revenues from the sale of Sippi® products. Such revenues is expected to give good headroom to pay out the contingent consideration. The group would not be able to redeem the debt to the Navamedic ASA, should Navamedic ASA require redemption. The group is dependent on longer term financing in form of debt and/or equity, to be able to finance its operations until it generates sufficient cash flow from operations. The group expects to reduce its liquidity risk in connection with the expected listing of its shares in the fourth quarter of 2019. For further information about going concern and loan agreement see note 1 and 18.

Variable interest rate risk

The group is exposed to variable interest rate risk on its interest bearing liabilities to the Navamedic group and on its bank deposits. The group has not hedged its interest rate exposure. Net interest-bearing liabilities less bank deposits amounted to NOK 26.2 million as at 31 December 2018. A 0.5% rise in interest rates for the net interest-bearing liabilities at 31 December 2018 would increase annual interest expenses by NOK 0.13 million.

Management of capital

The group's has so far not had any expressed goals or requirements in relation to management of capital. Focus in the short term will be to ensure continued operations to further develop and commercialize Sippi®. In the longer term, goals will include securing returns for its owners, and to maintain an optimal capital structure in order to reduce capital expenses. So far, the group has not had any debt with financial covenant restrictions.

Note 4 – Significant judgements in the application of group accounting policies and accounting estimates.

The preparation of financial statements in accordance with IFRS requires that management make assessments, estimates and assumptions that impact reported amounts for revenues, expenses, assets and liabilities and presentation of contingent liabilities at the end of the reporting period.

Judgements that management have made as part of the application of the entity's accounting policies and that have the most significant impact on the amounts recognised in the financial statements are related to the acquisition of OMI AB in 2015, and further capitalization of costs for development of the technology assets.

As part of the business combination, management performed judgments and made estimates of the fair values of assets and liabilities acquired, as well as the fair value of the contingent consideration. These estimates and judgements at the acquisition date affects the classification and carrying amounts in the balance sheet and subsequent amortization, depreciation, change in fair value through profit or loss for contingent consideration and potential for impairment charges.

Capitalization of further development costs requires documentation that all criteria for capitalization of own development still are present, including that sufficient resources are available to complete the development and management's expectations and estimates of future economic benefits to be generated by the assets.

Sources of ***estimation uncertainty*** with a significant risk of a material adjustment to the carrying amount in the following period relates primarily to the measurement of goodwill, technology assets, and contingent consideration, and recognition of deferred tax assets.

Management has used estimates and assumptions in the determination of the amortization period for intangible assets, the assessment of impairment indicators and impairment tests. These are affected by management's expectations and estimates of future economic benefits to be realized by the group. See notes 2.5, 2.6, and 7 for further information.

The group has so far not been able to demonstrate convincing evidence of future taxable profits to be able to recognize net deferred tax assets on its tax losses carried forward according to IAS 12, see also note 2.12.

Note 5 – Segment Information and revenue from contracts with customers

The group currently has only one segment, the Medtech business. The group currently only has immaterial amounts of revenue from contract with customers, and no further disclosures related to revenue and IFRS 15 are provided.

Medtech business

The group will become the owner of product rights (the Sippi® product family) to a product with global potential.

Observe Medical has developed an automated, digital urine meter that saves healthcare personnel time. Compared with current methods, Sippi® represents a clear improvement and may enhance accuracy for hospitals and patient safety. Sippi® has been under development since 2009 and has been approved for use in hospitals in Europe and the USA.

Sippi® has the potential to become a global category leader within urine measuring systems with our wireless, digital and fully integrated product family.

Sippi® is the only digital urine measuring system that can automatically deliver data to electronic patient journal systems, an important innovation within what is now a completely manual task in the health service. Automating the urine measuring process will allow hospitals and other parts of the health service to streamline patient care where urine measuring is required and can thereby free up resources for other needs the patient may have. Trials carried out in clinics confirm that the Sippi® system is more accurate than manual measuring methods, is safer for patients, and frees up hospital staff's time.

In 2018, Observe Medical introduced wireless transmission to patient journal systems to accelerate the interest being shown in Sippi®. A number of leading hospitals in Europe and the Nordic region have said they are very interested in testing and implementing Sippi® with wireless data transfer.

Observe Medical is also developing Sippcoat®, an innovative technology that hampers the formation of biofilms in urine collection and drainage systems.

Biofilm formation is the main cause of bacterial growth in medical devices and the consequent urinary tract

infections. The silicone oil in Sippcoat® helps prevent bacteria migrating to the bladder from a urine bag via the tube system.

Sippi® puts Observe Medical well on the way towards achieving fully-automated, digital urine measuring systems, which would represent significant, long-term earnings potential for the group.

The group's goal is to establish Sippi® as a global niche leader. This will be done by building a network of distributors in key markets and utilising the group's relationships with hospitals throughout the Nordic market.

The insignificant amount of revenue and negative results for the periods presented are due to the development and roll out of the advanced Sippi® urine measuring system and Sippi product family, which have the potential to become global category leaders in the digital monitoring of seriously ill patients' fluid balance.

Amounts in NOK

Tangible assets, goodwill and intangible assets by country*	2018	2017	2016
Sweden	52 480 072	56 099 128	55 962 982
Denmark	2 250 745	2 359 900	1 974 066
Total	54 730 817	58 459 028	57 937 048

*** Tangible assets, goodwill and intangible assets are distributed based on the country in which the legal entity that owns the assets is located. Goodwill and fair value adjustments to technology assets are allocated to Sweden, as Observe Medical International AB was the parent company that was acquired in 2015. Note 6 – Tangible assets**

Amounts in NOK

Accounting year 2016	
Carrying value 1 Jan 2016	496 585
Additions/disposals	603 976
Translation differences	-36 078
Depreciation	-296 937
Carrying value 31 Dec 2016	767 546
Accumulated cost price as at 31 Dec 2016	2 270 687
Translation differences	49 146
Accumulated depreciation	-1 552 286
Carrying value 31 Dec 2016	767 546
Accounting year 2017	
Carrying value 1 Jan 2017	767 546
Additions/disposals	-118 985
Translation differences	33 908
Depreciation	-157 693
Carrying value 31 Dec 2017	524 775
Accumulated cost price as at 31 Dec 2017	2 151 701
Translation differences	83 053
Accumulated depreciation	-1 709 979
Carrying value 31 Dec 2017	524 775
2018 financial year	
Carrying value 1 January 2018	524 775
Additions/disposals	-
Reclassification	-407 853
Translation differences	6 794
Depreciation	-66 303
Carrying value 31 Dec 2018	57 413
Accumulated cost price as at 31 Dec 2018	2 151 701
Reclassification	-407 853
Translation differences	89 847
Accumulated depreciation	-1 776 282
Carrying value 31 Dec 2018	57 413

See note 2.2.4 for description of IFRS 16 and lease contracts.

Note 7 – Intangible assets

Amounts in NOK

	Goodwill	Technology assets	Patent and technology development	Sum
Accounting year 2016				
Carrying value 1 Jan 2016	33 022 084	32 354 525		65 376 609
Additions		778 813		778 813
Disposals/reclassification				-
Translation differences	-2 463 743	-2 794 377		-5 258 120
Amortization		-3 727 801		-3 727 801
Carrying value 31 Dec 2016	30 558 342	26 611 160	-	57 169 502
As at 31 December 2016				
Acquisition cost	32 354 525	30 823 753		63 178 278
Accumulated amortization and impairment		-5 044 857		-5 044 857
Additions	-1 796 183	778 813		-1 017 370
Translation differences		53 451		53 451
Carrying value 31 Dec 2016	30 558 342	26 611 160	-	57 169 502
Accounting year 2017				
Carrying value 1 Jan 2017	30 558 342	26 611 160	-	57 169 502
Additions		-	1 819 308	1 819 308
Disposals/reclassification		-1 974 065	1 974 065	-
Translation differences	1 554 903	1 158 255	55 680	2 768 838
Amortization		-2 921 037	-902 358	-3 823 395
Carrying value 31 Dec 2017	32 113 245	22 874 313	2 946 695	57 934 252
As at 31 December 2017				
Acquisition cost	32 354 525	26 683 560	-	59 038 085
Accumulated amortization and impairment		-7 156 213	-902 358	-8 058 571
Additions		-	3 793 373	3 793 373
Translation differences	-241 280	3 346 966	55 680	3 161 366
Carrying value 31 Dec 2017	32 113 245	22 874 313	2 946 695	57 934 252
Accounting year 2018				
Carrying value 1 Jan 2018	32 113 245	22 874 313	2 946 695	57 934 252
Additions			1 924 754	1 924 754
Year's disposals		-	-	-
Disposals/reclassification			407 853	407 853
Translation differences	-947 720	-777 057	-33 962	-1 758 739
Amortization		-2 825 379	-1 009 337	-3 834 716
Carrying value 31 Dec 2018	31 165 525	19 271 877	4 236 003	54 673 405
As at 31 December 2018				
Acquisition cost	32 354 525	26 683 560	3 793 373	62 831 458
Accumulated amortization and impairment	-	-9 981 592	-1 911 695	-11 893 287
Additions	-	-	1 924 754	1 924 754
Reclassification			407 853	407 853
Translation differences	-1 189 000	2 569 909	21 718	1 402 627
Carrying value 31 Dec 2018	31 165 525	19 271 877	4 236 003	54 673 405
Amortization period		10 år	5 år	

Goodwill relates to the acquisition of Observe Medical International AB (OMI AB) in 2015. Technology assets relates to the acquisition of OMI AB and capitalised external expenses for further development in the Medtech business. Some previously capitalised development expenses were reclassified from tangible fixed assets to intangible assets in 2018. Carrying value of assets under construction at 31 December 2018 was NOK 1,54 million

Impairment test for cash generating unit that contain goodwill

The group currently has only one cash generating unit, and all goodwill is therefore allocated to the Medtech business. Consequently, through the impairment test of goodwill, the carrying value of the total group is effectively tested for impairment. The recoverable amount is based on value in use.

The value in use of the cash generating unit was calculated on the basis of discounted future cash flows. The calculation at 31 Decemer 2018 was based on the budget for 2019 and estimates for subsequent periods. The detailed cash flow period used in the calculation was 13 years. A period of longer than five years was chosen because the product has just recently been developed and there is a need to calculate cash flow over a period that matches the product's estimated lifetime and adoption by the market. Sales volume and revenue are expected to increase up to 2031. Growth of 0.5% is assumed after 2031. The amount of revenue and when it will be generated is especially uncertain. For 2019 and 2020, the operating result, excluding amortization of intangible assets and depreciation of tangible assets (EBITDA), is expected to be negative with a subsequent EBITDA margin between 14.6% and 51.7% in the period 2021 to 2031. After 2031, this margin is estimated at approximately 48.6% of revenue. A discount rate after tax of 18.3% was used to discount future cash flows. The discount rate is unchanged from 31 December 2017, and the same as used in the fair value calculation at the acquisition in 2015. The impairment test at year-end 2018 concluded that there was no need to impair goodwill or other intangible or tangible assets related to the Medtech business. The impairment tests at 31 December 2017 and 2016 also concluded on no impairment.

Uncertainty exists associated with the estimates used to determine future cash flows and the discount rate used to calculate the value in use. Using a discount rate of 19% after tax, the calculated value in use at 31 December 2018 would decrease by NOK 14.2 million, and this would also not trigger any impairment. A discount rate of 20% would also not have resulted in impairment. Substantial deviations in future revenue would be of direct significance in measuring the value of intangible assets, as well as the estimated fair value of the contingent consideration.

In 2018, the group adjusted the estimate for when revenues from the Medtech business will be realised. At year-end 2018, the group estimated that revenue from sales of OM’s products will be realised at a later stage than what was assumed when OMI AB was acquired in 2015. However, the potential revenue and expected realisation remain unchanged and have only been postponed. This has reduced the estimate for the contingent consideration (liability) at 31 December 2018. It has also reduced the present value of expected future cash flows without this giving rise to impairment as at 31 December 2018. Since the acquisition in 2015, the technology assets related to the purchase of OMI AB have been subject to accumulated amortization of NOK 10 million.

Note 8 – Trade receivables and other receivables

	2018	2017	2016
Trade receivables	32 222	27 001	39 161
Other receivables	1 047 109	345 551	495 731
Total	1 079 331	372 552	534 892

Note 9 – Inventories

	2018	2017	2016
Goods for resale	2 399 223	1 431 010	1 460 547
Total	2 399 223	1 431 010	1 460 547

Navamedic Medtech AB have in 2018 reversed the write down the company did in 2017 with NOK 606,247.

Note 10 – Financial instruments

No part of the bank deposits were restricted at the end of the periods presented. There are no significant restrictions on transferring cash within the group.

Financial liabilities as at 31 December 2018

(Figures in NOK millions)	0-3 months	3-12 months	1-2 years	2-3 years	3-4 years	> 4 years	Total	Carrying value
Contingent consideration upon acquisitions	0.0	0.0	0.5	1.6	14.6	9.7	26.3	12.2
Trade account payables	1.2	0.8	0.0	0.0	0.0	0.0	1.9	1.9
Public duties, tax deductions, etc.	0.5	0.0	0.0	0.0	0.0	0.0	0.5	0.5
Other current liabilities	0.6	0.0	0.0	0.0	0.0	0.0	0.6	0.6
Payables loan to Navamedic group	25.0	0.0	0.0	0.0	0.0	0.0	25.0	25.0
Payables Navamedic group	1.8	0.0	0.0	0.0	0.0	0.0	1.8	1.8
Total	29.1	0.8	0.5	1.6	14.6	9.7	54.4	42.0

Financial liabilities as at 31 December 2017

(Figures in NOK millions)	0-3 months	3-12 months	1-2 years	2-3 years	3-4 years	> 4 years	Total	Carrying value
Contingent consideration upon acquisitions	0.0	0.0	0.8	15.5	11.6	31.2	59.2	26.2
Trade account payables	0.7	0.0	0.0	0.0	0.0	0.0	0.7	0.7
Public duties, tax deductions, etc.	0.5	0.0	0.0	0.0	0.0	0.0	0.5	0.5
Other current liabilities	1.6	0.0	0.0	0.0	0.0	0.0	1.6	1.6
Payables loan to Navamedic group	22.8	0.0	0.0	0.0	0.0	0.0	22.8	22.8
Payables Navamedic group	0.9	0.0	0.0	0.0	0.0	0.0	0.9	0.9
Total	26.5	0.0	0.8	15.5	11.6	31.2	85.6	52.6

Financial liabilities as at 31 December 2016

(Figures in NOK millions)	0-3 months	3-12 months	1-2 years	2-3 years	3-4 years	> 4 years	Total	Carrying value
Contingent consideration upon acquisitions	0.0	0.0	0.0	0.9	8.3	46.5	55.7	23.6
Trade account payables	0.9	0.0	0.0	0.0	0.0	0.0	0.9	0.9
Public duties, tax deductions, etc.	0.4	0.0	0.0	0.0	0.0	0.0	0.4	0.4
Other current liabilities	1.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
Payables loan to Navamedic group	27.8	0.0	0.0	0.0	0.0	0.0	27.8	27.8
Payables Navamedig group	0.7	0.0	0.0	0.0	0.0	0.0	0.7	0.7
Total	30.1	0.0	0.0	0.9	8.3	46.5	85.8	54.3

The group had no bank financing for the periods presented. Debt financing has been provided by Navamedic group, primarily Navamedic AB. Interest bearing liabilities to Navamedic AB carried interest rate of 2% per annum for all periods presented. The tables above shows that the financing from Navamedic was short term and could be terminated by Navamedic at short notice, and no interest has been calculated in the tables. At year-end 2016 and 2017, the group also had receivables on Navamedic group.

Contingent consideration from acquisitions has been discounted by an interest rate of 18.3% per annum as at 31 December for all years presented.

None of the liabilities are secured by security or assets pledged as at 31 December for the years presented.

Classification of financial assets and liabilities as at 31 December 2018

(Figures in NOK millions)	Measured at amortised cost	Fair value through profit or loss	Total
Assets			
Bank deposits	0.6	0.0	0.6
Trade receivables and other receivables	1.1	0.0	1.1
Total financial assets [2) and 3)]	1.7	0.0	1.7
Liabilities			
Contingent consideration upon acquisitions [1)]	0.0	12.2	12.2
Trade account payables and other liabilities	29.9	0.0	29.9
Total financial liabilities [3)]	29.9	12.2	42.0

Classification of financial assets and liabilities as at 31 December 2017

(Figures in NOK millions)	Measured at amortised cost	Fair value through profit or loss	Total
Assets			
Bank deposits	2.1	0.0	2.1
Trade receivables and other receivables	2.1	0.0	2.1
Total financial assets [2) and 3)]	4.1	0.0	4.1
Liabilities			
Contingent consideration upon acquisitions [1)]	0.0	26.2	26.2
Trade account payables and other liabilities	26.5	0.0	26.5
Total financial liabilities [3)]	26.5	26.2	52.6

Classification of financial assets and liabilities as at 31 December 2016

(Figures in NOK millions)	Measured at amortised cost	Fair value through profit or loss	Total
Assets			
Bank deposits	3.5	0.0	3.5
Trade receivables and other receivables	6.0	0.0	6.0
Total financial assets [2) and 3)]	9.5	0.0	9.5
Liabilities			
Contingent consideration upon acquisitions [1)]	0.0	23.6	23.6
Trade account payables and other liabilities	30.8	0.0	30.8
Total financial liabilities [3)]	30.8	23.6	54.3

1) Contingent consideration arose in connection with the acquisition of Observe Medical International AB in 2015, see section below. The item is level 3 on the fair value measurement hierarchy.

2) The carrying value equals maximum credit risk.

3) The carrying value is regarded as a reasonable approximation of fair value.

Additional information about the change in financial liabilities arising from financing activities.

	Net loan from Navamedic Group	Contingent consideration upon acquisitions	Total
Carrying value 1 January 2018	21.1	26.2	47.3
Cash flow	3.9		3.9
Change in liability with no cash effect		-14.0	-14.0
Carrying value 31 December 2018	25.0	12.2	37.3

	Net loan from Navamedic Group	Contingent consideration upon acquisitions	Total
Carrying value 1 January 2017	22.3	23.6	45.9
Cash flow	-1.2		-1.2
Change in liability with no cash effect		2.6	2.6
Carrying value 31 December 2017 *	21.1	26.2	47.3
* Receivables on Navamedic group	1.7		
* Loans from Navamedic group	22.8		

	Net loan from Navamedic Group	Contingent consideration upon acquisitions	Total
Carrying value 1 January 2016	7.9	27.6	35.6
Cash flow	14.3		14.3
Change in liability with no cash effect		-4.0	-4.0
Carrying value 31 December 2016 *	22.3	23.6	45.9
* Receivables on Navamedic group	5.5		
* Loans from Navamedic group	27.8		

Net loan from Navamedic Group is loans from Navamedic Group deducted receivables on Navamedic Group.

Changes in liabilities without cash effect relate to estimated change in fair value of contingent consideration (which include calculated interest).

Note 11 – Contingent consideration

Acquisition of Observe Medical

On 4 August 2015, Navamedic ASA acquired all of the shares and votes in Observe Medical International AB (OMI AB). The purchase price was NOK 35 million in the form of cash (NOK 25 million) and the issuance of shares (888,100 shares in Navamedic, with a fair value on the date of acquisition of NOK 10 million). An extra payment (contingent consideration) dependent on the results in the coming years was also agreed. The contingent consideration was valued at NOK 25.6 million on the acquisition date, which means that the value of the remuneration on the date of acquisition was NOK 60.6 million. The fair value of the contingent consideration involves discounting expected future payments. Discounting is based on the same discount rate (18.3%) that was used for the valuation of the identified intangible assets (fair value adjustments) in the purchase price allocation.

The maximum contingent consideration is calculated as follows:

- For the period 2016-2023, a royalty may be paid to the former shareholders of OMI AB, based on the following: A royalty of 7% based on annual revenue from sales of the Sippi® product in excess of NOK 7.5 million, increasing to a 15% royalty for annual revenue in excess of NOK 100 million.
- In addition to this, six milestone payments may be made to the former shareholders of OMI AB based on set sales targets for the product. These sales targets must be achieved by the end of 2023, with the last by the end of 2026. Total potential milestone payments cannot exceed NOK 125 million, in addition to royalties mentioned above. The six potential milestone payments will be triggered as follows:

a) NOK 6 million of accumulated revenue in excess of NOK 50 million

b) Plus, NOK 6 million of accumulated revenue in excess of NOK 75 million

c) Plus, NOK 6 million of accumulated revenue in excess of NOK 100 million

d) Plus, NOK 13 million of accumulated revenue in excess of NOK 300 million

e) Plus, NOK 34 million of accumulated revenue in excess of NOK 600 million

f) Plus, NOK 60 million of accumulated revenue in excess of NOK 900 million

Change in contingent consideration

(in NOK)	
Estimated fair value 1 January 2016	27 619 000
Change in estimated fair value in 2016	-4 051 000
Estimated fair value 31 December 2016	23 568 000
Change in estimated fair value in 2017	2 618 000
Estimated fair value 31 December 2017	26 186 000
Change in estimated fair value in 2018	-14 009 000
Estimated fair value 31 December 2018	12 177 000

Change in estimated fair value, which includes calculated interest, is recognized through profit or loss.

The reduction in 2016 was due to changes in the probabilities related to the milestone payments and royalties. The increase in 2017 was related to accrued interest on the liability, partially offset by changes in the probabilities related to the milestone payments and royalties. In 2018, the expected payments to the former owners of OMI AB were adjusted downwards, which reduced the estimated liability by NOK 14.0 million. The change was primarily a result of changes to the probabilities of milestone payments and royalties in the purchase agreement. At year-end 2018, the group estimated that revenue from sales of OM's products will be realised at later points in time than assumed when OMI AB was acquired in 2015. However, the potential revenue and expected realisations remain unchanged and have only been postponed.

Sensitivity at 31 December 2018: A 1% reduction in the discount rate would increase the estimated present value by NOK 0.5 million.

Note 12 – Deferred tax and tax payable

Change in deferred tax assets and deferred tax liabilities:

	01.01.2016	Recognised in profit and loss during the year	Group contibution	Foreign currency exchange differences	31.12.2016
Intangible assets	5 513 578	-1 221 101	0	286 051	4 578 528
Tax losses carried forward	-18 269 176	-2 525 017	2 858 171	1 036 665	-16 899 357
Gross tax liabilites/ assets(-)	-12 755 598	-3 746 118	2 858 171	1 322 716	-12 320 829
Deferred tax asset not recognised	12 320 828	3 746 118	-2 858 171	-1 322 716	12 320 829
Tax liabilites/ assets(-) recognised	0	0	0	0	0

	01.01.2017	Recognised in profit and loss during the year	Group contibution	Foreign currency exchange differences	31.12.2017
Intangible assets	4 578 528	-1 011 902	0	373 864	3 940 491
Tax losses carried forward	-16 899 357	-2 466 899	1 235 168	-1 360 051	-19 491 139
Gross tax liabilites/ assets(-)	-12 320 829	-3 478 801	1 235 168	-986 187	-15 550 648
Deferred tax asset not recognised	12 320 829	3 478 801	-1 235 168	986 187	15 550 648
Tax liabilites/ assets(-) recognised	0	0	0	0	0

	01.01.2018	Recognised in profit and loss during the year	Group contibution	Foreign currency exchange differences	31.12.2018
Intangible assets	3 940 491	-1 033 416	0	30 403	2 937 478
Tax losses carried forward	-19 491 139	-1 924 632	0	-114 674	-21 530 444
Gross tax liabilites/ assets(-)	-15 550 648	-2 958 047	0	-84 270	-18 592 966
Deferred tax asset not recognised	15 550 648	2 958 047	0	84 270	18 592 966
Tax liabilites/ assets(-) recognised	0	0	0	0	0

Basis for deferred tax liabilities and tax assets (-)

2016	Temporary differences Norway	Temporary differences Sweden	Temporary differences Denmark	Total 2016
Intangible assets	0	0	20 811 493	20 811 493
Total temporary differences	0	0	20 811 493	20 811 493
Tax losses carried forward	0	-7 126 235	-69 689 024	-76 815 259
Basis for temporary differenses	0	-7 126 235	-48 877 531	-56 003 767
Unrecognised temporary differences	0	7 126 235	48 877 531	56 003 767
Total recognised temporary differences	0	0	0	0
Tax rate	24 %	22 %	22 %	
Recognised deferred tax liabilities and tax assets (-)	0	0	0	0
Deferred tax assets	0	0	0	0
Deferred tax liabilities	0	0	0	0

2017	Temporary differences Norway	Temporary differences Sweden	Temporary differences Denmark	Total 2017
Intangible assets	0	0	17 911 321	17 911 321
Total temporary differences	0	0	17 911 321	17 911 321
Tax losses carried forward	0	-12 687 749	-75 908 336	-88 596 085
Basis for temporary differenses	0	-12 687 749	-57 997 015	-70 684 764
Unrecognised temporary differences	0	12 687 749	57 997 015	70 684 764
Total recognised temporary differences	0	0	0	0
Tax rate	23 %	22 %	22 %	
Recognised deferred tax liabilities and tax assets (-)	0	0	0	0
Deferred tax assets	0	0	0	0
Deferred tax liabilities	0	0	0	0

2018	Temporary differences Norway	Temporary differences Sweden	Temporary differences Denmark	Total 2018
Intangible assets	0	0	13 352 173	13 352 173
Total temporary differences	0	0	13 352 173	13 352 173
Tax losses carried forward	0	-20 566 504	-77 299 149	-97 865 654
Basis for temporary differenses	0	-20 566 504	-63 946 976	-84 513 480
Unrecognised temporary differences	0	20 566 504	63 946 976	84 513 480
Total recognised temporary differences	0	0	0	0
Tax rate	22 %	20,6 %*	22 %	
Recognised deferred tax liabilities and tax assets (-)	0	0	0	0
Deferred tax assets	0	0	0	0
Deferred tax liabilities	0	0	0	0

*The 2019 corporate tax rate in Sweden is 21,4 %. The corporate tax rate is expected to be 20,6 % from 2021

Use of tax losses carried forward:

Tax losses in Sweden in the amount of SEK 3 741 500 (NOK 3 629 629 at 31.12.2018) from the acquisition in 2015 are restricted for use for the first five years after the acquisition.There are not any expiring date of the use of tax losses carried forward.

Tax payable:

There are no tax payable within the group for the period 2016 - 2018. However, the Swedish enity had prepaid tax of NOK 100 882 as of 31.12.2016 and NOK 27 176 as of 01.01.2016 classified as current tax assets.

Note 13 – Other operating expenses

The operating expenses consist of mainly consultancy cost, management fee (to cover costs and activities as finance and management support), travel expenses and R&D costs.

Note 14 – Payroll expenses

Payroll expenses are in NOK	2018	2017	2016
Salaries	2 940 565	3 606 771	2 707 838
Employer's tax	852 758	1 112 563	1 082 239
Pension expenses – defined-contribution scheme	414 237	509 587	318 241
Other payroll expenses	9 462	124 656	539 108
Total	4 217 022	5 353 577	4 647 425
Number of full time employees	5	5	5

	CEO Navamedic Medtech AB	
Payroll expenses are in NOK	2018	2017
Salary	955 026	822 800
Bonus		246 840
Pension expenses	174 590	182 348
Total	1 129 616	1 251 988

Note 15 – Tax expense

Income tax:

	2018	2017	2016
Current taxes (note 12)	0	0	0
Deferred taxes (note 12)	0	0	0
Tax expense/income recognised	0	0	0

Effective tax rate:

Tax using the companies domestic tax rate

Profit / loss (-) before tax		2018	2017	2016
	Tax rate			
Norway	23% (24%, 25%)	3 222 070	-628 320	101 275
Sweden	22%	-1 728 580	-2 053 971	-2 783 566
Denmark	22%	-853 196	-892 455	-892 455
Income tax expense/ income(-) at corporate income tax rate in the different geographical areas		640 294	-3 574 746	-3 574 746

Total tax reconciling items

	Tax rate			
Norway - non-deductable expenses	23% (24%, 25%)	-3 222 070	628 320	-101 275
Denmark current-year losses for which no deferred tax asset is recognised	22%	853 196	249 827	249 827
Sweden - non-deductable expenses	22%	4 568	42 575	707 657
Sweden - current-year losses for which no deferred tax asset is recognised	22%	1 724 012	2 654 025	2 718 538
Total taxes		-640 294	3 574 746	3 574 746
Tax expense/income recognised		0	0	0
Effective tax rate		0.0 %	0.0 %	0.0 %

Note 16 – Earnings per share

Observe Medical ASA was established 13 June 2019 Observe Medical ASA and the group had no shares outstanding in the periods presented. Observe Medical ASA was established with a share capital of NOK 1 million and 1 000 000 shares

Observe Medical ASA will be the parent of the OM group on completion of the demerger from Navamedic ASA. OM ASA was established 13 June 2019. The demerger is conditional on listing of the shares in Observe Medical ASA. These special purpose financial statements have been prepared for inclusion in the listing prospectus for Observe Medical ASA shares. Accordingly, Observe Medical ASA and the group had no shares outstanding in the periods presented. Observe Medical ASA was established with a share capital of NOK 1 million and 1 000 000 shares. On completion of the demerger and prior to conversion of debt as explained in note 1 and 18. The share capital of Observe Medical ASA will be NOK 3 085 595 with 11 867 673 shares, each with a nominal value of NOK 0,26. Earnings per share has been presented as if these shares were outstanding for all periods presented.

See note 2.2.3 for a description of employee share options to be issued in connection with the demerger and merger of OM ASA. No adjustments have been made in these carve-out financial statements related to the employee share options. The share options had no dilutive effect on Navamedic group for 2018, and had no dilutive effect for the OM group.

Earnings per share:

	2018	2017	2016
Net result for the year, company's shareholders	2 273 653	-17 369 880	-10 571 105
Number of shares	11 867 673	11 867 673	11 867 673
Earnings per share (NOK per share)	0,19	-1,46	-0,89

Note 17 – Related parties

Transactions and shared costs have historically been charged from Navamedic to Observe Medical International AB and its subsidiaries, and consequently recognised in the group's carve-out financial statements. Navamedic AB has also provided group contributions to the OM group, to utilize parts of the tax losses carried forward in the OM group.

In addition to Navamedic group, the group's related parties are:

Key management personnel, close members of the family of a person and entities that are controlled or jointly controlled by any of these. Key management personnel are defined as the Board of Directors and the group management.

There were no transactions with key management personnel in 2018, 2017 and 2016. The companies within the OM group are also related parties. Transactions and balances within the group are eliminated in the carve-out financial statements and are not disclosed in this note. Transaction and balances with the Navamedic group:

Transactions and balances with related parties:

(amounts in NOK)	2018	2017	2016
Revenues			
Expenses	934 903	1 047 462	653 000
Finance income	96 132	240 981	13 298
Finance expenses	416 080	314 554	543 830
Group contributions received	5 614 400	12 991 688	
Receivables	0	1 715 735	5 501 375
Liabilities	26 792 013	23 661 092	28 426 536

Expenses is primarily management fee (to cover costs and activities as finance and management support) and rent of office space. Finance expense is interest on intercompany debt.

Note 18 – Events after the balance sheet date

Estimates made for the preparation of these financial statements are consistent with estimates made for the same dates in accordance with the preparation of the annual financial statements for Navamedic group, of which the group was a part for the periods presented. The only exception is related to non-recognition of net deferred tax assets when presenting the group separate from the Navamedic group.

Any information after the balance sheet date about estimates that Navamedic had made in relation to the assets and liabilities of the group are treated in the same way as non-adjusting events after the reporting period in accordance with IAS 10 *Events after the Reporting Period*. Management is however not aware of any such new information.

The information in this note covers events after 31 December 2018.

Demerger from Navamedic
The Company was incorporated as part of Navamedic's reorganisation of its business in order for it to spin-off its medtech division in a separate business group.

On 19 June 2019, the board of directors of Navamedic ASA and the company signed a joint demerger plan (the "Demerger Plan"), pursuant to which all of Navamedic's shares in OMI are to be transferred to the company together with an earn-out obligation (a contingent consideration) to the sellers of OMI related to Navamedic's acquisition of OMI in 2015 (the "Contingent Consideration"), while all other assets, rights and liabilities are to remain with Navamedic. The Demerger plan was approved by the general meetings of Navamedic and the Company on 5 August 2019.

Listing on Oslo Axess
The Company is in process to apply for a listing of its share on Oslo Axess and the Company expects to submit its listing application on 2 October 2019 with expected first day of trading in the beginning of November 2019.

Loan agreement
On 1 of October 2019, Observe Medical ASA, as the borrower, entered into a subordinated convertible bond loan agreement with Navamedic, as the lender, for a loan of an aggregate amount estimated to be around NOK 32,000,000 (the "Bond Loan").

The Bond Loan consists of the two following facilities:

- A subordinated convertible term loan facility for the amount of outstanding loans and payables to Navamedic Group, reduced by the NOK 16 million that was on October 1, 2019 converted to equity shares in Observe Medical ASA, in the amount of NOK 19,000,000 (the "Facility A"); and
- A subordinated convertible term loan facility in the amount of NOK 13,000,000 (the "Liquidity Facility").

The facilities given under the Bond Loan constitute direct, unsecured and fully subordinated obligations of the Company, and rank at least pari passu with all other existing and future unsecured and subordinated obligations of the Company,other than in respect of any obligations preferred by mandatory provisions of applicable law, and rank ahead of all amounts payable in respect of the share capital of the Company.

The Facility A was made available to the Company on October 1, 2019, while the Liquidity Facility is divided into four equal loans, each for an amount of no more than NOK 3,250,000. The Company is entitled to draw down on the Liquidity Facility as per 1 November 2019, 1 February 2020, 1 May 2020 and 1 August 2020. The first draw down on the Liquidity Facility for an amount of NOK 3,250,00 will be done on 1 November 2019.

Each loan facility given under the Bond Loan accrue interest at a fixed interest rate of 8.00% per annum. Accrued interest shall on the last day of the three months' interest period be capitalised and added to the aggregate principal amount of the loans outstanding under the Bond Loan.

The Company shall 36 months after October 1, 2019 repay to Navamedic ASA the aggregate amount of each loan then outstanding together will all accrued but unpaid interest. The Company may at any time prepay any loan outstanding in part or in full. Any amount repaid or prepaid may not be re-borrowed.

Navamedic ASA has the right to, following the date falling 12 months after the date of the Bond Loan, request that all, but not parts of, the loans outstanding are converted into Shares (the "Conversion Right"). Following the disbursement of a written notice to the Company informing about the exercise of the Conversion Right, the Company has the optionality to either (i) accept the Conversion Right or (ii) reject such Conversion Right by settling the loans in full in cash or settling parts of any loans in cash and the remainder through conversion. The Company has in the two months' period the right to take all actions necessary to obtain sufficient funding, either by debt capital transactions or equity capital transactions or otherwise at its sole discretion, for the purpose of enabling the Company to repay the loans.

The subscription price in such a conversion shall be equal to the volume weighted average share price of the company shares on the Oslo Axess or any other exchange having replaced Oslo Axess as the market place for the Shares at the time of the conversion for the last ten days prior to the conversion date, but in no event be less than the nominal value of each share.

The Conversion Right cannot be separated from the loan facilities under the Bond Loan.

Debt conversion

On 1 of October 2019, the extraordinary general meeting of the Company resolved the issuance of 3,200,000 shares to Navamedic ASA. The share contribution was settled by contribution in kind by Navamedic ASA setting-off a loan it had to the Company in the amount of NOK 16,000,000. The subscription price per share in the transaction is to be settled at NOK 5.00 (the "Debt Conversion"). The debt conversion will be completed upon completion of the demerger and Navamedic will after the completion own approximately 21% of the total number of shares.

Share options

The holders of employee share options at the date of the demerger and merger into OM ASA is expected to receive the same number of share options in OM ASA as they have in Navamedic ASA contingent upon the completion of the demerger.

On the completion of the demerger, the 467,500 share options issued under Navamedic's long-term incentive program (400,000 options) and other share option programs (67,500 options) are expected to be "mirrored" and split so that these options are transferred to the Company, resulting in the Company having 467,500 share options issued at the time of Listing.

The exercise price for the options will reflect the exchange ratio in the demerger, so that the exercise price of the options in OM ASA will be 26% of the initial exercise price of the options in Navamedic ASA. Each option will give the holder the right to subscribe for one Share.

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To the Board of Directors of Observe Medical ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the carve-out financial statements of Observe Medical ASA, which comprise:

- The consolidated financial statements of Observe Medical Group, which comprise the carve-out balance sheet as at 31 December 2018, 2017 and 2016 respectively, carve-out statement of comprehensive income, carve-out statement of changes in equity and carve-out cash flow statement for the respective years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The consolidated carve-out financial statements are prepared in accordance with the law and regulations.
- The consolidated carve-out financial statements give a true and fair view of the financial position of the Observe Medical Group as at 31 December 2018, 2017 and 2016 respectively, and its financial performance and its cash for the respective years then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Observe Medical Group as required by laws and regulations in Norway, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Basis for preparation

Without modifying our opinion, we draw attention to Note 1 and 2 to the carve-out financial statements, which explains the basis of preparation, including the approach to and the purpose for preparing them. The carve-out financial statements were prepared in connection with Observe Medical ASA's listing of shares on Oslo Axess, including the prospectus prepared in connection therewith, and for no other purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the consolidated carve-out financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated carve-out financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated carve-out financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated carve-out financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 1 October 2019
KPMG AS

John Thomas Sørhaug
State Authorised Public Accountant

APPENDIX C

THE CARVE-OUT INTERIM FINANCIAL STATEMENTS

observe medical

CONDENSED CARVE-OUT FINANCIAL STATEMENTS

FIRST HALF YEAR 2019

Condensed carve-out statement of comprehensive income

Amounts in NOK	2019	2018
	1 January - 30 June	
Revenue	60 433	51 122
Revenue	60 433	51 122
Cost of materials	544 733	18 583
Payroll expenses	2 464 175	1 979 383
Other operating expenses	2 558 076	2 678 385
Operating result before depreciation and impairment (EBITDA)	-5 506 551	-4 625 228
Depreciation and amortization	2 138 967	1 896 003
Operating result (EBIT)	-7 645 518	-6 521 232
Net currency gains/losses	576 463	722 775
Change in contingent consideration (+ income / - cost)	-1 114 004	-2 148 000
Financial expenses	293 315	121
Net finance	-830 856	-1 425 346
Result before tax	-8 476 374	-7 946 577
Net result for the year	-8 476 374	-7 946 577
Other comprehensive income that may be reclassified subsequently to profit or loss		
Translation differences	-2 135 287	-4 716 991
Total comprehensive income	-10 611 661	-12 663 569
Net result for the year is allocated to:		
Shareholders in the parent company	-8 476 374	-7 946 577
	-8 476 374	-7 946 577
Total comprehensive income is allocated to:		
Shareholders in the parent company	-10 611 661	-12 663 569
	-10 611 661	-12 663 569
Earnings per share (NOK per share)	-0.71	-0.67

Condensed carve-out balance sheet

Amounts in NOK	30.06.2019	30.06.2018
ASSETS		
Intangible assets	21 317 436	22 586 802
Total intangible assets	21 317 436	22 586 802
Operating equipment, fixtures, office machines, etc.	48 217	484 023
Lease assets	360 991	
Total tangible assets	409 208	484 023
Goodwill	29 482 117	29 231 534
Total other non current assets	29 482 117	29 231 534
Total fixed assets	51 208 762	52 302 359
Current assets		
Inventories	1 142 147	1 308 268
Trade receivables and other receivables	288 784	460 989
Receivables on Navamedic group	0	6 618 339
Prepaid tax	72 962	6 555
Bank deposits	632 104	1 077 795
Total current assets	2 135 997	9 471 947
Total assets	53 344 759	61 774 305

Amounts in NOK	30.06.2019	30.06.2018
Total equity	6 202 858	4 344 851
LIABILITIES		
Non-current liabilities		
Contingent consideration	13 291 004	28 334 000
Non-current lease liabilities	365 006	
Total non-current liabilities	13 656 010	28 334 000
Current liabilities		
Trade account payables	725 924	1 202 166
Loans from Navamedic group	30 613 025	25 612 073
Payables to Navamedic group	1 043 555	1 303 577
Other current liabilities	1 103 386	977 638
Total current liabilities	33 485 891	29 095 454
Total liabilities	47 141 901	57 429 454
Total equity and liabilities	53 344 759	61 774 305

Oslo, 1 October 2019

The Board of Directors and CEO of Navamedic ASA

Terje Bakken (sign.)
Chair of the Board

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 carve-out cash flow statement

Amounts in NOK	01.01-30.06.19	01.01-30.06.18
Cash flow from operating activities		
Result before tax	-8 476 374	-7 946 577
Depreciation and impairment	2 042 016	1 896 003
Lease asset depreciation	96 951	0
Change FV contingent consideration with no cash effect	1 114 004	2 148 000
Change in inventories	1 257 076	122 742
Change in trade receivables and other receivables	790 547	-88 438
Change trade account payables and other current liabilities	-1 914 254	953 820
Changes in other current items	-11 117	-1 123 148
Net cash flow from operating activities	-5 101 152	-4 037 598
Cash flow from investing activities		
Purchase / disposal of tangible and intangible assets	-1 035 883	-865 163
Net cash flow used for investing activities	-1 035 883	-865 163
Cash flow from financing activities		
Change in net interest bearing debt to Navamedic	5 580 598	-2 095 067
Equity contribution	-	5 614 400
Payments of lease liabilities	-92 087	0
Net cash flow used for financing activities	5 488 511	3 519 333
Exchange rate fluctuations	659 483	402 282
Changes in cash	10 960	-981 144
Bank deposits as at 1 January	621 144	2 058 940
Bank deposits end of period	632 104	1 077 795

Condensed carve-out statement of changes in equity

Amounts in NOK	Equity		
	Contributed equity and retained earnings	Translation differences	Total
Equity as at 1 January 2018	9 031 711	2 362 308	11 394 019
Contributed equity (group contribution)	5 614 400	0	5 614 400
Net result for the period	-7 946 577	0	-7 946 577
Translation differences	0	-4 716 991	-4 716 991
Equity as at 30 June 2018	6 699 534	-2 354 683	4 344 851
Equity as at 1 January 2019	16 919 764	-96 912	16 822 852
Contributed equity (group contribution)	0	0	0
Net result for the period	-8 476 374	0	-8 476 374
Translation differences	0	-2 143 619	-2 143 619
Equity as at 30 June 2019	8 443 390	-2 240 531	6 202 858

Notes to the condensed carve-out interim financial statements

General information

Observe Medical ASA is a Norwegian limited liability company incorporated on 13 June 2019 to own and manage the Observe Medical business previously owned by Navamedic ASA. For further details, reference is made to note 1 to the Observe Medical group full-year carve-out financial statements 2016-2018 presented in this prospectus in relation to listing of Observe Medical ASA (OM ASA).

1. Basis of preparation

The basis for preparation of these carve-out interim financial statements are described in note 2 to the Observe Medical group full-year carve-out financial statements 2016-2018 presented in this prospectus. The same basis and accounting principles have been used for these interim financial statements.

These condensed carve-out interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, except as described below.

IFRS 10 requires the parent company, OM ASA, to control its subsidiaries at the balance sheet date in order to prepare consolidated financial statements. OM ASA will not obtain such control until the demerger and merger is completed in connection with the listing, which is expected in the fourth quarter of 2019. IFRS 10 has therefore not been applied for the carve-out interim financial statements.

These carve-out interim financial statements are condensed and do not include all of the information and footnotes required by IFRS for a complete set of financial statements. These condensed carve-out interim financial statements should be read in conjunction with the Observe Medical group full-year carve-out financial statements 2016-2018 presented in this prospectus. The accounting policies used are consistent with those used in the full-year carve-out financial statements, except as described below for IFRS 16.

These condensed carve-out interim financial statements have not been subject to an audit, but has been subject review procedures in accordance with International Standard on Review Engagements (ISRE 2400) by KPMG as independent auditor. Navamedic's Board of Directors and CEO approved these condensed carve-out interim financial statements on 1 of October 2019.

The functional currencies of the operating companies in the Observe Medical group are SEK and DKK. The presentation currency for these condensed carve-out financial statements is NOK. In the absence of any statement to the contrary, all financial information is reported in NOK.

2. Change in accounting policies

IFRS 16

The group has implemented IFRS 16 on 1 January 2019 without adjusting the comparative figures. The group has used the simplification to recognize the right-of-use assets equivalent to lease liabilities and therefore there are not any impact on equity upon implementation on 1 January 2019.At 31 December 2018, the group had lease contracts for three cars, with total annual lease payments of approximately NOK 220 thousand and remaining lease periods of 2 to 2.5 years. Employees of the group is currently co-located with Navamedic AB. Navamedic AB charges the group for the office space used, but there is no legal contract between Navamedic AB and the group, and the group has evaluated that this does not represent a lease contract that needs to be recognized at 1 January 2019. The annualized rent amount for 2019 is less than NOK 100 thousand.

On implementation, the group recognized lease liabilities and right of use assets of NOK 483 thousand at 1 January 2019. In the first half year 2019, the effect of IFRS 16 was an increase in EBITDA of NOK 101 218, increased depreciation of NOK 96 951 and increased interest expenses of NOK 9 131. Comparable figures have not been restated.

3. Financial risk factors,liquidity risk and going concern risk

See notes 3, 10 and 11 to Observe Medical group full-year carve-out financial statements 2016-2018 for description of financial risk factors and risk management, liquidity risk and contingent consideration.

Per 30.06.2019 Observe Medical ASA's funding is based on loan from Navamedic Group. NOK 30.7 million is interest bearing loan and NOK 1 million is trade payable.

Liquidity and going concern

The group has subsequent to the acquisition by Navamedic in 2015 been dependent on loans and group contributions from the Navamedic group to finance its further development and operations.

The group has had no long-term financing. The contingent consideration is payable only if the group realises substantial future revenues from the sale of Sippi® products. Such revenues is expected to give good headroom to pay out the contingent consideration. The group would not be able to redeem the debt to the Navamedic group, should Navamedic group require redemption. The group is dependent on longer term financing in form of debt and/or equity, to be able to finance its operations until it generates sufficient cash flow from operations. The group expects to reduce its liquidity risk in connection with the expected listing of its shares in the fourth quarter of 2019.

The company has entered into an agreement with Navamedic ASA of a loan arrangement to refinance existing loan and ensure finance to support operations and development going forward. With this funding, management believes the company will be able to carry out planned operations and development for the next 12 months without any further need for additional financing. With weaker or delayed revenue growth than planned during the next 12 months, the group can continuously adjust the variable costs to avoid further financing needs.

In connection with entered into the new loan agreement, Navamedic ASA will also convert NOK 16 million of existing interest bearing debt to equity in OM ASA.

See note 8 for further description of the loan agreement and the debt conversion.

For further information about going concern and loan agreement, see note 1 and 18 in the carve-out financial statements 2016-2018.

Variable interest rate risk

The group is exposed to variable interest rate risk on its interest bearing liabilities to the Navamedic group and on its bank deposits. The group has not hedged its interest rate exposure. Net interest-bearing liabilities less bank deposits amounted to NOK 31 million as at 30 June 2019. A 0.5% rise in interest rates for the net interest-bearing liabilities at 30 June 2019 would increase annual interest expenses by NOK 0.16 million.

4. Earnings per share

Observe Medical ASA will be the parent of the OM group on completion of the demerger from Navamedic ASA. The demerger is conditional on listing of the shares in Observe Medical ASA. Observe Medical ASA and the group had no shares outstanding in the periods presented. Observe Medical ASA was established with a share capital of NOK 1 million and 1 000 000 shares on 13 June 2019. On completion of the demerger and prior to any further capital increase (in form of conversion of debt or issuance of shares for cash), the share capital of Observe Medical ASA will be NOK 3 085 595 with 11 867 673 shares, each with a nominal value of NOK 0.26. Earnings per share has been presented as if these shares were outstanding for all periods presented.

5. Inventories

	30.06.2019	30.06.2018
Goods for resale	1 649 683	1 308 268
Write-down	-507 536	
Total	1 142 147	1 308 268

Write-down for the first half year 2019, and at 30.06.2019 relates to disposable units that had short remaining shelf-life left at 30 June 2019.

6. Related parties

(amounts in NOK)	01.01.-30.06.19	01.01.-30.06.18
Revenues		
Expenses	1 290 482	487 971
Finance expenses	257 986	0
Group contributions received	0	5 614 400
Liabilities	31 656 581	26 915 651

Expenses is primarily management fee (to cover costs and activities as finance and management support) and rent of office space.

7. Share options

Navamedic ASA has employee share option programs. The holders of employee share options at the date of the demerger and merger into Observe Medical ASA are expected to receive the same number of share options in Observe Medical ASA as they have in Navamedic ASA. The strike price per Navamedic share, will be reduced by 26%, and the strike price for shares in Observe Medical ASA will be the same 26%. 26% is the fraction that was used in the demerger plan signed 19 June 2019, which was based on the estimated relative fair values of Navamedic ASA and Observe Medical ASA at that point in time.

Of the 2018 option program, 22,500 options were forfeited in the second quarter 2019, leaving 67,500 options outstanding at 30 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 Navamedic ASA share. The options are granted without consideration. The exercise price was set to 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 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 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.

The strike price for the 2019 program was NOK 12 per Navamedic share, and will be reduced by 26%, and the strike price for shares in Observe Medical ASA will be the same 26% (NOK 3.12 per Observe Medical ASA share). The total estimated fair value of the Series B options, and NOK 0.1 million of the Series A options was recognized as an expense by Navamedic group in the first half year of 2019, in total NOK 0.4 million. Including the 2018 share options, Navamedic group expensed NOK 0.459 million in the first half year 2019. In addition, estimated social security tax is also expensed over the estimated vesting periods. No carve-out adjustments have been made in these condensed carve-out interim financial statements related to the employee share options.

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

Estimates made for the preparation of this interim financial statement is consistent with estimates made for the same dates in accordance with the preparation of the annual financial statements for Navamedic group, of which the group was a part for the periods presented. The only exception is related to non-recognition of net deferred tax assets when presenting the group separate from the Navamedic group.

Any information after the balance sheet date about estimates that Navamedic had made in relation to the assets and liabilities of the group are treated in the same way as non-adjusting events after the reporting period in accordance with IAS 10 *Events after the Reporting Period*. Management is however not aware of any such new information.

The information in this note covers events after 30 June 2019.

Demerger from Navamedic
The Company was incorporated as part of Navamedic's reorganisation of its business in order for it to spin-off its medtech division in a separate business group.

On 19 June 2019, the board of directors of Navamedic ASA and the company signed a joint demerger plan (the "Demerger Plan"), pursuant to which all of Navamedic's shares in OMI are to be transferred to the company together with an earn-out obligation (a contingent consideration) to the sellers of OMI related to Navamedic's acquisition of OMI in 2015 (the "Contingent Consideration"), while all other assets, rights and liabilities are to remain with Navamedic. The Demerger plan was approved by the general meetings of Navamedic and the Company on 5 August 2019.

Listing on Oslo Axess
The Company is in process to apply for a listing of its share on Oslo Axess and the Company expects to submit its listing application on 2 October 2019 with expected first day of trading in the beginning of November 2019.

Loan agreement
On 1 of October 2019, Observe Medical ASA, as the borrower, entered into a subordinated convertible bond loan agreement with Navamedic, as the lender, for a loan of an aggregate amount estimated to be around NOK 32,000,000 (the "Bond Loan").

The Bond Loan consists of the two following facilities:

- A subordinated convertible term loan facility for the amount of outstanding loans and payables to Navamedic Group, reduced by the NOK 16 million that was on October 1, 2019 converted to equity shares in Observe Medical ASA, in the amount of NOK 19,000,000 (the "Facility A"); and
- A subordinated convertible term loan facility in the amount of NOK 13,000,000 (the "Liquidity Facility").

  The facilities given under the Bond Loan constitute direct, unsecured and fully subordinated obligations of the Company, and rank at least pari passu with all other existing and future unsecured and subordinated obligations of the Company,other than in respect of any obligations preferred by mandatory provisions of applicable law, and rank ahead of all amounts payable in respect of the share capital of the Company.

  The Facility A was made available to the Company on 1 October 2019, while the Liquidity Facility is divided into four equal loans, each for an amount of no more than NOK 3,250,000. The Company is entitled to draw down on the Liquidity Facility as per 1 November 2019, 1 February 2020, 1 May 2020 and 1 August 2020. The first draw down on the Liquidity Facility for an amount of NOK 3,250,000 will be done on 1 November 2019.

  Each loan facility given under the Bond Loan accrue interest at a fixed interest rate of 8.00% per annum. Accrued interest shall on the last day of the three months' interest period be capitalised and added to the aggregate principal amount of the loans outstanding under the Bond Loan.

  The Company shall 36 months after 1 October 2019 repay to Navamedic ASA the aggregate amount of each loan then outstanding together will all accrued but unpaid interest. The Company may at any time prepay any loan outstanding in part or in full. Any amount repaid or prepaid may not be re-borrowed.

  Navamedic ASA has the right to, following the date falling 12 months after the date of the Bond Loan, request that all, but not parts of, the loans outstanding are converted into Shares (the "Conversion Right"). Following the disbursement of a written notice to the Company informing about the exercise of the Conversion Right, the Company has the optionality to either (i) accept the Conversion Right or (ii) reject such Conversion Right by settling the loans in full in cash or settling parts of any loans in cash and the remainder through conversion. The Company has in the two months' period the right to take all actions necessary to obtain sufficient funding, either by debt capital transactions or equity capital transactions or otherwise at its sole discretion, for the purpose of enabling the Company to repay the loans.

  The subscription price in such a conversion shall be equal to the volume weighted average share price of the company shares on the Oslo Axess or any other exchange having replaced Oslo Axess as the market place for the Shares at the time of the conversion for the last ten days prior to the conversion date, but in no event be

less than the nominal value of each share.

The Conversion Right cannot be separated from the loan facility under the Bond Loan.

Debt conversion

On 1 of October 2019, the extraordinary general meeting of the Company resolved the issuance of 3,200,000 shares to Navamedic ASA. The share contribution was settled by contribution in kind by Navamedic ASA setting-off a loan it had to the Company in the amount of NOK 16,000,000. The subscription price per share in the transaction is to be settled at NOK 5.00 (the "Debt Conversion"). The debt conversion will be completed upon completion of the demerger and Navamedic will after the completion own approximately 21% of the total number of shares.

Share option

The holders of employee share options at the date of the demerger and merger into OM ASA are expected to receive the same number of share options in OM ASA as they have in Navamedic ASA contingent upon the completion of the demerger.

On the completion of the demerger, the 467,500 share options issued under Navamedic's long-term incentive program (400,000 options) and other share option programs (67,500 options) is expected to be "mirrored" and split so that these options are transferred to the Company, resulting in the Company having 467,500 share options issued at the time of Listing.

The exercise price for the options will reflect the exchange ratio in the demerger, so that the exercise price of the options in OM ASA will be 26% of the initial exercise price of the options in Navamedic ASA. Each option will give the holder the right to subscribe for one Share. Refer to note 7 for more description of the share options.

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To the Board of Directors of Observe Medical ASA

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated carve-out balance sheet of Observe Medical ASA as at 30 June 2019, the condensed consolidated carve-out statement of comprehensive income, the condensed consolidated carve-out statement of changes in equity and the condensed consolidated carve-out cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes to the interim financial information. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2019 does not present fairly, in all material respects, the financial position of the entity as at 30 June 2019, and its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Oslo, 1 October 2019
KPMG AS

John Thomas Sørhaug
State Authorised Public Accountant

APPENDIX D

THE COMPANY'S FINANCIAL STATEMENTS

INTERIM FINANCIAL STATEMENTS

OBSERVE MEDICAL ASA

FOR THE PERIOD 13 JUNE TO 30 SEPTEMBER, 2019

observe medical

Interim condensed statement of comprehensive income

Period 13 June - 30 September 2019

(Amounts in NOK)

Revenue	0
Operating expenses	193 450
Net financial items	-1 358
Profit before tax	**-194 808**
Tax	0
Profit	**-194 808**
Other comprehensive income	0
Total comprehensive income	**-194 808**

Interim condensed balance sheet

(Amounts in NOK)

	Note	30 September 2019
ASSETS		
Non-current assets		**0**
Current assets		
Bank deposit	3	1 001 358
Total current assets		**1 001 358**
Total assets		**1 001 358**
EQUITY & LIABILITIES		
Shareholders equity		
Share capital	1	1 000 000
Total paid in capital		**1 000 000**
Net profit for the period		-194 808
Other equity		**-194 808**
Total shareholders equity		**805 192**
Non-current liabilities		**0**
Trade payables		**185 000**
Non-interest bearing debt		**9 808**
Other current liabilities		**1 358**
Total current liabilities		**196 166**
Total equity and liabilities		**1 001 358**

Oslo, 1 October 2019
Board of Directors and CEO at Observe Medical ASA

Terje Bakken	Kristin Nyberg	Kathrine G. Andreassen
Chairman of the board	Board member	Board member

Ole Henrik Eriksen
CEO

Statement of cash flow

(Amounts in NOK)	**Period 13 June to 30 September 2019**
Profit before tax	-194 808
Change in working capital	196 166
Net cash flows from operating activities	**1 358**
Cash flows from investing activities	**0**
Paid in share capital	1 000 000
Cash flows from financing activities	**1 000 000**
Net change in cash	1 001 358
Cash at the beginning of the period	0
Cash at the end of the period	**1 001 358**

Condensed statement of changes in equity

(Amounts in NOK)	Share capital	Total paid-in capital	Compre-hensive income	Total Equity
Share issue at establishment 13 June 2019	1 000 000	1 000 000	0	1 000 000
Total comprehensive income for the period	0	0	-194 808	-194 808
Total equity at 30 September 2019	**1 000 000**	**1 000 000**	**-194 808**	**805 192**

NOTES TO THE FINANCIAL STATEMENTS OBSERVE MEDICAL ASA

1. GENERAL INFORMATION

Observe Medical ASA was founded on 13 June 2019. The share capital is 1,000,000 shares at a value of NOK 1 per share. There is one class of shares which all have the same voting rights. All shares are currently owned by Navamedic ASA.

These financial statements have been prepared in connection with the application for listing on Oslo Axess. Observe Medical ASA did not have any activity or employees during the period presented in these interim financial statements. The Company was incorporated as part of Navamedic's reorganisation of its business in order for it to spin-off its medtech division in a separate business group.

On 19 June 2019, the board of directors of Navamedic ASA and Observe Medical ASA signed a joint demerger plan, pursuant to which all of Navamedic ASA's shares in Observe Medical International AB are to be transferred to Observe Medical ASA together with an earn-out obligation 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 are to remain with Navamedic ASA. Completion of the demerger is contingent with a successfull listing on Oslo Axess.

Navamedic ASA and Observe Medical ASA will conclude a Transaction Cost Allocation Agreement. The agreement will govern the allocation of transaction costs incurred due to the separation of the Medtech division from Navamedic ASA and listing of Observe Medical ASA at the Oslo Axess. The transaction costs will be allocated between Navamedic ASA and Observe Medical ASA based on fair and reasonable allocation principles taking into account who is the main benefitting party of the individual cost items.

Furthermore, Navamedic ASA and Observe Medical ASA will conclude a Management Services Agreement. The agreement will govern the provision of management services from Navamedic ASA to Observe Medical ASA from the date of listing of Observe Medical ASA at the Oslo Axess.

The agreement will be based on the assumption that Observe Medical ASA, for a limited period of time, will need support from Navamedic ASA to cover the full scope of service functions required, and that Observe Medical ASA finds it appropriate and cost-efficient to purchase such services from Navamedic ASA.

None of these costs have been recognized by Observe Medical ASA in these interim financial statements, as the agreements are contingent on a successful Listing of the company.

2. ACCOUNTING PRINCIPLES

These interim financial statements have been prepared in compliance with the Norwegian Accounting Act and generally accepted accounting principles in Norway for interim financial statements. The financial statements include the minimum components of an interim report prepared in terms of IAS 34 as adopted by the EU.

3. FINANCIAL RISK MANAGEMENT

The financial risk at 30 September 2019 is limited to the credit risk related to the bank deposit, which is the only asset of the company. The bank deposit has been deposited in a well established financial institution, reducing the credit risk. The bank deposit is ready available for the company. The interest on the deposit at 30 September 2019 was 0.0 %, and is held in Norwegian Kroner.

4. COMPENSATION TO THE MANAGEMENT AND BOARD OF DIRECTORS

Observe Medical ASA did not have any activity or employees during the period presented in these interim financial statements. No compensations have therefore been paid to the management and board of directors.

CEO and CFO to Observe Medical Group is hired from Navamedic ASA and all expenses related to this is charged to Observe Medical Medtech AB, who after completion of the demerger will be a 100% owned subsidiary of Observe Medical ASA.

5. EVENTS AFTER THE REPORTING PERIOD

Listing on Oslo Axess

The Company is in process to apply for a listing of its share on Oslo Axess and the Company expects to submit its listing application on 2 October 2019 with expected first day of trading in the beginning of November 2019.

Loan agreement

On 27 of September 2019, Observe Medical ASA (as the borrower) entered into a subordinated convertible bond loan agreement with Navamedic ASA (as the lender) for a loan of an aggregate amount estimated to be around NOK 32,000,000 (the "Bond Loan").

The Bond Loan consists of the two following facilities:

1. A subordinated convertible term loan facility for the amount of outstanding loans and payables to Navamedic Group, reduced by the NOK 16 million to be converted (see below), at the time of listing estimated to be appoximately in the amount of NOK 19,000,000 (the "Facility A"); and

2. A subordinated convertible term loan facility in the maximum amount of NOK 13,000,000 (the "Liquidity Fa

The purpose of the Facility A was to use the net proceeds from such facility to refinance the previous borrowing arrangement that the OM Group had against the Navamedic group, in order to achieve a structure where the Company is the borrower and Navamedic ASA is the lender.

The purpose of the Liquidity Facility was to provide the Group with liquidity for its general corporate purposes for the 12 months' period following the Listing date.

The facilities given under the Bond Loan constitute direct, unsecured and fully subordinated obligations of the Company, and rank at least pari passu with all other existing and future unsecured and subordinated obligations of the Company (other than in respect of any obligations preferred by mandatory provisions of applicable law), and rank ahead of all amounts payable in respect of the share capital of the Company.

The Facility A was made available to the Company on the date of the Agreement, while the Liquidity Facility is divided into four equal loans, each for an amount of no more than NOK 3,250,000. The Company is entitled to draw down on one loan under the Liquidity Facility as per 1 November 2019, 1 February 2020, 1 May 2020 and 1 August 2020. The first draw down on the Liquidity Facility for an amount of NOK 3,250,000 will be made on 1 November 2019.

Each loan given under the facilities accrue interest at a fixed interest rate of 8.00% per annum. Accrued interest shall on the last day of the three months' interest period be capitalised and added to the aggregate principal amount of the loans outstanding under the Bond Loan.

The Company shall on the date falling 36 months after the date of the Bond Agreement repay to Navamedic ASA the aggregate amount of each loan then outstanding together will all accrued but unpaid interest. The Company may at any time prepay any loan outstanding in part or in full. Any amount repaid or prepaid may not be re-borrowed.

Navamedic ASA has the right to, following the date falling 12 months after the date of the Bond Loan, request that all, but not parts of, the loans outstanding are converted into Shares (the "Conversion Right"). Following the disbursement of a written notice to the Company informing about the exercise of the Conversion Right, the Company has the optionality to either (i) accept the Conversion Right or (ii) reject such Conversion Right by settling the loans in full in cash or settling parts of any loans in cash and the remainder through conversion. The Company has in the two months' period the right to take all actions necessary to obtain sufficient funding, either by debt capital transactions or equity capital transactions or otherwise at its sole discretion, for the purpose of enabling the Company to repay the loans.
The subscription price in a conversion shall be [equal to the volume weighted average share price of the Shares on the Oslo Axess (or any other exchange having replaced Oslo Axess as the market place for the Shares at the time of the conversion for the last ten days prior to the conversion date,] but in no event be less than the nominal value of each Share.

The number of Shares to be issued upon completion of the Conversion Right shall be determined by dividing (x) the principal amount of the outstanding loans (with accrued but unpaid interest) by (y) the conversion price. The number of Shares to be issued shall be rounded down to the nearest whole share. The Conversion Right cannot be separated from the loans under the facilities.

Debt conversion

On 1 of October 2019, the extraordinary general meeting of the Company resolved the issuance of 3,200,000 shares to Navamedic ASA. The share contribution was settled by contribution in kind by Navamedic ASA setting-off a loan it had to the Company in the amount of NOK 16,000,000. The subscription price per share in the transaction is to be settled at NOK 5.00 (the "Debt Conversion"). The debt conversion will be completed upon completion of the demerger and Navamedic will after the completion own approximately 21% of the total number of shares.

Share options

On 1 of October 2019, the extraordinary general meeting of the Company resolved that in connection with the completion of the Demerger, the 467,500 share options issued under Navamedic's long-term incentive program (400,000 options) and other share option programs (67,500 options) was "mirrored" and split so that these options were transferred to the Company, resulting in the Company having 467,500 share options issued at the time of Listing.

The exercise price for the options will reflect the exchange ratio in the Demerger, so that the exercise price of the options in OMASA will be 26% of the initial exercise price of the options in NAVA. Each option gives the holder the right to subscribe for one Share.

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To the Board of Directors of Observe Medical ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Observe Medical ASA, which comprise the statement of financial position as at 30 September 2019, and the statement of income and the statement of comprehensive income for the period 13 June 2019 to 30 September 2019 showing a net result and a comprehensive income of NOK -194 808, the statement of cash flows and the statement of changes in equity for the period 13 June 2019 to 30 September 2019 and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared on the basis of the accounting standards, principles and practices generally accepted in Norway, and for inclusion in the proposed prospectus of Observe Medical ASA. This report is required by Annex 1 item 18.1 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 20034/71/EC, as amended, and as implemented in Norway in accordance with Section 7-1 of the Norwegian Securities Trading Act and is given for the purpose of complying with that paragraph and for no other purpose.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Observe Medical ASA as at 30 September 2019, and its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards and practices in Norway, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 1 October 2019
KPMG AS

Thomas Sørhaug

John Thomas Sørhaug
State Authorised Public Accountant

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