



Observe Medical ASA

ANNUAL REPORT 2023



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Observe Medical in brief

Observe Medical is a Nordic medtech company that develops, markets and sells innovative medtech products for the global market. Observe Medical is committed to improving patient welfare and patient outcomes, improving clinical data accuracy and promoting positive health economics.

Observe Medical seeks to drive growth by leveraging its expertise in sales and commercialization of its broad portfolio of medical technology products, mainly in urine measurement, ultrasound, anesthesiology/ICUs, surgery and wound care, in combination with seeking distribution opportunities and targeted M&A.

The Group is headquartered in Oslo, Norway, with wholly-owned subsidiaries in Narvik, Norway, Gothenburg in Sweden, Copenhagen in Denmark, Oulu in Finland and Seattle in the US. In addition, Observe Medical has a distributor and partner network internationally.

The current portfolio of proprietary products consists of Sippi®, a CE marked digitalized system for urine measurement, the UnoMeter™ portfolio consisting of manual urine measurement products and solutions for measuring intra-abdominal pressure, and the Biim ultrasound probe, which is a unique, wireless and pocketable ultrasound probe, that can scan patients and review images in seconds.

For further descriptions of the products see section “About Observe Medical portfolio”.



Patient
welfare



Health
economics



Data
accuracy

Highlights 2023

Jan Recruitment of new CCO

In January 2023, Jørgen Mann was appointed as the Company's Chief Commercial Officer. He brings more than 20 years of experience in sales and senior management roles from leading global medtech companies in Europe such as Unomedical, Getinge Group, Smith&Nephew and Fresenius Medical Care

Jun CE certification for UnoMeter™ 500

Attained CE certification for UnoMeter™ 500 under the EU's Medical Device Regulation

Jul Addressing liquidity challenges

Initiated short term cost-saving measures, including temporary layoff of staff. Moreover, the Company engaged in constructive dialogues with its creditors to manage short-term liquidity

Sep UnoMeter™ agreement signed

Signed agreement with Convatec to acquire the trademarks and other intellectual property rights relating to the UnoMeter™ portfolio

Observe Medical established an integrated setup with a highly effective and high quality manufacturing partner

A new manufacturing partnership was established with a Chinese manufacturer of medical devices. After intensive work to integrate our quality measures and product design, UnoMeter™ 500 was launched in October 2023 with manufacturing on this platform

Oct First shipment of UnoMeter™ 500

First shipment of UnoMeter™ 500 products to distributors in Poland and Spain. Secured significant framework agreement: Awarded onto the NHS Supply Chain (NHSSC) Framework with UnoMeter™ 500 in UK

Nov Delivery of additional 20 Biim Ultrasound probes to Fresenius

Expanding distribution network

+ 20 countries covering approx. 55% of the historic Convatec sales of the UnoMeter™ portfolio. LOI signed with Vingmed for exclusive Nordic distribution of UnoMeter™

Dec Carried out a share capital increase - Rights Issue

The Company aimed to raise between minimum NOK 18 million and maximum NOK 55 million in gross proceeds in the Rights Issue. The total gross proceeds from the Rights Issue were NOK 35.7 million, of which NOK 21.5 million was settled by way of cash payment and NOK 14.1 million was settled by way of set-off against the shareholder loans

Key figures

- Observe Medical had **operating revenues** of NOK 27.9 million in 2023, an increase of NOK 8.4 million YoY and a gross result of NOK 9.3 million, an increase of NOK 4.1 million YoY.
- **EBITDA** growth by NOK 8.4 million YoY mainly driven by sales of UnoMeter™ products and lower OPEX.
- **Net finance** negative of NOK 9.1 million (NOK 8.4 million in 2022) mainly consisting of net interest expenses of NOK 6.6 million, net currency effect of NOK 4.3 million and a net income of NOK 1.8 million related to changes in consideration on contingent liabilities.
- **Result** for 2023 is negative NOK 60.3 million (negative NOK 50.7 million in 2022).
- Observe Medical had an **equity** of NOK 115.6 million at December 31, 2023. In December 2023 Observe Medical has issued 137,193,548 new shares in connection with the Rights issue for gross proceeds of NOK 35.7 million. Expenses related to the capital increase amounts to NOK 5.0 million.

(Amounts in NOK thousand, except EPS, equity ratio and number of employees)

	2023	2022
Revenue	27,942	19,521
Gross result	9,287	5,177
EBITDA before non-recurring items*	-34,330	-45,133
EBITDA	-37,693	-48,212
EBIT	-51,263	-59,143
Net finance	-9,082	8,418
Result	-60,345	-50,725
EPS	-1.05	-1.08
Equity	115,606	138,306
Total balance	253,537	215,812
Equity ratio	45.6%	64.1%
Number of FTE's at 31 December	9	17

* Non-recurring expenses in 2023 is primarily related to UnoMeter™ tooling project that was discontinued and the Ferrari L. acquisition process. In 2022 non-recurring expenses was related to expenses in connection with the acquisition of Biim Ultrasound AS, and severance pay to former CEO and CTO.
Note that consolidation of Biim Ultrasound is part of the Group from March 2022

Letter from the CEO

2023 has been a transformative year for Observe Medical as we expand globally and strengthen our position in the market. The acquisition of the UnoMeter™ and Abdo-Pressure™ portfolio from Convatec was pivotal, aligning with our goal to be a leading player in the global urine measurement market. With initial UnoMeter™ 500 shipments in October and achieving production levels comparable to Convatec's historical output for the UnoMeter™ 500 product, we are poised to meet international demand. By year's end, we had received orders from over 20 countries, highlighting our growing global market presence. Our primary focus moving forward is to accelerate production and successfully bringing the UnoMeter™ Safeti Plus product to the market. This will further expedite the commercial pathway for our own digital and automated urine meter product, Sippi®.

During the late parts of 2023, the Company conducted a strategic review of the Nordic distribution operations with the intention to assess the relevance of the business for the Group. The platform was initially established to test and launch our own branded products. Given the expansion of our global distribution capabilities, which now fulfill our initial testing and pre-launch needs, the business has become less crucial for our core operations. Consequently, we have decided to transfer the business to Vingmed, which aligns with the establishment of the distribution partnership agreement with Vingmed for the UnoMeter™ portfolio in the Nordic region. The planning for this transfer started in late 2023 and the transfer is expected to be finalized during H1 2024.

Our partnership with Fresenius remains strong, highlighted by our recent delivery of 20 Biim ultrasound probes in November. To date, we have successfully delivered a total of 285 ultrasound probes to Fresenius, reinforcing our ongoing collaboration. Fresenius has spent more than 1.5 years on educational and training support for approximately 265 of its educational dialysis clinics, which has been necessary and needed to optimize the use of the Biim technology amongst key personnel. The intention is to secure that Fresenius is ready for a broader implementation for use of the Biim ultrasound probe in all their approximately 2,700 dialysis clinics in the US. In parallel, we evaluate various strategic options for the Biim project based on, among other, the outcome of the progressing discussions with Fresenius and the financial resources available to Observe Medical.

To secure the commercial efforts for our workstreams, we completed a Rights issue in December 2023, which aimed to raise between minimum NOK 18 million and maximum NOK 55 million in gross proceeds. We managed to raise NOK 35.7 million (21.5 million in cash), which will be used to cover the working capital needs in relation to the ramp up of production and sale of the UnoMeter™ portfolio.

As we navigate these challenging yet exciting times, we've seen some changes within our leadership in the beginning of 2024. I took on the role of interim CEO following Rune

Nystad's shift to Chief Development Officer, and Johan Fagerli stepped up as Interim CFO. I am confident that this leadership team will effectively continue leading our global commercial efforts alongside our growing portfolio of products.

Despite some challenges, 2023 was a year full of great achievements and opportunities. I am thankful for the Observe Medical team who faced every challenge head-on, and to our shareholders for their ongoing support. Our ambition and goals for the future remains unchanged, and I look forward to updating you all soon.



Jørgen Mann
Interim CEO

About the Observe Medical Portfolio

Observe Medical has a portfolio of medtech devices and disposables within Urine measurement, measuring of intra-abdominal pressure and Ultrasound. In addition, the Company aim to be a preferred sales and commercialization platform for medtech companies, both through targeted M&A and distribution opportunities.

Sippi® - The Digital, Automated Urine Measurement System

Observe Medical's Sippi® system brings urine measurement at hospitals up to today's standards by measuring and capturing data digitally and fully automated.

Sippi® provides patient data accuracy and saves significant time and effort for healthcare professionals.



UnoMeter™ - The Manual Urine Measurement system and intra-abdominal pressure measurement solution.

Observe Medical introduced in 2023 a manual urine measurement system to a broad global distribution network. The manual system is an important step for Observe Medical to be established as a preferred supplier in this segment which will create a unique market access channel for our existing portfolio and will catapult Sippi® to the market.

**Unometer™ 500****Unometer™ Safeti Plus****Unometer™
Abdo-Pressure™****Unometer™
Abdo-Pressure™ KIT**

Biim wireless pocketable ultrasound device

Biim Ultrasound probe is a wireless pocketable ultrasound device. It is a unique, cost efficient and small handheld wireless device that makes the technology available where its needed. The Biim Ultrasound system consists of an ultrasound probe and an App for display of the ultrasound image and/or video.

Biim offers nurses and medical staff an easy to use ultrasound device which ensure accuracy and quality in the treatment of their patients.

Biim has an agreement with Fresenius Medical Care with an aim to roll-out Biim Ultrasound probe in their approximately 2,700 dialysis clinics in the US. As of year end 2023, a total of 285 ultrasound probes have been delivered to Fresenius educational clinics.



A close-up photograph of a medical syringe and its associated tubing. The syringe is clear plastic with a green plunger and a green tube attached. The tubing has a green band with white dots. The syringe is labeled 'UnoMeter™ 500' and 'observe medical'. The tubing also has the 'observe medical' logo and 'UnoMeter™ 500' printed on it. The background is a solid light blue.

Board of Directors' Report 2023



Board of Directors' Report 2023

Introduction

Observe Medical (the Group) is a medtech group developing and commercializing medical technology products on a global market through a global distributors and partners network. The Group aims to add value to the benefit of patients, healthcare professionals and hospitals through improved patient welfare, health economics and data accuracy. Observe Medical ASA is the parent company of its wholly owned subsidiaries, Observe Medical AB, Observe Medical ApS, Observe Medical Nordic AB, Observe Medical AS and Biim Ultrasound AS. Biim Ultrasound Oy and Biim Ultrasound Inc are fully owned subsidiaries of Biim Ultrasound AS.

With headquarters in Oslo, Norway, Observe Medical is building a portfolio of medtech products through M&A as well as organic growth.

In March 2022, the Group acquired Biim Ultrasound AS (Biim or Biim Ultrasound), which has developed and commercialized a wireless pocketable ultrasound device approved by the Food and Drug Administration (FDA). Observe Medical has an agreement with Fresenius Medical Care with an aim to fully roll-out of the Biim ultrasound probe in their approximately 2,700 dialysis clinics in the US. Until now a total of 285 Fresenius clinics have received Biim ultrasound probes. Fresenius is working with a KPI study to support a final investment decision for full scale implementation in their dialyses clinics, which is a more time-consuming process than previously anticipated. Consequently, the Company is advancing discussions with Fresenius Medical Care to expedite a final investment decision.

The Company will evaluate various strategic options for the Biim ultrasound probe based on among other the outcome of these discussions and the financial resources available to Observe Medical. Consequently, no assurance can at this stage be given that the Company will pursue continued product development and ramp up of sales activities for this product.

Sippi® is a CE marked system for urine measurement, which offers a unique, effective, and innovative solution for automated and connected urine monitoring and infection management at the hospital intensive care units (ICUs), wards and home care. The system incorporates SippSense® and SippCoat®, technologies that alert for and hinder biofilm formation, which can lead to urinary infections.

In September 2023, the Group acquired the trademarks and other intellectual property rights of the UnoMeter™ portfolio from Convatec Group Plc. The portfolio consist of products such as UnoMeter™ Safeti™ Plus, UnoMeter™ 500 and UnoMeter™ Abdo-Pressure™, which are market leading products within routine or post-operative drainage,

collection and measurement of urine output from patients. The product range is complementary to Observe Medical's digital and automated urine meter, Sippi® and is an important step to take the position as global leader within urine measurement.

In December 2023, the Group completed a Rights Issue. The Company aimed to raise between minimum NOK 18 million and maximum NOK 55 million in gross proceeds in the Rights Issue. The total gross proceeds from the Rights Issue were NOK 35,670,322.48, of which NOK 21,525,405.98 was settled by way of cash payment and NOK 14,144,916.50 was settled by way of set-off against shareholder loans (as further described in the minutes from the extraordinary general meeting held by the Company on 22 November 2023). The Rights Issue raised net cash proceeds of approximately NOK 16 million.

The Rights Issue was accordingly subscribed by approximately 65% of the maximum gross proceeds. The proceeds from the Rights Issue will cover the working capital needs in relation to the ramp up of production and sale of the UnoMeter™ portfolio. Observe Medical is fully focused and committed to the ramp up of the production capacity and the continuous commercial progress for the UnoMeter portfolio.

In a remarkably short span of time, the Company has achieved a production capacity equivalent to Convatec's historical levels for the UnoMeter™ 500 product, which is a testament to Observe Medical's rapid progress and dedication to meeting market demands.

Moreover, the UnoMeter™ portfolio is experiencing rapid commercial expansion, having secured orders from a total count of +20 countries by the end of 2023. The favorable clinical evaluations contribute positively to the reputation of the UnoMeter™ products, demonstrating confidence in their continued success across diverse markets. Furthermore, Observe Medical is actively engaged in ongoing initiatives aimed at accelerating production and successfully bringing the UnoMeter™ Safeti Plus product to the market.

Summary of the Financial Results

The Group had operating revenues of NOK 27.9 million in 2023 compared to NOK 19.5 million in 2022. The gross result was NOK 9.3 million, compared to NOK 5.2 million in 2022.

In 2023, EBITDA before non-recurring items was negative NOK 34.3 million compared to negative NOK 45.1 million in 2022. The increase in EBITDA is primarily driven by sales of the UnoMeter™ portfolio from fourth quarter in 2023, and lower operational expenses. Non-recurring expenses of NOK 3.4 million in 2023 is primarily related to the UnoMeter™ tooling project that was discontinued and the Ferrari L. acquisition process. Non-recurring items at NOK 3.1 million in 2022 was expenses in connection with the Biim acquisition and expenses related to organisational changes.

Depreciation and amortization increased from NOK 10.9 million in 2022 to NOK 13.6 million in 2023. The increase is mainly related to depreciation and amortization from Biim Ultrasound in the period from March to year end.

The company had net financial expenses of NOK 9.1 million (NOK 8.4 million in 2022) mainly consisting of net interest expenses of NOK 6.6 million, net currency effect of NOK 4.3 million and a net income of NOK 1.8 million related to changes in consideration on contingent liabilities. In 2022, net financial items came in at NOK 8.4 million and was mainly related to change in estimated fair value of contingent consideration.

As a result, the Group had a loss after tax of NOK 60.4 million in 2023, compared to a loss of NOK 50.8 million in 2022.

Earnings per share was negative NOK 1.05, compared to negative NOK 1.08 in 2022.

Financial Position

The Group had assets of NOK 253.5 million at December 31, 2023, compared to NOK 215.8 million at December 31, 2022. The book value of fixed assets were NOK 226.3 million and consists mainly of goodwill related to the acquisition of Biim Ultrasound AS in 2022, Observe Medical International AB in 2015 and Sylak AB in 2020, as well as the technologies and patents related to Sippi® and Biim ultrasound probe and the purchase of the UnoMeter™ portfolio in 2023.

The Group has carried out impairment tests to test the value of goodwill and intangible assets without identifying need for impairment of booked values. Note that the Group has ongoing talks with potential financial providers and investors to support further operations and growth with equity and debt funding, in addition to working with alternatives to reduce funding need. There is a risk that adequate sources of funds may not be available, or available at acceptable terms and conditions, when needed. Therefore, there is a material uncertainty with regards to the going concern assumption. In case of a situation where adequate sources of funds may not be available, the value of assets can be lower than presented in the financial statements. However, this is not reflected in the valuation of the assets, as the annual accounts are based on the assumption of going concern.

At year-end 2023, the Group had current assets of NOK 27.2 million, mainly related to trade receivables, inventories and bank deposits. In 2022, the Group had current assets of NOK 28.9 million.

The Group had equity of NOK 115.6 million at December 31, 2023, compared to NOK 138.3 million at December 31, 2022. The change is from the result for the period partly offset by the net proceeds from the rights issue in the fourth quarter 2023.

On December 31, 2023, the Group had total non-current liabilities of NOK 77.0 million compared to NOK 5.3 million one year before. The increase are due to increased interest bearing loan, change in classification of from current liabilities and payment instalment for

the UnoMeter™ portfolio. This is partly offset by decreased estimated fair value of contingent consideration as a result of a change in the likelihood of discounted milestone payments in the purchase agreement of Observe Medical International AB in 2015.

Total current liabilities at December 31, 2023, amounted to NOK 60.9 million, compared to NOK 72.2 million at December 31, 2022.

Cash Flow

At the end of 2023, the Group had NOK 13.7 million in cash, stable from NOK 13.6 million at the end of 2022.

Cash flow from operating activities was negative NOK 24.5 million in 2023, compared to negative NOK 51.3 million in 2022. Change is mainly driven by result before tax, partly offset by increased depreciation and amortization, and change in working capital in 2023.

The Group used NOK 7.6 million for investing activities in 2023, a reduction from NOK 58.4 million in 2022. The decrease is related to the cash settlement of NOK 54 million in connection with the Biim Ultrasound acquisition in 2022.

In 2023, net cash flow from financing activities were NOK 31.7 million due to the net proceeds of NOK 28.5 million from the rights issue, a NOK 5.0 million loan from Navamedic ASA, partly offset by interest from converted loans and other lease liabilities. In 2022, net cash flow from financing activities was NOK 120.9 million and related to the net proceeds from the rights issue of NOK 155.6 million partly offset by repayment of interest-bearing loan of NOK 33.3 million.

Financing

In December 2023, the Group completed a Rights Issue. A total of 137,193,548 Offer Shares were allocated, whereas 82,790,023 Offer Shares were subscribed by way of cash settlement of the subscription amount and 54,403,525 Offer Shares were subscribed by way of set-off against the shareholder loans (as further described in the minutes from the extraordinary general meeting held by the Company on 22 November 2023). A total of 112,544,558 Offer Shares were allocated based on valid subscriptions from investors with granted and/or acquired subscription rights, 21,070,275 Offer Shares were allocated to subscribers who have exercised their subscription rights and over-subscribed, on a pro rata basis based on the number of subscription rights exercised by such subscriber, and 3,578,715 Offer Shares were allocated to subscribers without subscription rights. Approximately 53% of the subscription rights granted in the Rights Issue were exercised.

The Group's principal source of liquidity will be net cash flows generated from sales in addition to cash generated from financing, including both equity and debt. Consequently, any shortfall of cash generated from operations will have to be covered through additional financing. See further details under sections "Financial Risk" and "Going concern".

Shareholders

As of December 31, 2023, Observe Medical ASA had 2,128 shareholders and a total of 190,685,204 shares with a par value of 0.26. The following table shows shareholders owning 1 per cent or more of Observe Medical ASA shares as of 31 December 2023.

Rank	Name	Number of shares	Ownership %
1	INGERØ REITEN INVESTMENT COMPANY A	37 384 437	19,61 %
2	JPB AS	16 314 944	8,56 %
3	ELI AS	11 013 298	5,78 %
4	RO, LARS	6 000 000	3,15 %
5	GINNY INVEST AS	5 500 000	2,88 %
6	BJØRNTVEDT, VEGARD	5 024 141	2,63 %
7	SILVERCOIN INDUSTRIES AS	4 948 437	2,60 %
8	NAVAMEDIC ASA	4 222 727	2,21 %
9	SKÅLVOLD EIENDOM AS	3 849 199	2,02 %
10	LAPAS AS	3 468 311	1,82 %
11	BJØRNTVEDT, HARALD	3 200 121	1,68 %
12	Nordnet Bank AB	2 492 692	1,31 %
13	TAJ HOLDING AS	2 481 496	1,30 %
14	CAM AS	2 383 162	1,25 %
15	PHILIP HOLDING AS	2 380 000	1,25 %
16	WANGESTAD, ANDREAS	2 380 000	1,25 %
17	MP PENSJON PK	2 362 305	1,24 %
18	KRISTIANSEN, DAGFINN HELGE	2 150 000	1,13 %
19	SÆTHER, HERMOD ATLE	2 085 108	1,09 %
20	KUBERA AS	2 065 144	1,08 %
21	QUICK ISLAND INVEST AS	2 000 000	1,05 %
22	GUNERIUS PETTERSEN AS	2 000 000	1,05 %
	Other	64 979 682	34,08 %
Total number of shares		190 685 204	100,00 %

Corporate Governance

On February 26, 2021, the board of directors adopted a corporate governance regime based on, and in all material aspects in compliance with the Norwegian Corporate Governance Code, October 17, 2018, and the Market Abuse Regulation (MAR) which entered into force in Norway from March 1, 2021. The corporate governance regime was applicable from March 1, 2021.

For further information about corporate governance, see the dedicated section on corporate governance in this annual report.

Risk Factors

Observe Medical faces risks both of operational and financial nature, which are outlined below and further described in Note 3 in the consolidated financial statements 2023.

Operational Risk

Observe Medical operates in the market for medical technology and is exposed to the risk factors which are considered common in this market. Even though Observe Medical emphasizes investments in continuous product development and an efficient strategy for commercialization of the current product portfolio, there is a risk of competing product launches with better product features or with better ability to penetrate the market and build market share. Increased competition may also lead to reduced pricing potential for Observe Medical's products.

The UnoMeter™ portfolio has been market leading in Europe and in several other countries, but as Convatec Group Plc has withdrawn from the market, there is a risk for competing product launches and organisations with better ability to penetrate the market faster and build market share.

The main operational risk short term for Biim relates to the continued roll-out and degree of adoption of the product in Fresenius Medical Care's dialysis clinics in the US.

The Group has distributors and partners as sales channels 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, which could lead to delays in the commercialization. The Group also faces a risk in upscaling or changes in the production, where product performance can differ.

The Group has taken comprehensive measures to protect its brands and related intellectual property rights, which are important to its continued success. If, however, 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.

Geo-political factors, such as the Russian invasion of Ukraine and the war in the Middle-East, has resulted in a rapidly evolving geo-political situation and introduced a new set of challenges with respect to maintaining business continuity. These events are disrupting global supply chains which can impact our suppliers' ability to access materials in time, which in turn could lead to lack of components and delay the production of devices. Moreover, the geo-political situation could also create challenges related to logistics and shipment delays. Consequently, this could result in reduced revenue potential and gross margin for Observe Medical's products.

Financial Risk

Financial risk mainly consists of interest, currency, credit, and liquidity risk. Observe Medical continuously monitors these factors and works actively to manage related risks.

Trade receivables are continuously monitored, and the risk of incurring losses is generally regarded as low. The Group also has a factoring agreement with a third party to further reduce the risk of incurring losses on receivables.

The global situation has become increasingly unstable due to ongoing wars and conflicts, creating widespread challenges. These issues are significantly affecting raw material supply, logistics, and transportation. Additionally, this instability is contributing to heightened uncertainty in financial markets and driving inflation rates higher worldwide.

The Group evaluates climate related risks connected to its operations and important parts of the value chain. Rapid climate changes may impact the Group's financial estimates, access to market, cost of materials, transportation and taxes. The Company currently sees limited risk and the monitoring of these risks is going to continue in the future.

Based on updated cash flow forecasts, the Group will require additional funds in order to execute and complete its commercialization and growth strategy, and 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.

Organisation

The Group had 12 employees at the end of 2023, where of 3 was temporary laid off. At the end of the year 4 employees are employed in Sweden, 4 in Norway, 1 in Finland, 2 in Denmark and 1 in USA.

Due to the Group's financial situation, the Group has taken necessary steps to reduce costs. As a result, temporary lay-offs and downsizing was done with effect from second half of 2023.

Subsequent of year end, QA/RA director Jenny Wennerberg and CTO Carsten Bøgh left the company in January 2024. At February 29, 2024 Jørgen Mann was appointed interim CEO as Rune Nystad stepped down as CEO and into the role as Chief Development Officer (CDO). At March 21, 2024 CFO Per Arne Nygård left the company and Johan M. Fagerli was appointed interim CFO from March 21. QA/RA function is on short term planned covered by consultancy and CTO function is covered by the CDO.

In accordance with the Public Limited Companies Act, the board has prepared a statement of salary and other remuneration to senior executive employees, as well as included the information in Note 17.

Corporate Social Responsibility

Corporate social responsibility (CSR) means to run the business in a responsible and sustainable manner over time and in a way that contributes to a positive, trust-based relationship between the Group, the Group's stakeholders, and society as a whole.

The Transparency Act shall promote companies' respect for basic human rights and decent working conditions, and ensure the public's access to information. The Act imposes, among other things, a duty for Observe Medical to inform and carry out due diligence assessments which must be explained and made public. Observe Medical has established routines and Code of Conduct that covers such due diligences on suppliers and business relationships as part of our Quality Management System. This work is led by the QA/RA department and is based on a risk based approach. The obligation to provide information came into effect from 1 July 2022. The Company is for the reporting year outside of scope of the Act as the revenues are below MNOK 70 and the number of employees are below 50 FTE.

For further information about corporate social responsibility, see the Sustainability report as part of this Annual Report.

Work Environment, Gender Equality and Discrimination

The working environment is generally satisfactory, but have naturally been impacted by the Group's downsizing to reduce costs. Sick leave was 0.8% in 2023, compared to 2.8% in 2022. The Group works continuously to protect and improve health and safety in the business. Observe Medical is committed to being a responsible employer who does not discriminate and who considers all employees equal in terms of career opportunities and rights, regardless of gender, ethnicity, ability to function, religion, sexual orientation, or other similar characteristics of a person. The Group follows the Norwegian Equality and Anti-discrimination Act, which aims to promote gender equality and prevent discrimination.

The Group has a zero-tolerance for discrimination and employees are encouraged to report discriminating practices or other concerns regarding the working environment to the nearest line manager or to the CEO.

The Group's leadership consisted of five members end of 2023, one woman and four men. The Company focuses on gender equality and diversity in the organization and will work to ensure that this is also reflected in the management team in the future. In total, there were twelve employees in the Group at December 31, 2023, three women and nine men. In 2022 there was seventeen employees in the Group, five women and twelve men.

The Group aims to strengthen the competence of its employees to maintain a position as an attractive employer and an innovative and trusted supplier of medical technology products to the benefit of patients, healthcare professionals and hospitals. Through

recruitment, the company seeks to employ people with high competence within all areas of its business.

Of the five members of the Board of Directors are three women and two men.

The Group had no serious incidents with personal injury or absence in 2023. Neither was any damage to property nor equipment reported.

The Directors' and management liability insurance

The Company has established a Board of Directors and management insurance that covers members of the board, committees and the Company's management. The insurance applies worldwide. The insurance covers the Insured's liability for property damage due to claims made against the insured during the insurance period as a result of an alleged liability-related act or omission.

Going Concern assumption

The annual accounts are based on the going concern assumption.

Based on current forecasts and working plans, the Group's working capital is not sufficient to fund operations and payment of financial obligations for the next 12 months from 31 December 2023. Going forward, the Group will need to raise more equity, issue debt instruments or divest assets to fund further development of ongoing business.

The Group has communicated that there is an ongoing process related to the Biim project where various strategic alternatives are being assessed, including advanced discussions with Fresenius Medical Care about the next step towards a final investment decision. Consequently, no assurance can at this stage be given that the Company will pursue continued product development and ramp up of sales activities for the Biim ultrasound product.

The Group continues talks with potential financial providers and investors to support further operations and growth with equity and debt funding, in addition to working with alternatives to reduce funding need.

There is a risk that adequate sources of funds may not be available, or available at acceptable terms and conditions, when needed. Therefore, there is a material uncertainty with regards of the going concern assumption.

In case of a situation where adequate sources of funds may not be available, the value of assets can be lower than presented in the financial statements. However this is not reflected in the valuation of the assets, as the annual accounts are based on the assumption of going concern.

Reference is made to note 3 Financial Risk management for further information on liquidity risk.

Parent Company

Observe Medical ASA (the Company) is the parent company of the Group, owning 100% of the shares in its subsidiaries Observe Medical ApS, Observe Medical AB, Observe Medical Nordic AB, Observe Medical AS and Biim Ultrasound AS.

The Company will support its subsidiaries with financing, as well as some common functions and services.

The assets of the Company are mainly related to shares in the subsidiaries.

In 2023, Observe Medical ASA had revenues of NOK 2.6 million related to invoiced services and expenses to subsidiaries. The Company had operating expenses of NOK 21.1 million which mainly consists of employee benefit expenses of NOK 9.0 million and other operating expenses of NOK 12.0 million which includes NOK 3.4 million in non-recurring expenses.

Employee benefit expenses consists of three employees, as well as fees to the Board of Directors and Audit Committee, and option expenses.

EBIT was in 2023 negative at NOK 19.1 million, compared to negative NOK 18.9 million in 2022.

The company had net financial expenses of NOK 8.5 million mainly consisting of net interest expenses of NOK 6.8 million, net currency effect of NOK 3.5 million and a net income of NOK 1.8 million related to changes in consideration on contingent liabilities. In 2022, net financial income were NOK 5.3 million.

The result for 2023 was negative NOK 27.6 million, compared to negative NOK 13.6 million in 2022.

Allocation of Result for the Year 2023

The result for the period in the parent company was negative NOK 27.6 million. The Board of Directors proposes that the loss for the year should be covered by a transfer from other equity.

Outlook

2023 has been a pivotal year for Observe Medical as we continue to expand our influence in the global medtech landscape. This year, we successfully acquired the UnoMeter™ portfolio from Convatec, enhancing our product offerings and market reach. The UnoMeter™ portfolio of manual urimeters will significantly strengthen Observe Medical's

distribution network, revenues, profit and cashflows from operations as well as accelerate the roll-out of Sippi® through the expanded global distribution network.

This year, we achieved a major milestone with the CE certification of UnoMeter™ 500 and the initial shipments of these products to our customers. As we look ahead to 2024, Observe Medical remains committed to deliver high-quality products to our customers. We have now expanded our reach to over 25 countries, and we are dedicated to extending our global reach even further, as well as enhancing our product offerings. An important milestone for 2024 is launching the UnoMeter™ Safeti+ to the market, an initiative that aligns with our commitment to increase profitability and deliver high-quality medical solutions across the globe.

Our partnership with Fresenius Medical Care continues to strengthen, and we are optimistic that 2024 will be a critical year, potentially seeing Fresenius making their final investment decision regarding the a full roll-out of Biim probes to all their clinics in the US. We are actively collaborating with Fresenius to expedite this decision, working closely to ensure the best outcomes for Observe Medical as we await the completion of their KPI study. In parallel to our ongoing collaboration with Fresenius, we are diligently exploring other strategic alternatives for the Biim project. This proactive approach ensures that we are well-prepared to adapt and advance our strategic objectives, regardless of the outcome of the current studies and negotiations.

Looking ahead, we remain committed to continue our commercial efforts and strengthen our product offering. Our focus will be on maximizing the reach and impact of our expanded product portfolio, ensuring that our products meet the evolving needs of our customers while diligently striving to deliver value to our shareholders.

Subsequent events

At February 29, the Group announced that Rune Nystad will step down as CEO in Observe Medical and that Jørgen Mann, the Chief Commercial Officer ("CCO"), will step in as the interim CEO. Mr. Nystad will transition into the role as Chief Development Officer ("CDO") of the Company.

At March 21, the Group announced that Per Arne Nygård has resigned from his position as CFO to pursue opportunities outside the Company. Johan M. Fagerli, Finance Manager, assumed the responsibilities of Interim CFO with immediate effect.

At April 18, Observe Medical announced that it will transfer its Nordic distribution operations to Vingmed, following a strategic review. The Company assessed the relevance of the business, originally established as a platform for testing and launching its branded products. Given the expansion of our global distribution capabilities, which now fulfill our initial testing and pre-launch needs, the business is becoming less crucial to our core operations. Consequently, the Group have decided to seek more suitable ownership of the Nordic operations going forward.

The Board of Directors and CEO of Observe Medical ASA

Oslo, April 26, 2024



Terje Bakken
Chair of the Board



Kathrine Gamborg Andreassen
Board member



Sanna Rydberg
Board member



Line Tønnessen
Board member



Eskild Endrerud
Board member



Jørgen Mann
Interim CEO

Declaration in Accordance with §5-5 of the Securities Trading Act

We confirm that the financial statements for 2023 have, to the best of our knowledge, been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the Group as a whole. The Board of Directors' report includes a fair review of the development and performance of the business and the position of the company and the Group as a whole, together with a description of the principal risks and uncertainties that they face.

The Board of Directors and CEO of Observe Medical ASA
Oslo, April 26, 2024



Terje Bakken
Chair of the Board



Kathrine Gamborg Andreassen
Board member



Sanna Rydberg
Board member



Line Tønnessen
Board member



Eskild Endrerud
Board member



Jørgen Mann
Interim CEO

Management and Board of Directors

Management team



Jørgen Mann | Interim Chief Executive Officer

Appointed Interim CEO from February 29, 2024. With nearly 20 years of experience in sales and senior management roles from global medtech companies in Europe, he brings highly relevant experience to Observe Medical, as the company strengthens its commercial efforts in the market.



Johan M. Fagerli | Interim Chief Financial Officer

Appointed Interim CFO from March 21, 2024. 20 years-experience from various roles within financial management, business controlling and accounting across multiple industries such as real estate, road construction and telecom. Mr. Fagerli joined Observe Medical in 2021 and holds a degree in economics and business administration (siviløkonom) from Nord University Business School.



Rune Nystad | Chief Development Officer

More than 20 years of experience from global medtech and industrial technology from the Nordics, US, Germany, Ireland and Hong Kong, including Boston Scientific. Founder and CEO in Biim Ultrasound AS and joined Observe Medical as CEO in March 2022 after Observe Medical's acquisition of Biim Ultrasound AS.

Board of Directors



Terje Bakken | Chair of the Board

Terje is partner at Reiten & Co. He has solid investor experience through leading and implementing various strategic and operational value-based processes, across different industries, combined with considerable financial transaction and finance experience. Terje holds a Master of Science in Financial Economics and Bachelor of Business and Administration degrees from BI Norwegian Business School. Terje currently is the Chair of the Board of Directors of Navamedic ASA, QuestBack Group AS and Tivian Inc.



Kathrine Gamborg Andreassen | Board Member

Kathrine is CEO of Navamedic (since 2019) and was chair of the board of Navamedic from June 2018). She has extensive experience from sales, marketing and management of Fmcg and healthcare products. She held the position of CEO at Weifa ASA until the company was acquired by Karo Pharma AB in November 2017. Ms Gamborg Andreassen holds an MSc in Business Strategy & Marketing from the University of Wisconsin, Madison and a Bachelor of Business and Administration from Oslo School of Business.



Sanna Kristina Maria Rydberg | Board Member

Sanna is CEO at Unilabs Sweden. Previously CEO of Arcoma AB, and Head of Healthcare Europe North in The Linde Group. Extensive experience from management, sales & marketing, and production of pharmaceuticals, medical devices and healthcare. Sanna holds a B.Sc in Chemistry from the University of Uppsala.



Line Tønnessen | Board Member

Line is Investment Director at Reiten & Co. She is engaged in a range of Reiten & Co's investments has a strong analytical and corporate finance background. Prior to joining Reiten, she worked at Nordea Markets as an Equity Analyst. Line holds a Bachelor of Business Administration from the Norwegian Business School (BI), an MBA in Finance from the Norwegian School of Economics (NHH) and is a Certified Financial Analyst (CFA/AFA). Line also sits on the Board of Directors of Vow Green Metals AS.



Eskild Endrerud | Board Member

Eskild is Managing Partner at Arctic Investment Group and has broad investment experience with focus on strategically building growth and financial robustness in early-stage companies. Eskild holds board positions in Heymat AS, Lifeness AS, Nanize AS and Care Holding AS. Holds a M.Sc. in Real Estate Development from NMBU and a B.Sc. in Business and Entrepreneurship from BI, Norwegian Business School.

Corporate Governance

Observe Medical ASA considers good corporate governance to be a prerequisite for value creation and trustworthiness, and for access to capital. In order to secure strong and sustainable corporate governance, it is important that Observe Medical ASA ensures good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations across the Group.

Observe Medical ASA has governance documents setting out principles for how its business should be conducted. These apply to all group entities. References to certain more specific policies are included in this corporate governance policy.

Observe Medical is subject to annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 4.4 on the continuing obligations for issuers of shares pursuant to Oslo Rule Book II – Issuer Rules. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on October 14, 2021, may be found at www.nues.no (the “Corporate Governance Code”). The annual statement on corporate governance for 2022 was approved by the board of directors on April 27, 2023 and follows below.

Implementation and Reporting on Corporate Governance

The board of directors is committed to build a sound and trust-based relationship between Observe Medical ASA and the company’s shareholders, the capital market participants, and other stakeholders. The Group’s overall principles for corporate governance is approved by the board of directors and can be found at www.observemedical.com/investor-relations/. The Group complies with the Corporate Governance Code. The board of directors’ annual statement on how Observe Medical has implemented the Corporate Governance Code is set out below. The presentation covers each section of the Corporate Governance Code, and deviations from the code, if any, are specified under the relevant section.

Business

The operations of the company and its subsidiaries shall be conducted in a sustainable manner and in compliance with the business objective set forth in Observe Medical ASA’s articles of association, which shall be stated in the company’s annual report together with the Group’s primary objectives and strategies. The Group’s objectives, strategies and risk profiles are evaluated annually by the board of directors. The company’s business objective reads as follows: “The company’s objective is to develop, produce, market and

sell medical technical equipment and related products, provide connected consulting services and invest in related business.”

Equity and Dividends

Equity

The board of directors is responsible for ensuring that the group is adequately capitalized relative to the risk and scope of operations and that the capital requirements set forth in laws and regulations are met.

The company shall have an equity capital at a level appropriate to its objectives, strategy and risk profile. The board of directors shall continuously monitor the Group’s capital situation and shall immediately take adequate steps if the company’s equity or liquidity is less than adequate.

As of December 31, 2023, the Group had a consolidated equity of NOK 115.6 million, corresponding to an equity ratio of 45.6%.

Dividend Policy

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

Authorizations to the Board of Directors

Any authorization granted to the board of directors to increase the company’s share capital or to purchase treasury shares shall be restricted to defined purposes. When the general meeting is to pass resolutions on such authorizations to the board of directors for different purposes, each authorization shall be considered and resolved separately by the general meeting. Authorizations granted to the board of directors to increase the share capital or purchase treasury shares shall be limited in time and shall in no event last longer than two years. However, it is recommended that an authorization to increase the share capital or purchase of treasury shares does not last longer than until the company’s next annual general meeting.

The Annual General Meeting held on May 26, 2023 authorized the board of directors pursuant to section 10-14 of the Public Limited Liability Companies Act to increase the company’s share capital by up to NOK 750 thousand in one or more share issues. The authorization could only be used to issue shares in connection with the group’s share incentive programs. In addition the board of directors was granted an authorization to increase the share capital up to NOK 2,782 thousand in order to finance further growth

for the Company. The shareholders' pre-emptive rights under §10-4 of the Public Limited Liability Companies Act could under both authorizations be set aside when utilized by the board. The authorizations described above had a term until the Annual General Meeting in 2024, but in no event later than June 30, 2024.

As of December 31, 2023 the Company had 1,143,955 options issued and outstanding, which includes the options granted to the Company's CEO in November, 2023 and options granted to the Company's CFO in November 2021.

Equal Treatment of Shareholders and Transactions with Related Parties

The company has only one class of shares. Each share in the company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently. In the event of an increase in share capital through issuance of new shares, a decision to deviate from existing shareholders' pre-emptive rights to subscribe for shares shall be justified. Where the board of directors resolves to issue shares and deviate from the pre-emptive rights of existing shareholders pursuant to an authorization granted to the board of directors by the general meeting, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the share issuance.

Any transactions in treasury shares carried out by the company shall be carried out on the exchange where the company's shares are listed, and in any case at the prevailing stock exchange price. In the event that there is limited liquidity in the company's shares, the company will consider other ways to ensure equal treatment of shareholders. Any transaction in treasury shares by the company is subject to applicable reporting requirements.

In the event of transactions that are considered to be material between the company and its shareholders, a shareholder's parent company, members of the board of directors, executive management or close associates to any such party, the board of directors shall arrange for an independent third-party valuation. This will, however, not apply for transactions that are subject to the approval of the general meeting pursuant to the provisions in the Norwegian Public Limited Liability Companies Act. Independent valuations shall also be procured for transactions between companies within the Group if any of the companies involved have minority shareholders.

Shares and Negotiability

Each share in the company carries one vote. The company's shares are freely transferrable and the articles of association do not impose any restriction on the transfer of shares. There are no restrictions on owning, trading or voting for shares in the Company other than as described in mandatory law.

General Meetings

Notice, Registration and Participation

The board ensures that its shareholders can attend and participate in the general meeting. For shareholders who are not able to be present at the general meeting, the company shall facilitate electronic participation unless the board of directors finds that it has reasonable cause to refuse such electronic participation. The annual general meeting shall take place prior to 30 June each year. The Group's financial calendar is published via Oslo Børs and in the investor relations section of the Group's website. The notice and supporting information of the general meeting, will be sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting. The notice will be published and sent to the company's shareholders with a known address no later than 21 days prior to the meeting to ensure that all shareholders may form a view on all matters to be considered at the meeting. The annual general meeting shall consider the following matters:

1. Approval of the annual accounts and annual report, including any proposal from the board regarding dividends or other distributions.
2. 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.

Proxy Form, Advance Voting and Voting

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

Chairing Meeting, Elections etc.

General meetings have to date been and is currently planned to be chaired by the chairperson of the board. The chairperson of the board and chief executive officer are required to attend the general meeting. The chairperson of the nomination committee is encouraged to attend those general meetings where the election and remuneration of directors and members of the nomination committee are to be considered. The company's auditor is not physically present at the Annual General Meeting, but is available by phone or video conference to answer questions. Shareholders are able to vote on each individual matter on the agenda for the general meeting, including on each individual candidate nominated for election. Shareholders who cannot attend the meeting in person are given the opportunity to vote through advanced electronical voting and through proxy. The company prepares the proxy form in such way that it enables shareholders to vote on each individual matter and nominates the chairperson of the board of directors to act as a proxy for the shareholders. Minutes from general meetings are published as soon as practicable via the stock exchange's reporting system ([www. newsweb.no](http://www.newsweb.no), ticker code: OBSRV) and in the investor relations section of the Group's website.

Deviations: The entire board of directors have normally not participated at the general meetings because the matters that have been on the agenda have not previously required this, however the chairperson of the board is always present at general meetings to answer questions from the shareholders on behalf of the board of directors. The board of directors finds this solution appropriate, but will consider this arrangement if requested by the shareholders in future general meetings or if deemed appropriate on a case-by-case basis.

Nomination Committee

The company has a nomination committee, and the nomination committee is stipulated in the company's articles of association. The general meeting has resolved guidelines for the duties of the nomination committee. The nomination committee currently comprise two members, as resolved by the general meeting, and all members of the nomination committee are independent of the board of directors and the management. The nomination committee's duties include nomination of candidates to the board of directors and the nomination committee, including the chairpersons. The nomination committee 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 current members of the nomination committee are Bård Brath Ingerø (chair) and Grete Hogstad. No directors or members of executive management are represented in the nomination committee.

Board of Directors: Composition and Independence

Pursuant to the articles of association, the board of directors may comprise three to seven members. The board currently has five shareholder-elected directors. The board members and the chairperson of the board are currently elected by the general meeting based on a proposal from the nomination committee. The composition of the board is intended to secure the interests of the shareholders in general, while the directors also collectively possess a broad business and management background as well as in-depth sector understanding and expertise in investment, financing and capital markets. Consideration is also given to the board's ability to make independent judgements of the business in general and of the individual matters presented by the executive management.

Consideration has also been given to gender representation and independence of directors from the company and its management. The board of directors does not include executive personnel. All shareholder-elected directors are independent of the Group's executive management, the majority of the board members are independent from the company's significant business relations and at least two of the members of the board are independent of the company's main shareholders. Details on background, experience and independence of the board members are presented on the Group's website. Thirty two board meetings were held in 2023. Each board member's attendance at board meetings is recorded by the company. The shareholding of each board member can be found in Note 17 to the consolidated financial statements.

The Work of The Board of Directors

The board has the ultimate responsibility for the management of the company and for supervising its day-to-day management and activities in general. This includes developing the company's strategy and monitoring its implementation. In addition, the board exercises supervision responsibilities to ensure that the company manages its business and assets and carries out risk management in a prudent and satisfactory manner. The board is responsible for the appointment of the CEO. The board has an annual plan for its work.

In accordance with the provisions of Norwegian company law, the terms of reference for the board are set out in a formal mandate that includes specific rules and guidelines on the work of the Board and decision making, including how the board of directors and executive management shall handle agreements with related parties. The chairperson of the board is responsible for ensuring that the work of the board is carried out in an effective and proper manner in accordance with legislation. The board issues a mandate for the work of the CEO. There is a clear division of responsibilities between the board and the CEO. The CEO is responsible for the operational management of the company.

The board holds regular meetings. Extraordinary board meetings are held as and when required, to consider matters that cannot wait until the next regular meeting. In addition,

the board has appointed three sub-committees composed of board members to work on matters in these areas. The board has established instructions for these committees.

The Company have established a Board of Directors and management insurance that covers members of the board, committees and the Company's management. The insurance applies worldwide. The insurance covers the Insured's liability for property damage due to claims made against the insured during the insurance period as a result of an alleged liability-related act or omission.

Audit Committee

The audit committee is appointed by the board. Its main responsibilities are to supervise the company's systems for internal control, to ensure that the auditor is independent and that the interim and annual accounts give a fair and true representation of the company's financial results and financial condition in accordance with generally accepted accounting principles. The audit committee receives reports on the work of the external auditor and the results of the audit. Also, the audit committee meets regularly and can have meetings with the auditor where no member of the executive management is present.

As per December 31, 2023 the audit committee consisted of the following board members:

- Line Tønnessen, Chair
- Eskild Endrerud

Compensation Committee

The compensation committee makes proposals to the board on the employment terms, as well as conditions and total remuneration of the CEO and other executive personnel.

As per December 31, 2023, the compensation committee consisted of the following board members:

- Terje Bakken
- Kathrine Gamborg Andreassen

Merger & Acquisitions (M&A) Committee

The M&A committee is appointed by the board. Its main responsibilities is to address M&A opportunities as well as supervise and support the management in such processes. The M&A committee secures M&A activities to support the Group's strategy for further development and growth of the Group.

As per December 31, 2023, the M&A committee consisted of the following board members:

- Eskild Endrerud
- Line Tønnessen
- Terje Bakken

Risk Management and Internal Control

The board ensures that the company has sound risk management and an internal control system that is appropriate to its activities. The risk management and internal control systems in Observe Medical are based on its corporate values and principles for sustainability. The board reviews the company's internal control system and the main areas of risk annually. Observe Medical management conducts the day-to-day follow-up of financial management and reporting. Management reports to the audit committee that conducts a review of the quarterly and annual presentation and reports before publication. The audit committee assess the integrity of Observe Medical's accounts. It also inquiries into, on behalf of the board, and assess issues related to financial review and internal control, and the external audit of Observe Medical's accounts. The board ensures that Observe Medical is capable of producing reliable annual reports and that the external auditor's recommendations are given thorough consideration. A description of the company's financial risk management objectives and policies are included in Note 3 to the financial accounts.

Financial Reporting

The Group has processes and routines for internal control over financial reporting. The main principles are transparency, segregation of duties, analytical controls and systematic and thorough management reviews. Management prepares periodic reports on business and operational developments to the board, which are discussed at board meetings. These reports are based on the results of the review process and include status of key performance indicators, update of market developments, operational issues, financial results and highlights of organizational issues. Financial position and results are followed up in monthly accounting reports, compared to prior year, budgets and forecasts. Reporting also includes non-financial key performance indicators. In addition, management prepares a forecast of financial trends, showing profits and cash flow development. The interim reports and annual financial statements are reviewed by the audit committee in advance of consideration and discussion in the board. Financial risk management and internal control are also addressed by the board's audit committee. The latter reviews the external auditor's findings and assessments after the interim and annual financial audits. Significant issues in the auditor's report, if any, are also reviewed by the entire board.

Remuneration of the Board of Directors

The remuneration to the board of directors are determined by the general meeting following proposals from the nomination committee. The remuneration payable to the board of directors is meant to reflect the board's responsibility, expertise, time commitment and the complexity of the business.

The remuneration to the board of directors is not linked to the company's performance and no directors have been awarded share options or any other form of incentive-based remuneration, in their role as directors.

An overview of shares owned by the directors and their close associates is included in Note 17 to the consolidated financial statement.

Members of the board of directors and/or companies which they are associated with should not take on specific assignments for the company in addition to their appointment as a member of the board. If they do nonetheless take on such assignments this must be disclosed to the board of directors and any remuneration for such additional duties shall be approved by the board.

Remuneration of Executive Personnel

The board has a remuneration committee. Its main responsibilities are evaluation and advice to the board of directors relating to remuneration strategy, main principles and systems for the total remuneration (including bonus) to the CEO and other members of the Group executive management.

The annual general meeting in 2022 approved guidelines for determination of salary and other remuneration to the executive personnel of the company in accordance with the Public Limited Liability Act section 6-16 a, cf. section 5-6 (3). The guidelines are available at the company's website

Performance-related remuneration of the executive personnel in the form of share options, bonus programs or similar arrangements are linked to value creation for shareholders or the Group's earnings performance over time. Such arrangements, including share option arrangements, are implemented to incentivise performance and are based on quantifiable factors over which the employee in question can have influence. All performance-based remuneration to the Group's leading personnel is be subject to an absolute limit.

Information and Communication

The board has established guidelines for investor communication. Observe Medical's communication with the capital markets is based on the principles of transparency, full disclosure and equality. The CEO and CFO are responsible for the main dialogue with the

investor community, including the company's shareholders. Information to the stock market is published in the form of annual and interim reports, press releases, stock exchange announcements and investor presentations. All information considered relevant and significant for valuing the company's shares will be distributed and published in English via Oslo Børs disclosure system, www.newsweb.no, and via the Group's website www.observemedical.com simultaneously. Observe Medical holds public presentations in connection with the announcement of quarterly and annual financial results. The presentations are also available as live presentations via the internet. Presentation material is made available via Oslo Børs' news site www.newsweb.no and www.observemedical.com. Observe Medical gives weight to maintaining an open and ongoing dialogue with the investor community. Reporting of financial and other information shall be timely and accurate. The main purpose of this information presents a complete picture of the Group's financial results and position as well as articulating the Group's long-term goals and potential, including its strategy, value drivers and important risk factors. The Group publishes a financial calendar every year with an overview of the dates of important events, including the general meeting, publication of interim reports and presentations. This calendar is made available as a stock exchange announcement and on the Group's website as soon as it has been approved by the board.

Takeovers

In the event of a takeover bid being made for the company, the board will follow the overriding principle of equality treatment of all shareholders and will seek to ensure that the Group's business activities are not disrupted unnecessarily. The board will strive to ensure that shareholders are given sufficient information and time to form a view of the offer. The board will not seek to prevent any takeover bid unless it believes that the interests of the Group and the shareholders justify such actions. The board will not exercise mandates or pass any resolutions with the intention of obstructing any takeover bid unless this is approved by the general meeting following the announcement of the bid. If a takeover bid is made, the board will issue a statement in accordance with statutory requirements and the recommendations in the Corporate Governance Code. Any transaction that is in effect a significant disposal of the Group's activities will be submitted to the general meeting for its approval.

Auditor

The company's external auditor, EY, annually presents its overall plan for the audit of the Group for the audit committee's consideration. The board reports annually to the annual general meeting on the external auditor's total fees, and informs on the split between audit and non-audit services. The annual general meeting approves the auditor's fees for the company.

The Board of Directors and CEO of Observe Medical ASA
Oslo, April 26, 2024



Terje Bakken
Chair of the Board



Kathrine Gamborg Andreassen
Board member



Sanna Rydberg
Board member



Line Tønnessen
Board member



Eskild Endrerud
Board member



Jørgen Mann
Interim CEO

Sustainability Report

About this report

It is of key importance to Observe Medical to operate our business in a sustainable manner and it is a prerequisite for the company's long-term results to understand the impact on environment, society and stakeholders. This sustainability report applies to the reporting period 1 January 2023 to 31 December 2023.

The report is inspired by Oslo Børs' guidelines for sustainability reporting (Euronext guidelines).

The Observe Medical sustainability report has been reviewed and approved by Observe Medical's Board of Directors. The claims and data in this report have not been audited by a third party.

For information about this report and its content, please contact Interim CEO Jørgen Mann or Interim CFO Johan Fagerli.

About Observe Medical

Observe Medical ('Observe Medical') is the legal manufacturer of Sippi®, a proprietary, CE marked automated system for urine measurement. Sippi® offers a unique, effective and innovative solution for urine monitoring at the hospital intensive care units (ICUs), wards and homecare.

With Sippi, the company's focus is on increasing quality assured patient data for clinical decisions and addressing the challenge of hospital acquired infection in healthcare facilities worldwide. In addition, the system replaces a manual time-consuming system and increase the clinical capacity. Urinary tract infections are the number one hospital acquired complication for patients, and their treatment is a considerable burden to hospital staff and budgets. Overall, approximately 3.8 million Europeans are infected every year from healthcare acquired infections of all types.

In March 2022, Observe Medical acquired Biim Ultrasound AS, a Company that has developed a unique, wireless and pocketable ultrasound probe, Biim, that can scan patients and review images in seconds. The objective of Biim is to enhance healthcare personnel decision-making and improve patient outcomes. Biim's technology is patented, and the device received 510 (k) clearance from the US Food and Drug Administration (FDA) in 2018. Biim is approved for ultrasound imaging of the human body and is specifically used to guide needle and catheter insertions for dialysis and vascular access procedures.

In September 2023, Observe Medical finalized the acquisition of the trademarks and other intellectual property rights relating to state-of-the-art urine measurement products known as the UnoMeter™ and Abdo-Pressure™ products. The Transaction is a significant

step forward for Observe Medical as it expands its product portfolio and strengthens its position in the market.

In addition, the Company has a broad distribution portfolio of medtech devices and disposables, mainly within Urine measurement, Anesthesiology/ICUs and wound care. This product portfolio from well-established suppliers in medical technology and wound care is sold through an experienced sales team. Our medtech distribution portfolio is mainly distributed in the Swedish market with potential to expand to rest of the Nordic region.

Observe Medical's intent is to continually grow the company's platform and portfolio to improving patient welfare and patient outcomes, improving clinical data accuracy and promoting positive health economics, through ongoing R&D and acquisition strategies in line with the company's goals and vision.

Observe Medical is listed on Euronext Oslo under the ticker **OBSRV**.

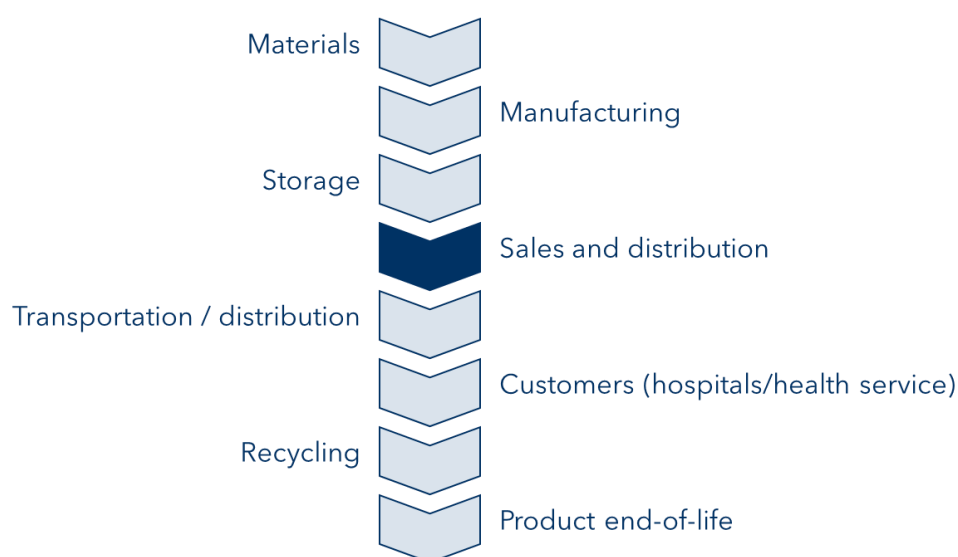


Figure 1: Observe Medical's supply chain illustrated

Stakeholders

Employees: Observe Medical's employees are directly affected by the company's internal policies and activities and directly affect the company through their performance and actions.

Investors/shareholders: Observe Medical's investors and shareholders are primary stakeholders and directly affect the company's priorities and strategic

direction. Observe Medical's economic and business performance may affect the priorities of investors and shareholders.

Government/regulatory authorities:

Government and regulatory authorities affect the company's operating conditions directly and indirectly.

Customers/patients: Observe Medical's customers consists of distributors, hospitals and other health institutions in the Nordics, selected markets in Europe and globally. Customers are directly affected by Observe Medical's product offering, and the product's quality and safety. Customers directly affect the company economically and customer expectations also impact Observe Medical's sustainability priorities.

Suppliers: Suppliers directly affect Observe Medical through the quality and pricing of the company's product and services. Observe Medical's suppliers are economically affected by the company and their responsibilities are indirectly affected by Observe Medical's focus on responsible business practice and the expectations placed on them.

Academia and life science community:

Observe Medical is dependent on research and scientific evidence from academics and the life science community to grow the company's product portfolio and to deliver products of high quality which are safe for patients to use.



Figure 2: Observe Medical's stakeholders

Corporate governance and sustainability approach

Observe Medical considers good corporate governance to be a prerequisite for value creation and trustworthiness, and for access to capital. In order to secure strong and sustainable corporate governance, it is important that Observe Medical ensures good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations across the Group.

Observe Medical has governance documents setting out principles for how business should be conducted. These apply to all group entities. Observe Medical is subject to annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance (NUES recommendations), cf. section 7 on the continuing obligations of stock exchange listed companies.

Environmental and social considerations are an integral part of Observe Medical's business operations. Observe Medical's Board of Directors ('the Board') bears the ultimate responsibility for the company's sustainability approach and the sustainability report is discussed and approved by the Board. Executive Management in addition to Observe Medical's quality manager is responsible for the follow-up of the company's sustainability efforts on a day-to-day basis.

Reporting themes and topics for 2023

For 2023, Observe Medical is reporting on the following sustainability topics:

- Working environment
- Business ethics, including supply chain management
- Environmental impact
- Product safety

The following chapters will discuss each of the overarching sustainability topics and their relevance to Observe Medical, including an explanation of why the topic is considered important, as well as the company's performance today and future goals and KPIs.

Working environment

Maintaining a safe and healthy working environment is a key priority for Observe Medical, and the ability to attract and retain skilled workers is critical to the company. The company can impact the working environment through the guidelines, and by dialogue with the employees. Investing in the working environment and making sure that Observe Medical's employees thrive and succeed is essential for the company's business success and for future value creation.

In 2023 the working environment has been heavily impacted by temporary lay-offs and cost reduction activities leading to downsizing of the workforce.

At December 31 2023, 4 employees are employed in Sweden, 4 in Norway, 1 in Finland, 2 in Denmark and 1 in USA.

Observe Medical's employees	At 31 Dec 2023			At 31 Dec 2022		
	Men	Women	Total	Men	Women	Total
Total employees (headcount)	9	3	12	11	6	17
Full-time equivalents (FTE's)	7	2	9	11	6	17
Temporary laid off	2	1	3	0	0	0

Table 2: Observe Medical's employees

The company follows the applicable legislation on employee rights in the countries it operates, including the Norwegian Working Environment Act (Arbeidsmiljøloven) and the Swedish Work Environment Act (Arbetsmiljölagen). The overall responsibility for the working environment and health and safety lies with the CEO.

In 2023, the employees in Sweden operated under a collective bargaining agreement ("Kollektivavtal") with IKEM, an industry and employers' organisation representing chemical and innovation companies in Sweden. Through the bargaining agreement, Observe Medical's employees have access to good pension and insurance schemes, as well as secured and well documented

rights concerning for instance parental leave. The company does not yet carry out employee surveys, however, ensuring a systematic approach to measuring employee engagement and wellbeing is a focus area for the company going forward. The Group has a mandatory defined-contribution pension scheme that meets the requirement in each country the Group has employees.

Observe Medical had a labour turnover rate of 33% (18% in 2022). However, looking at turnover rate with a relative low workforce count, the rate is subject to large variations. Note that the Group in second half of 2023 initiated cost reduction activities where downsizing of the workforce was one of the necessary measures.

Observe Medical's employee turnover	2023	2021
Labour turnover rate	18%	18%
Total turnover (no. of employees)	6	3

Table 3: Employee turnover

Equal opportunity and gender equality are considered important success factors for Observe Medical. The company follows the Norwegian Equality and Anti-discrimination Act, which aims to promote gender equality and prevent

discrimination on the basis of gender, ethnicity, age, religion or other similar characteristics of a person. The company has a zero tolerance for discrimination and employees are encouraged to report discriminating practices or other

concerns regarding the working environment to the nearest line manager, the CEO, or to an external HR adviser. Observe Medical does not have an external whistle blowing channel as of today but is on the agenda as the company grows. The company experienced zero reported incidents of discrimination in 2023.

The company will increase its focus on gender balance in senior positions going forward. The company is further committed to equal pay for the same work and performance regardless of gender.

Share of Observe Medical's workforce pr 31.12 by age and gender	Men	Women	<30 year of age	30-50 years of age	>50 years of age
Organisation	9 (75%)	3 (25%)	0	10	5
Group Management team	2 (100%)	0 (0%)	0	0	2
Board of Directors	2 (40%)	3 (60%)	0	2	3

Table 4: Observe Medical's workforce by age and gender

Decent and safe working conditions are essential for a healthy workforce that can contribute to successful business operations and growth. Working in an office environment or remotely with sales without any inhouse production, the company is mainly exposed to risks relating to the psychological wellbeing of employees and physical risks related to for instance sedentary work.

There were no serious work-related injuries or incidents among Observe Medical employees in 2023. Nor was there any damage to property or equipment reported. The registered absence rate for sickness was 0.8% compared to 2.8% in 2022.

Observe Medical's health and safety data	2022	2021
Sick leave per cent	0.8%	2.8%
Accident frequency rate	0	0
Accident severity rate	0	0

Table 5: Health and safety data

Goals for 2024

- Seek gender balance in senior positions
- Complete Employee Handbooks for the Group
- Establish an external whistleblowing channel

Observe Medical is committed to be a responsible employer and is in a process of establishing several HR related processes and guidelines. The company is in the process of further developing its recruitment strategy to focus on age and gender balance for the specific departments that are recruiting.

Business ethics, and supply chain management

As a medical device company, ensuring good corporate governance and strong ethical practices is essential for Observe Medical. Being part of a global value chain, Observe Medical is exposed to ethical risks through its business operations, and the company therefore actively strives to ensure good and healthy business practices.

The CEO bears the ultimate responsibility for business ethics and anti-corruption in Observe Medical. The Board ensures that the company has sound risk management and an internal control system that is appropriate to its activities and is further responsible for reviewing the company's internal control system and the main areas of business ethics risk annually.

CSR policy and code of conduct for suppliers is implemented for Observe

Medical Nordic AB. Observe Medical has a zero tolerance for corruption and the company's anti-corruption policy explains which criteria all employees are required to comply with. Any potential misconduct can be reported directly to any member of the Corporate Management Team or directly to any member of the Board. Observe Medical is not part of any external initiatives or collaborations on corruption prevention.

Observe Medical is dependent on its distributors and those distributors' ability to perform and operate in key markets. Observe Medical relies on third-party suppliers for production and distribution and is thereby directly and indirectly exposed to risks and opportunities in its supply chain. With the UnoMeter™ portfolio, the exposure to new suppliers and partners have increased significantly. Observe Medical has distributors as partners for foreign markets, which are mainly located in Europe, but also Asia, South America and USA. Manufacturing partners are currently in China, Italy and USA.

In general, Observe Medical operates in countries which are considered low to medium risk in terms of corruption, according to the Corruption Perception Index. Still, all suppliers are screened using criteria related to business ethics prior to entering new contracts and the Group is also looking to establish an annual risk assessment of third parties and specific markets. Observe Medical has decided not to engage in business with companies in Russia or Belarus.

There were zero reported incidents of corruption or public legal cases regarding corruption in 2023. Observe Medical has not experienced any breaches of its policies or guidelines by

suppliers in 2023, and the company has not terminated or discontinued any contracts with suppliers or business partners due to breaches in the reporting period.

Observe Medical has in 2022 performed a mandatory training session on insider information regulations to employees. This will be followed up in the coming year.

Goals for 2024

- Establish a Group wide CSR Policy / Code of Conduct
- Establish a Group wide supplier Code of Conduct
- Provide further training on insider information regulations to new employees

Environmental impact

Actively managing the environmental footprint of its business operations is important to Observe Medical, and it will become even more important in the future and may impact the company's ability to operate in the long-term. The main environmental challenges for the medical device industry in general are through use of disposable materials, equipment and/or packaging, and through the use of chemicals to meet sterilization requirements.

The main environmental impacts from Observe Medical's business operations are related to waste generated from its products, such as disposable units and packaging, production of purchased goods and products, transportation of goods and products (by truck, boat or plane from Europe, Asia and the US to

storage facilities and customers), as well as employee business travels. With the UnoMeter™ portfolio and a new manufacturing partner in Asia, the Group's environmental impact increases with both disposable units and emissions from transportation.

The Group complies with all applicable environmental laws and regulations. Observe Medical Nordic has an environmental management system with an environmental policy.

Energy

As Observe Medical has shared offices in Oslo, Gothenburg, Narvik, Oulu and Seattle with all related costs included. Observe Medical does not report indirect CO2 emissions related to purchased electricity.

Emissions

Observe Medical is aware that production partners in Asia will increase the emissions from transportation, compared to production in Europe. Production in Europe may be an alternative in the future.

At the end of 2023 Observe Medical had 3 company cars, where of 2 EV's.

The Group has reduced the travel activity by using video conferencing tools.

Materials and waste

The use of non-sustainable materials is a main concern in the medical device industry, and a much-debated topic is the extensive use of Polyvinyl Chloride (PVC). Observe Medical always seeks to use environmentally friendly materials in its

products and together with the customers and suppliers find good alternatives within the regulatory requirements.

As a company selling medical devices, Observe Medical must comply with strict requirements for product packaging, especially for products which are required to remain sterile. Naturally, the packaging becomes waste for the company's customers.

All hospitals where Observe Medical's products are being used are required to follow strict requirements for handling waste, which ensures the proper waste management of the packaging according to law.

Observe Medical's digital urine meter Sippi® will contribute positively to reduce plastic waste compared to manual urine meters.

Goals for 2024

- Observe Medical will further work to understand how to reduce our environmental footprints, direct and indirect
- Establish a Group Environmental Policy with guidelines that outlines how to improve environmental performance

Product safety

Product safety is fundamental to Observe Medical and is part of the company's license to operate. Risk management is applied within the group to ensure only products with acceptable risks are placed on the market. The most likely health and safety hazards are related to human error when using the products, and the

company therefore works continuously with usability.


The Quality Assurance and Regulatory Affairs (QA/RA) director has the overall responsibility for product safety. The QA/RA director is further responsible for ensuring that Observe Medical's products comply with rules and regulations for medical devices in the markets where the products are launched.

In 2022, Observe Medical implemented a digital group Quality Management System (QMS) that covers development, manufacturing and sales of medical devices in all legal entities and sites within the group, and has been designed to fulfil the requirements in the Medical Devices Directive (MDD), Medical Device Regulation (MDR), applicable parts of 21 CFR, including but not limited to Part 820 (QSR), and EN ISO 13485:2016. The QMS at Observe Medical holds a Certificate of Registration on that the QMS has been registered by Intertek (0413) as conforming to the requirements of SS-EN ISO 13485:2016. The certified scope is; "Developing, manufacturing and sales of medical device systems for managing and measuring of body fluid".

Observe Medical AB has established its own Quality Manual which describes the overall structure, content and purpose of the company's Quality Management System (QMS), as well as Quality Objectives with clear responsibilities. Additionally, the company's Risk Policy outlines criteria for determining product risk acceptability towards patients and users. Observe Medical Nordic has also implemented a quality policy, which clearly states that the company shall meet regulatory requirements and applicable

laws, regulations and guidelines and that our products shall be delivered at the right time, in the right place and with promised quality.

Ensuring high quality products and processes is a prerequisite for the Group's contribution to value creation and for ensuring the trust of its stakeholders. Observe Medical's overarching goal is to comply with the industry code of conduct in all markets, and standards relating to risk management, such as the ISO 14971 standard for Medical Devices. The company conducts quality checks on a regular basis, all products are CE-marked or FDA approved, and products developed by Observe Medical AB has been verified and validated prior to launch and is manufactured according to established requirements to achieve high quality and product safety.



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Consolidated Financial Statements 2023



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Observe Medical Group

Consolidated Statement of Comprehensive Income

<i>Amounts in NOK thousand</i>	Note	FY 2023	FY 2022
Operating revenues	5	27 942	19 521
Cost of materials	9	18 655	14 344
Gross result		9 287	5 177
Employee benefit expenses	16, 17, 18	25 964	28 521
Other operating expenses	15, 21	21 016	24 868
Operating expenses		46 980	53 389
Operating result before depreciation and amortisation (EBITDA)		-37 693	-48 212
Depreciation and amortisation	6, 7	13 570	10 931
Operating result (EBIT)		-51 263	-59 143
Financial income and expenses			
Financial income	8	7 523	19 122
Financial expenses	8, 13	16 605	10 704
Net financial items		(9 082)	8 418
Result before tax		-60 345	-50 725
Income tax expense	14	17	76
Result for the period		-60 362	-50 801
<i>Result for the period attributable to:</i>			
Equity holders of the parent company		-60 362	-50 801
Other comprehensive income that may be reclassified subsequently to profit or loss			
Currency translations differences		7 244	-2 504
Total comprehensive income/loss for the period		-53 118	-53 305
<i>Total comprehensive income attributable to:</i>			
Equity holders of the parent company		-53 118	-53 305
Basic earnings per share (NOK per share)	19	-1.05	-1.08
Diluted earnings per share (NOK per share)	19	-1.05	-1.08

Observe Medical Group

Consolidated Statement of Financial Position

<i>Amounts in NOK thousand</i>	Note	At 31 December 2023	At 31 December 2022
ASSETS			
Non-current assets			
Goodwill	7	102 314	99 961
Intangible assets	7	122 012	82 767
Tangible assets	6	1 957	4 152
Other non current assets		32	0
Total non-current assets		226 315	186 880
Current assets			
Trade receivables	10, 12	3 117	4 731
Inventories	11	6 890	8 117
Other receivables and prepaid expenses	10	3 539	2 443
Cash and cash equivalents	12	13 676	13 641
Total current assets		27 222	28 932
Total assets		253 537	215 812
EQUITY AND LIABILITIES			
Share capital		49 578	13 908
Other equity		66 028	124 398
Total equity		115 606	138 306
Non-current liabilities			
Contingent consideration	12, 13	1 560	3 365
Non-current interest bearing liabilities	12	50 027	946
Other non-current liabilities	6, 12	25 461	965
Total non-current liabilities		77 048	5 276
Current liabilities			
Trade payables	12	17 847	8 610
Current tax liabilities	14	0	51
VAT and other public taxes and duties payables		10 574	6 074
Current interest bearing debt	12, 20	4 477	44 802
Other current liabilities	12, 6	27 985	12 693
Total current liabilities		60 883	72 230
Total liabilities	12	137 931	77 506
Total equity and liabilities		253 537	215 812

The Board of Directors and CEO of Observe Medical ASA
Oslo, April 26, 2024



Terje Bakken
Chair of the Board



Kathrine Gamborg Andreassen
Board member



Sanna Rydberg
Board member



Line Tønnessen
Board member



Eskild Endrerud
Board member



Jørgen Mann
Interim CEO

Observe Medical Group

Consolidated Statement of Changes in Equity

Amounts in NOK thousand	Attributable to the equity holders of the parent					
	Issued capital	Share premium	Other paid in equity	Total paid-in capital	Retained earnings	Translation differences
Equity as at 1 January 2022	5 097	87 065	11 800	103 963	-108 691	-9 394
Share issue	8 811	196 635	-	205 446	-	-
Options	-	-	-	-	287	-
Result for the period	-	-	-	-	-50 801	-
Translation differences	-	-	-	-	-	-2 504
Equity as at 31 December 2022	13 908	283 700	11 800	309 409	-159 205	-11 898
	Issued capital	Share premium	Other paid in equity	Total paid-in capital	Retained earnings	Translation differences
Equity as at 1 January 2023	13 908	283 700	11 800	309 409	-159 205	-11 898
Share issue	35 670	-5 730	-	29 940	-	-
Options	-	-	-	-	478	-
Result for the period	-	-	-	-	-60 362	-
Translation differences	-	-	-	-	-	7 244
Equity as at 31 December 2023	49 578	277 970	11 800	339 349	-219 089	-4 654

During 2023 Observe Medical ASA has issued 137 193 548 new shares for gross proceeds of NOK 35 670 thousand. Net proceeds after cost of share issue of NOK 4 980 thousand and settlement against debt of NOK 2 239 thousand was NOK 28 451 thousand.

See note 22 for further information about movement in share capital / number of shares, note 18 share options.

Observe Medical Group

Consolidated Cash Flow Statement

<i>Amounts in NOK thousand</i>	Note	2023	2022
Cash flow from operating activities			
Result before tax		-60 345	-50 725
Tax paid	14	36	-142
Depreciation and impairment	6,7	13 570	10 931
Gain(-)/ loss from sale of fixed asset		0	-320
Interest expenses and change FV contingent consideration with no cash effect	13	7 374	-6 628
Change in inventories	11	1 227	-294
Change in trade receivables and other receivables	10	515	-1 908
Change trade account payables and other current liabilities	12	13 168	-2 249
Net cash flow from operating activities		-24 455	-51 334
Cash flow from investing activities			
Sale of tangible and intangible assets	6,7	392	559
Purchase of tangible and intangible assets	6,7	-8 018	-4 927
Net cash effect of business combination	23	0	-54 002
Net cash flow from investing activities		-7 626	-58 370
Cash flow from financing activities			
Net change interest bearing debt	12	4 932	-19 404
Net change bank overdrafts	12	0	-13 863
Net proceeds from share issue	22	28 451	155 597
Payments of lease liabilities	6, 12	-1 643	-1 390
Net cash flow from financing activities		31 740	120 940
Currency translation differences		377	-460
Changes in cash		36	10 777
Cash and cash equivalents as at 1 January	12	13 641	2 864
Cash and cash equivalents end of period	12	13 676	13 641

Explanatory Notes to the Consolidated Financial Statements 2023

Note 1 – General Information

Observe Medical ASA is a Norwegian public listed company located in Norway and whose shares are public traded on Euronext Expand Oslo. Its head office is located in Dronning Eufemias gate 16, 0191 Oslo, Norway.

The consolidated financial statements for Observe Medical ASA ("OM group" or "the Group"), including notes, for the year 2023 were approved by the Board of Directors of Observe Medical ASA on April 26, 2024 and will be proposed to the Annual General Meeting on May 24, 2024.

The Group's activities are described in the Board of Director's report.

The Group has focus on measures to reduce its environmental footprint. Climate-related development may have impact on the business, such as increased cost of production and transportation as a result of measures to reduce carbon emission, from disposable units and UnoMeter™ portfolio in particular.

The Transparency Act shall promote companies' respect for basic human rights and decent working conditions, and ensure the public's access to information. The Act imposes, among other things, a duty for Observe Medical to inform and carry out due diligence assessments which must be explained and made public. Observe Medical has established routines and Code of Conduct that covers such due diligences on suppliers and business relationships as part of our Quality Management System. This work is led by the QA/RA department and is based on a risk based approach. The obligation to provide information came into effect from 1 July 2022. The Company is for the reporting year outside of scope of the Act as the revenues are below MNOK 70 and the number of employees are below 50 FTE.

Going Concern assumption and Liquidity

The annual accounts are based on the going concern assumption. Reference is made to the next paragraph and the Board of Directors' report for further details.

Based on current forecasts and working plans, the Group's working capital is not sufficient to fund operations and payment of financial obligations for the next 12 months from 31 December 2023. Going forward, the Group will need to raise more equity, issue debt instruments or divest assets to fund further development of ongoing business.

The Group has communicated that the net proceeds from the rights issue were not sufficient to cover the working capital requirements for continued product development and operation of the ultrasound business, Biim Ultrasound AS. There is an ongoing

process where various strategic alternatives are being assessed, including advanced discussions with Fresenius Medical Care about the next step towards a final investment decision.

The Group continues talks with potential financial providers and investors to support further operations and growth with equity and debt funding, in addition to working with alternatives to reduce funding need.

There is a risk that adequate sources of funds may not be available, or available at acceptable terms and conditions, when needed. Therefore, there is an material uncertainty with regards of the going concern assumption

Reference is made to note 3 Financial Risk management for further information on liquidity risk.

Note 2 – Basis for Preparation and material Accounting Policies

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

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

The consolidated annual financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS® Accounting Standards) as issued by the International Accounting Standards Board (IASB) which have been adopted by the Eu, and Norwegian disclosure requirements listed in the Norwegian Accounting Act.

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 Group's financial statements, are described in Note 4.

Changes to Accounting Policies and Disclosures

The accounting policies applied are the same for all periods presented.

Amendments to accounting policies Amendments to IAS 1 Presentation of financial statements and IFRS Practice Statement 2 Making Materiality Judgements came into force on 1 January 2023. As a result, the description of Observe Medical's accounting policies is somewhat shorter, as emphasis has been placed on disclosing important policy choices made by Observe Medical. General or generic information has been deleted from the disclosure of policies in the notes. The group has otherwise made no changes in

presentation or accounting policies nor applied any new standards that materially affect its financial reporting or comparisons with previous periods.

Revisions to standards and interpretations that did not come into force for the Group for the period that ended December 31, 2023 are evaluated and are expected to not have any significant effect for the Group.

Basis of Combination and Consolidation

Companies that have been controlled by Observe Medical ASA, have been fully combined and consolidated for all periods presented for the purpose of these financial statements ("subsidiaries").

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.

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

Segment Information

The Group has only one operating segment, consistent with the reporting to the chief operating decision maker, consisting of the CEO and the Board of Directors.

Translation of Foreign Currency

Functional currency and presentation currency

The consolidated financial statements are presented in Norwegian kroner. Foreign companies that are part of the Group and have different functional currencies are converted to Norwegian kroner. Translation differences are included in the total comprehensive income

Intangible Assets and Goodwill

Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as

incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss. Goodwill is not amortized.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Technology assets

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the asset, discount rates to be applied and the expected period of benefits. For the year 2023, capitalised expenditures is related to product and production setup of the UnoMeter™ portfolio.

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 recognized 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, but tested at least annually for impairment.

Inventories

Inventories are measured at the lower of cost and at net realizable value. To determine cost the company using the first-in, first-out method (FIFO). Net realizable value is the estimated selling price and the estimated costs necessary to make the sale.

Financial Assets

The company has financial assets in the category of amortized cost, which primarily consist of short-term receivables and bank deposits. Accounts receivables are initially measured at the transaction price. Other financial assets are initially recognized at fair value in addition to transaction costs and then at amortized cost using the effective interest method adjusted for impairment.

The company uses historical figures to calculate provision for expected credit losses on trade receivables. A significant proportion of the customers are public customers/healthcare institutions and hospitals, and historical the company have immaterial credit losses for the periods presented, no credit losses have been realized and no provisions for expected credit losses have been recognized.

Cash and Cash Equivalents

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

Financial Liabilities

Financial liabilities include:

- a) Financial liabilities at fair value through profit or loss: Contingent consideration from acquisition; and
- b) Financial liabilities at amortized cost: primarily interest-bearing debt to Navamedic ASA, Business Finland and instalments to Convatec regarding to aquirement of UnoMeter™, in addition to payables.

Income 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 Norway, 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, deferred tax asset was recognized on tax losses carried forward in 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.

Pensions

The Group has entered into a mandatory defined-contribution pension scheme for all employees. The contributions are recognized as payroll expenses as the obligation to pay contributions accrue.

Revenue Recognition

Revenue from contracts with customers is recognised at the point of time when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Invoices are issued upon delivery of the goods with payment terms of typically 30 days. No significant performance obligations according to IFRS 15.119.

Leases

The Group recognized right of use assets and lease liabilities for leases, except for 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 recognized in the consolidated statement of comprehensive income. For lease contracts for which the lease term is less than one year or where the value of the underlying asset is low the lease payments are recognized as an expense on a straight-line basis over the lease period.

Share Options

The fair value of options granted to member of management is recognized as employee benefit expense with a corresponding increase in equity for equity settled awards. The total amount to be expensed is determined by reference to the fair value of the options granted. The total expense is recognized over the vesting period. Social security contributions payable in connection with an option grant are treated as cash-settled transactions and expensed as employee benefit expenses.

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 Risk

The Group is exposed to market risk. The Group believes that such risk primarily arises in relation to the 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. The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

It is important that The Group is able to establish and keep it's UnoMeter™ products in the market that Convatec left behind when withdrawing from the hospital care market and focusing on chronic care markets. Increased competition may lead to reduced revenue potential and gross margin for Observe Medical's products.

Following any liquidity risk, if by any case The Group is unable to fulfill the terms of the contract related to the purchase of UnoMeter™ from Convatec, including payment of the contracted instalments, there is a risk that Observe Medical will have to suspend it's sales under the UnoMeter™ brand.

Operational Risk

Geo-political factors, such as the Russian invasion of Ukraine and the war in the Middle-East, has resulted in a rapidly evolving geo-political situation and introduced a new set of challenges with respect to maintaining business continuity. The war in Ukraine and in the Middle East as well as implications after the Covid-19 pandemic. These events are disrupting global supply chains which can impact our suppliers' ability to access materials

in time, which in turn could lead to lack of components and delay the production of devices. Moreover, the geo-political situation could also create challenges related to logistics and delay in shipments. Consequently, this could lead to reduced revenue potential and gross margin for Observe Medical's products.

Rapid geo-political changes may impact both access to market, transportation and taxes. The company is following the situation closely, and is aware that production in Asia increase the risk exposure.

There is a risk that key personnel may leave the Company and interrupt business continuity. Operational risks also includes errors that may occur at contracted suppliers and manufacturers of the Group's products, and Observe Medical has processes in place to mitigate these risks.

Climate Risk

The Group evaluates climate related risks connected to its operations and important parts of the value chain. Rapid climate changes may impact the Group's financial estimates, access to market, cost of materials, transportation and taxes. The Company currently sees limited risk and the monitoring of these risks is going to continue in the future.

Currency Risk

For the periods presented, currency risk has primarily been related to payables and receivables within the Observe Medical group and related parties. The Payroll and operating expenses are generally incurred in the currency of the country in which the individual company is registered (NOK, SEK, DKK, EUR and USD). There is a currency risk related to funding of the companies in USA and Finland where operating expenses is incurred in USD and EUR and no income. A sensitivity analysis of the effect of a potential change in NOK/USD and NOK/EUR of +/- 10% shows that the impact on result before tax in 2023 would be +/- NOK 200 thousand against USD and +/- NOK 150 thousand against EUR.

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. For the UnoMeter™ portfolio the cost of goods sold are primarily in USD, and a majority of the revenues are currently in EUR. Future growth in sales the next months and years, will increase the exposure towards foreign currency, primarily USD/EUR. 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. The company's customers are mainly largely public enterprises and larger distributors that represent a

low credit risk. In second half of 2023, The Group entered into an agreement on the purchase of receivables with Avida. This agreement both reduces the credit risk, but also improves the Group's working capital.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle its financial obligations as they fall due. The Group has mainly used equity financing in order to meet liquidity requirements relating to financial obligations, covering operational losses and investments. The Group's financial liabilities as at 31 December 2023 were NOK 136.4 million and 24.7 million are mature within 12 months from balance sheet date.

Based on current forecasts and working plans, the Group's working capital is not sufficient to fund operations and payment of financial obligations for the next 12 months from 31 December 2023. Going forward, the Group will need to raise more equity, issue debt instruments or divest assets to fund further development of ongoing projects and future operations. In case of a situation where funds may not be available in the amount needed, the value of assets can be lower than presented in the financial statements. However this is not reflected in the valuation of the assets, as the annual accounts are based on the assumption of going concern.

Reference is also made to the Board of Directors' report.

Variable Interest Rate Risk

The Group's variable interest rate risk is limited as interest bearing liabilities to Navamedic ASA and Business Finland has a fixed interest rate. The liability towards Convatec Plc. from the purchase of the UnoMeter™ portfolio are in USD. The Group has currently limited bank deposits and change in variable interest rate will have limited effect. The Group has not hedged its interest rate exposure.

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 UnoMeter™ Safeti plus, UnoMeter™ Safeti Max, Sippi® and the Biim ultrasound probe. 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. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Business combinations

Estimations 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 recognized in the financial statements are related to the acquisition of OMI AB in 2015, Sylak AB in 2020, and Biim Ultrasound AS in 2022, purchase of UnoMeter™ in 2023 in addition to further capitalization of costs for development of the technology assets.

As part of the business combination, the management has based their judgments on assumptions and made estimates of the fair values of assets and liabilities acquired, as well as the fair value of the contingent consideration. These assumptions and estimates 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.

R&D

Capitalization of further development costs requires documentation that all criteria for capitalization of own development still are met, 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.

Impairment of goodwill

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 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.

Note 5 – Segment Information and Revenue from Contracts with Customers

The Group is organized into one business unit based on its products and services, and has one reportable segment.

For more information about our products, see section about the Observe Medical portfolio in the annual report.

Overview of revenue per product group

Revenue per product group

<i>Amounts in NOK thousand</i>	2023	2022
Urine Measurement	8 284	139
Ultrasound	1 207	5 051
Nordic Portfolio	15 589	13 725
Other	2 862	606
Total	27 942	19 521

Revenue per geographic market

<i>Amounts in NOK thousand</i>	2023	2022
Norway	781	962
Sweden	15 130	13 369
USA	1 207	5 051
Other European countries	10 824	139
Total	27 942	19 521

Note 6 – Tangible Assets and Lease

<i>Amounts in NOK thousand</i>	Right-of-use	Other	Sum
Acquisition cost 1 January 2022	1 450	2 495	3 945
Additions	969	1 403	2 372
Additions from aquisition of companies	2 257	449	2 707
Disposals	-2 000	-1 481	-3 481
Currency translation differences	-128	4	-124
Acquisition cost 31 December 2022	2 549	2 870	5 419
Acquisition cost 1 January 2023	2 549	2 870	5 419
Additions	0	42	42
Disposals	-1 592	0	-1 592
Currency translation differences	78	5	83
Acquisition cost 31 December 2023	1 035	2 917	3 952
Accumulated depreciation 1 January 2022	469	2 096	2 565
Depreciation for the year	1 433	297	1 730
Disposals	-2 000	-1 095	-3 095
Currency translation differences	52	16	68
Accumulated depreciation 31 December 2022	-46	1 314	1 268
Accumulated depreciation 1 January 2023	-46	1 314	1 268
Depreciation for the year	1 543	430	1 973
Disposals	-1 200	0	-1 200
Currency translation differences	-24	-22	-46
Accumulated depreciation 31 December 2023	273	1 722	1 995
Carrying value 1 January 2022	981	400	1 381
Additions	969	1 403	2 372
Additions from aquisition of companies	2 257	449	2 707
Disposals	0	-386	-386
Depreciation	-1 433	-297	-1 730
Translation differences	-180	-12	-192
Carrying value 31 December 2022	2 595	1 557	4 152
Carrying value 1 January 2023	2 595	1 557	4 152
Additions	0	42	42
Disposals	-392	0	-392
Depreciation	-1 543	-430	-1 973
Translation differences	102	26	128
Carrying value 31 December 2023	762	1 195	1 957

Right-of-use

As at December 31, 2023, the Group has lease contracts for four cars and office in Seattle. In addition, the group has short term leases that are not recognized as right-of-use assets related to offices in Sweden and Norway.

Lease Liability	2023	2022
As at 1 January	2 643	993
Additions	0	969
Additions from acquisition of companies	0	2 257
Disposal	-392	-147
Lease payments in the period	-1 643	-1 514
Interest cost	81	123
Currency translation differences	103	-40
Closing liability at 31 December	792	2 643
Current	656	1 678
Non-current	136	965
	792	2 643

Effect of leases Contract on the Statement of Comprehensive Income

<i>Amounts in NOK thousand</i>	2023	2022
Depreciation expense of right-of-use assets	1 543	1 433
Interest expense on lease liabilities	81	123
Expense relating to short-term leases (included in other operating expenses)	1 736	2 459
Total amount recognised in result for the period	3 360	4 015

Undiscounted Lease Liabilities and Maturity of Cash Outflow

<i>Amounts in NOK thousand</i>	2023	2022
Due within 1 year	837	1 878
Due between 1 year and 3 years	197	1 012
Total	1 035	2 890

Note 7 – Intangible Assets

<i>Amounts in NOK thousand</i>	Goodwill	Technology assets / Patent	Technology development	Sum
Acquisition cost 1 January 2022	33 870	31 416	12 002	77 288
Additions	0	0	3 524	3 524
Additions from aquisition of companies	67 106	67 662	0	134 768
Currency translation differences	-1 015	-219	-108	-1 343
Acquisition cost 31 December 2022	99 961	98 859	15 418	214 238
Acquisition cost 1 January 2023	99 961	98 859	15 418	214 238
Additions	0	49 099	421	49 520
Currency translation differences	2 353	5 336	207	7 896
Acquisition cost 31 December 2023	102 314	153 294	16 046	271 654
Accumulated amortization 1 January 2022	0	16 283	5 807	22 090
Amortization for the year	0	7 240	1 961	9 201
Currency translation differences	0	164	54	219
Accumulated amortization 31 December 2022	0	23 687	7 822	31 509
Accumulated amortization 1 January 2023	0	23 687	7 822	31 509
Amortization for the year	0	8 864	2 734	11 598
Currency translation differences	0	4 073	149	4 221
Accumulated amortization 31 December 2023	0	36 623	10 705	47 328
Carrying value 1 January 2022	33 870	15 134	6 195	55 198
Additions	0	0	3 524	3 524
Additions from aquisition of companies	67 106	67 662	0	134 768
Amortization	0	-7 240	-1 961	-9 201
Reclassification	0	0	0	0
Translation differences	-1 015	-384	-163	-1 561
Carrying value 31 December 2022	99 961	75 172	7 595	182 728
Carrying value 1 January 2023	99 961	75 172	7 595	182 728
Additions	0	49 099	421	49 520
Amortization	0	-8 864	-2 734	-11 598
Translation differences	2 353	1 263	58	3 675
Carrying value 31 December 2023	102 314	116 671	5 341	224 326
Useful life	Indefinite	10 year	5 year	

Goodwill relates to the acquisition of Observe Medical International AB (OMI AB) in 2015, Sylak AB in 2020 and Biim in 2022, see note 23 Business combination. Technology assets/patent relates to the Sippi® patents and Biim, and from 2023 the UnoMeter™ purchase of USD 4,195 million and product/production setup of the product portfolio.

Technology development relates to capitalized external expenses.

Impairment Test for Cash Generating Units that Contain Goodwill

Through the impairment test of goodwill, the carrying value of the total group is tested for impairment. The recoverable amount has been estimated based on value in use as described below.

The value in use of the cash generating units was calculated on the basis of discounted future cash flows. The assessment at December 31, 2023 was based on a forecast for 2024 and estimates for subsequent periods. The managements assumptions of future growth are unchanged from the calculation at December 31, 2022 for Sippi® and the Biim probe. In 2023 the company has prioritized the production and roll-out of the UnoMeter™ portfolio, and with the current financial and organizational resources, the Sippi® is planned to be rolled out in a larger scale when the UnoMeter™ products are established on the global market. For ultrasound, the contract with Fresenius Medical Care is of significant importance, but the trials and decision making has taken longer time than Observe Medical expected. The still ongoing KPI-study has shown that Fresenius Medical Care experience positive progress leading to a documented cost reduction effect.

In general there is material uncertainty related to the amount of revenue and when it will be generated. The growth rate is based on a realistic roll-out of the products.

The assessment is based on the book value of the goodwill at 31.12.2023 compared to the estimated value calculated on the basis of discounted future cash flows. Key assumptions for assessing the future performance of the the Group's cash generating units is the future revenue and EBITDA, annual growth, the terminal value and WACC. Sippi® (urine measurement) and Biim (ultrasound) is considered to be most sensitive to changes in these assumptions.

Managements estimates for 2024-2031 is used, with an annual average revenue growth of 31%, after which it is assumed a long term 2% growth. A discount rate post-tax of 12% was used to discount future cash flows. The resulting EBITDA margin is, on average, 40%.

Uncertainty exists associated with the estimates used to determine future cash flows and the discount rate used to calculate the value in use. Conducted sensitivity analyses of the key parameters shows a reasonable headroom for changes in key parameters. A decrease in revenue by 30%, the calculated value in use at December 31, 2023 would decrease by 58%, but still exceed the carrying value.

The book value of the Sippi® technology is low compared with future revenue potential. Substantial deviations in future revenue forecasts would be of direct significance in measuring the value of intangible assets, as well as the estimated fair value of the contingent consideration.

The assessment is done based on the assumption of sufficient funding. In case of a situation where funds may not be available in the amount needed, the value of assets can be lower than presented in the financial statements.

With reference to the Board of Directors report, the Company will evaluate various strategic options for the Biim ultrasound probe based on among other the outcome of

strategic discussions and the financial resources available to Observe Medical. Consequently, no assurance can at this stage be given that the Company will pursue continued product development and ramp up of sales activities for this product. The valuation of Biim Ultrasound is based on an assumption that this process succeeds.

As none of the goodwill is impaired, the book value of Sippi® and Biim is based on the PPA.

Based on the management assessment, assumptions and expectations applied in business cases and future plans it is the company's opinion that the cash generating units justify their capitalised value as at 31 December 2023.

Note 8 – Financial Items

Amounts in NOK thousand

	2023	2022
Financial income		
Interest income	64	283
Change contingent consideration (note 13)	1 978	10 026
Currency gain	5 481	7 981
Other financial income	0	832
Total	7 523	19 122
Financial expenses		
Interest expenses	6 649	3 818
Change contingent consideration (note 13)	173	361
Currency loss	9 758	6 345
Other financial expenses	25	180
Total	16 605	10 704
Net financial items	-9 082	8 418

Note 9 – Cost of Materials

Amounts in NOK thousand

	2023	2022
Cost of materials for resale	18 291	12 003
Write-down	365	2 341
Total cost of materials	18 656	14 344

Write-down is mainly related to inventory of Sippi® disposable unit due to expiry date.

Note 10 – Trade Receivables and Other Receivables

Amounts in NOK thousand

	2023	2022
Trade receivables	3 117	4 731
Other receivables	3 539	2 443
Total	6 656	7 174

Due date profile for trade receivables

	2023	2022
Not due	1 045	4 436
0-3 months	256	
> 3 months	1 814	295
Total	3 115	4 731

Trade receivables > 3 months is mainly related to Biim parts supplied to manufacturer, partly offsetting trade payables and other debt against the same manufacturer.

Note 11 – Inventories

Amounts in NOK thousand

	2023	2022
Raw materials and extra parts (at cost)	2 113	3 379
Finished goods (at lower of cost and net realisable value)	8 403	8 323
Write-down	-3 626	-3 585
Total	6 890	8 117

Note 12 – Financial Instruments

Financial liabilities as at 31 December 2023

Amounts in NOK million	0-3 months	3-12 months	1-2 years	2-3 years	3-4 years	> 4 years	Total	Carrying value
Bank overdraft								
Leasing liabilities	0.5	0.4	0.2	0.1			1.2	0.8
Contingent consideration upon acquisitions						2.3	2.3	1.6
Payables loan to Navamedic group			51.1				51.1	49.1
Other non-current interest bearing liabilities	0.0	0.1	0.1	0.1	0.1	0.6	1.0	0.9
Other non-current liabilities			25.3				25.3	25.3
Trade account payables	10.8	7.0					17.8	17.8
Other current liabilities	15.9	2.5					18.3	18.3
Other current interest bearing liabilities	4.5						4.5	4.5
Total	31.7	10.0	76.7	0.2	0.1	2.9	121.6	118.4

Financial liabilities as at 31 December 2022

Amounts in NOK million	0-3 months	3-12 months	1-2 years	2-3 years	3-4 years	> 4 years	Total	Carrying value
Bank overdraft								
Leasing liabilities	0,5	1,4	0,8	0,2			2,9	2,6
Contingent consideration upon acquisitions					0,1	5,2	5,3	3,4
Non-current interest bearing liabilities	0,0	0,1	0,1	0,1	0,1	0,7	1,1	0,9
Trade account payables	8,6						8,6	8,6
Other current liabilities		1,4					1,4	1,4
Payables loan to Navamedic group		43,3					43,3	40,6
Other current interest bearing liabilities	4,2						4,2	4,2
Total	13,3	46,2	0,9	0,3	0,2	5,9	66,8	61,8

On October 1, 2019, Observe Medical ASA, as the borrower, entered into a loan agreement with Navamedic, as the lender, for a loan of an aggregate amount of NOK 32,000 thousand (the "Bond Loan").

The Bond Loan consists of the two following facilities:

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

Both the facilities are fully drawn as of December 31, 2023.

Each loan facility given under the Bond Loan accrues 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 capitalized and added to the aggregate principal amount of the loans outstanding under the Bond Loan.

On September 6, 2023, Observe Medical ASA as the borrower, entered into a loan agreement with Navamedic ASA, as the lender, for a loan facility of an aggregate amount of NOK 5,000 thousand. Maturity date is set to 31 January 2025. The Loan shall accrue interest at 3 month NIBOR + 6% (percentage points) per annum. The maximum principal amount has been made available as of 31 December 2023.

Contingent consideration from acquisitions has been discounted by an interest rate of 12% per annum as of December 31, 2023.

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

Other current interest bearing liabilities includes a delayed payment to the Business Finland of NOK 4,476 thousand. Although it seems clear that an application for deferred payment will be granted, the amount is presented as overdue.

In September 2023 an agreement of a short term payment deferral was made with several vendors on the terms of 12 month deferral with 10% interest (approximately NOK 5 million). Other payment deferrals (approximately NOK 2 million) are due in H1 2024.

Classification of financial assets and liabilities as at 31 December 2023

<i>Amounts in NOK million</i>	Measured at amortised cost	Fair value through profit or loss	Total
Assets			
Cash and cash equivalents	13,7		13,7
Trade receivables and other receivables	5,0		5,0
Total financial assets ^{2) and 3)}	18,7		18,7
Liabilities			
Lease liabilities	0,8		0,8
Contingent consideration upon acquisitions ¹⁾		1,6	1,6
Payables loan to Navamedic group	49,1		49,1
Other non-current interest bearing liabilities	0,9		0,9
Other non-current liabilities ⁴⁾	25,3		25,3
Trade account payables and other liabilities ⁴⁾	36,1		36,1
Other current interest bearing liabilities	4,5		4,5
Total financial liabilities ³⁾	116,8	1,6	118,4

Classification of financial assets and liabilities as at 31 December 2022

<i>Amounts in NOK million</i>	Measured at amortised cost	Fair value through profit or loss	Total
Assets			
Cash and cash equivalents	13,6		13,6
Trade receivables and other receivables	5,3		5,3
Total financial assets ^{2) and 3)}	18,9		18,9
Liabilities			
Lease liabilities	2,6		2,6
Contingent consideration upon acquisitions ¹⁾		3,4	3,4
Non-current interest bearing liabilities	0,9		0,9
Payables loan to Navamedic group	40,6		40,6
Trade account payables and other liabilities	10,0		10,0
Other current interest bearing liabilities	4,2		4,2
Total financial liabilities ³⁾	58,4	3,4	61,8

- 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.
- 4) Other non-current interest bearing debt and MNOK 15.9 of other liabilities are deferr payments regarding acquisition of UnoMeter™

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

	Bank loans	Overdraft facility	Loans from Navamedic Group	Contingent consideration upon acquisitions	Lease liabilities	Other	Total
<i>Amounts in NOK million</i>							
Carrying value 1 January 2023	1.0		40.6	3.4	2.6		47.6
Cash flow	-0.1		5.0		-1.6		3.3
Change in liability do to aquisition							
Change in liability with no cash effect			3.5	-1.8	-0.1	2.2	3.8
Carrying value 31 December 2023	0.9		49.1	1.6	0.8		54.6

	Bank loans	Overdraft facility	Loans from Navamedic Group and Ingerø Reiten Invest. Comp.	Contingent consideration upon acquisitions	Lease liabilities	Other	Total
<i>Amounts in NOK million</i>							
Carrying value 1 January 2022		6.5	48.0	13.0	1.0		68.5
Cash flow	5.1	-13.9	-24.4		-1.5		-34.7
Change in liability do to aquisition		7.4	13.9		2.3		23.6
Change in liability with no cash effect	-4.1		3.1	-9.6	0.8		-9.8
Carrying value 31 December 2022	1.0		40.6	3.4	2.6		47.6

Changes in loans from Navamedic ASA without cash effect relates to accrued interest. Changes in contingent considerations without cash effects relates to estimated changes in fair value of contingent consideration (which include calculated interest). Other without cash effects relates to interest payable converted to shares.

Note 13 – Contingent Consideration

Background

On August 4, 2015, Navamedic ASA acquired all of the shares and votes in Observe Medical International AB (OMI AB). The purchase price was NOK 60.6 million including a contingent consideration valued at NOK 25.6 million at the acquisition date. The contingent consideration depends on the revenues from sales of the Sippi® product over a number of years. The fair value of the contingent consideration involves discounting expected future payments. Discounting is based on a discount rate of 12.5%.

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
Amounts in NOK thousand

Estimated fair value 31 December 2021	13 031
Change in estimated fair value in 2022	-9 666
Estimated fair value 31 December 2022	3 365
Change in estimated fair value in 2023	-1 805
Estimated fair value 31 December 2023	1 560

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

The change in fair value is due to updated estimate related to when the sales of OM's products will be realized. The revenue and market potential remain unchanged but have been postponed.

Note 14 – Taxes

Income tax

	2023	2022
Current tax	17	76
Deferred tax	0	0
Tax expense/income recognised	17	76

Amounts in NOK thousand

	Tax rate	2023	2022
Result before tax		-60 345	-50 725
Expected income taxes, 22 of result before tax		13 276	11 159
Differences in tax rates		-128	-287
Norway, permanent differences	22 %	0	3 244
Sweden, permanent differences	20.6 %	2 305	-3 440
Denmark, permanent differences	22 %	-2 299	-2 087
Finland, permanent differences	20 %	17	6
US, permanent differences	21.0 %	-160	60
Tax expense before not recognised tax assets		13 011	8 656
Norway, change in deferred tax assets not recognised	22 %	-10 591	-9 705
Denmark, change in deferred tax assets not recognised	22 %	1 860	1 816
Sweden, change in deferred tax assets not recognised	20.6%	-4 297	-843
Total taxes		-17	-76
Effective tax rate		0.0 %	-0.2 %

Basis for Deferred Tax Liabilities and Tax Assets (-)

	Temporary differences Norway	Temporary differences Sweden	Temporary differences Denmark	Total 2023
2023				
<i>Amounts in NOK thousand</i>				
Intangible assets	24 886	10 212	0	35 098
Other	24 992	0	1 372	26 364
Total temporary differences	49 878	10 212	1 372	61 462
Tax losses carried forward	-282 603	-83 698	-82 723	-449 024
Basis for temporary differences	-232 725	-73 486	-81 351	-387 562
Unrecognised temporary differences	232 725	73 486	81 351	387 562
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
	Temporary differences Norway	Temporary differences Sweden	Temporary differences Denmark	Total 2022
2022				
<i>Amounts in NOK thousand</i>				
Intangible assets	20 052	11 100	0	31 152
Other	17 247	0	1 287	18 534
Total temporary differences	37 299	11 100	1 287	49 686
Tax losses carried forward	-221 901	-60 246	-86 291	-368 438
Basis for temporary differences	-184 602	-49 146	-85 004	-318 752
Unrecognised temporary differences	184 602	49 146	85 004	318 752
Total recognised temporary differences	0	0	0	0
Tax rate	22 %	20.60 %	22 %	
Recognised deferred tax liabilities and tax assets (-)	0	0	0	0

Change in Deferred Tax Assets and Deferred Tax Liabilities

<i>Amounts in NOK thousand</i>	01.01.2023	Recognised in profit and loss during the year	Effect of acquisition and equity transactions	Foreign currency exchange differences	31.12.2023
Intangible assets	6 698	710		170	7 579
Other	4 078	1 704		19	5 801
Tax losses carried forward	-80 213	-15 425		-1 975	-97 613
Gross tax liabilities / assets (-)	-69 437	-13 011		-1 786	-84 234
Deferred tax assets not recognised	69 437	13 011		1 786	84 234
Tax liabilities/assets (-) recognised	0	0	0	0	0

<i>Amounts in NOK thousand</i>	01.01.2022	Recognised in profit and loss during the year	Effect of acquisition and equity transactions	Foreign currency exchange differences	31.12.2022
Intangible assets	2 703	496	3 578	-79	6 698
Other	-39	504	3 610	3	4 078
Tax losses carried forward	-39 118	-9 654	-30 810	-631	-80 213
Gross tax liabilities / assets (-)	-36 453	-8 655	-23 622	-707	-69 437
Deferred tax assets not recognised	29 997	8 655	23 622	707	69 437
Tax liabilities/assets (-) recognised	-6 456	0	0	0	0

Use of Tax Losses Carried Forward

There is not any expiring date of the use of tax losses carried forward.

Note 15 – Other Operating Expenses

Amounts in NOK thousand

	2023	2022
Consultants	4 775	6 713
Audit Services	2 691	3 089
Legal and professional fees	2 412	2 647
Expense relating to short-term leases	1 736	2 459
Accounting and financial services	2 431	1 774
IT expenses	1 519	1 253
Travel expenses	1 046	862
Advertising expenses	108	302
Other operating expenses	4 298	5 769
Total	21 016	24 868

Auditor

Amounts in NOK thousand

Fees paid	2023	2022
Statutory audit services	2 653	2 664
Other services	288	425
Total	2 941	3 089

NOK 38 thousand is paid to EY for tax advisory. An additional NOK 250 thousand of other services is paid to EY for services related to the rights issue, and booked against equity. Fees to auditors are reported excluding VAT.

Note 16 – Payroll Expenses

Amounts in NOK thousand

	2023	2022
Salaries	18 172	19 661
Remuneration to the Board and Nomination Committee	1 320	1 865
Employer's tax	3 592	3 973
Share options for employees	478	287
Pension expenses – defined-contribution scheme	2 193	2 394
Other payroll expenses	209	341
Total	25 964	28 521
 Average number of full-time equivalents	 15.3	 17.5

Due to the Group's financial situation the Company has taken necessary steps to reduce costs. As a result, temporary lay-offs and downsizing was done with effect from second half of 2023. At 31 December the Group had 9 FTE's.

See Note 18 for further information about the share options.

Note 17 – Remuneration to Corporate Management and Board of Directors

In accordance with the Norwegian public Limited Companies Act §6-16 a, the board of directors prepares a separate statement related to the determination of salary and other benefits for the corporate management. This report can be found on the Company's web page observemedical.com.

The total remuneration to the corporate management consists of basic salary (main element), bonus, benefits in-kind and pension schemes, but varies from person to person. The Group's Chief Executive Officer determines the remunerations to other management in agreement with the Chair of the Board of Directors. The total remuneration is determined based on the need to offer competitive terms and reflect the responsibility for the CEO and other members of the management team. The total remuneration shall not be market leading but should ensure that Observe Medical attracts and retains senior executives with the desired skills and experience. The basic salary is subject to an annual evaluation and is determined based on general salary levels in the labor market.

The Group appointed a new Interim CEO February 29, 2024 and new Interim CFO at March 21, 2024. Please refer to note 24, subsequent events for further information.

Notice of Termination and Severance Payment for the CEO

Both parties may terminate CEO's employment agreement by giving a six months' notice period.

If the CEO's employment is terminated by the Company subject to prior notice, the CEO shall be entitled to severance pay equivalent to six times the monthly base salary which the CEO had at the expiry of the employment.

Share Options

Refer to note 19 for information about share options to the Corporate Management team.

Loans to employees

As at 31.12.2023, there are no loans to employees.

Pension

The Group has defined contribution pension schemes.

The CEO has a defined contribution pension scheme within the requirement of the law in Norway.

Remuneration to the Group Management

2023

<i>Amounts in NOK thousand</i>		Salary	Other benefits	Bonus	Pension	Option expenses	Options	Shares
CEO	Rune Nystad ¹⁾	2 325	60	100	172	452	1 000 000	517 521
CFO	Per Arne Nygård	1 640	94	500	172	26	143 955	668 921
Total		3 965	154	600	344	478	1 143 955	1 186 442

1) 517,521 shares owned by US Holding AS who is 100% owned by Rune Nystad

2022

<i>Amounts in NOK thousand</i>		Salary	Other benefits	Bonus	Pension	Option expenses	Options	Shares
CEO	Rune Nystad ¹⁾²⁾	1 781	118	800	124	67	1 000 000	172 099
CFO	Per Arne Nygård	1 636	94	810	158	256	143 955	218 921
CEO	Björn Larsson ³⁾⁴⁾	1 407	486		415	-37	47 984	17 000
Total		4 824	698	1 610	697	286	1 191 939	408 020

1) Appointed as CEO at March 28, 2022. Salary in the table is for the periode March 28 - December 31, 2022.

2) 132,906 shares owned by US Holding AS who is 100% owned by Rune Nystad. 3) Björn Larsson departed as CEO at March 28, 2022. Mr. Larsson was entitled to salary during the 6 months' notice period in addition to 6 months' severance pay. 4) Salary are paid in SEK and converted to NOK

Remuneration to the Board of Directors

2023

Amounts in NOK thousand, except number of shares

Function	Name	Board fee	Other fee	Share options	Shares	Shares owned by related parties	Loans
Chair	Terje Bakken	300				41 607 164	
Board member	Kathrine G. Andreassen	225			1 019 360 ²⁾	4 222 727	
Board member	Sanna Rydberg	225					
Board member	Eskild Endrerud	255 ⁴⁾			11 013 298 ⁶⁾		
Board member	Line Tønnessen	265 ⁵⁾			432 692 ⁷⁾		
	Total	1 270			12 465 350	45 829 891	

¹⁾ Terje Bakken is partner in Ingerø Reiten Investment Company AS who owns 37,384,437 shares in Observe Medical ASA

¹⁾ Terje Bakken is Chair in Navamedic ASA who owns 4,222,727 shares in Observe Medical ASA

²⁾ All shares owned by Soleglad Invest AS who is 100% owned by Kathrine Gamborg Andreassen

³⁾ Kathrine Gamborg Andreassen is CEO in Navamedic ASA who own 4,222,727 shares in Observe Medical ASA

⁴⁾ Includes NOK 30 thousand in fee as member of the Audit Committee

⁵⁾ Includes NOK 40 thousand in fee as Chair of the Audit Committee.

⁶⁾ All shares owned by ELI AS, controlled by Eskild Endrerud

⁷⁾ Line Tønnessen owns 432,692 shares in Observe Medical ASA

2022

Amounts in NOK thousand, except number of shares

Function	Name	Board fee	Other fee	Shares	Shares owned by related parties	Loans
Chair	Terje Bakken	295 ⁴⁾			13 876 407 ¹⁾	
Board member	Kathrine G. Andreassen	220 ⁴⁾	150 ⁶⁾	586 668 ²⁾	4 222 727 ³⁾	
Board member	Sanna Rydberg	200	60 ⁶⁾			
Board member	Thomas Grunfeld	230 ⁵⁾	502 ⁷⁾	14 000	8 000 ⁸⁾	
	Total	945	712	600 668	18 107 134	

¹⁾ Terje Bakken is partner in Ingerø Reiten Investment Company AS who owns 9,653,680 shares in Observe Medical ASA

¹⁾ Terje Bakken is Chair in Navamedic ASA who owns 4,222,727 shares in Observe Medical ASA

²⁾ All shares owned by Soleglad Invest AS who is 100% owned by Kathrine Gamborg Andreassen

³⁾ Kathrine Gamborg Andreassen is CEO in Navamedic ASA who own 4,222,727 shares in Observe Medical ASA

⁴⁾ Includes NOK 20 thousand in fee as member of the Audit Committee

⁵⁾ Includes NOK 30 thousand in fee as Chair of the Audit Committee

⁶⁾ Fee for work in the due diligence processes in connection with the acquisition of Biim Ultrasound AS

⁷⁾ TNOK 150 in fee for due diligence work and TNOK 352 in fee for acting as chief medical officer to end of March 2022

⁸⁾ All shares owned by Trude Holm, the wife of primary insider Thomas Grünfeld

Note 18 – Share Options

CEO share Options

As part of a long-term incentive plan, CEO Rune Nystad was on November 11, 2022 granted 1 000 000 options.

The options have been granted with an exercise price of NOK 4.5 per option share. The options will be vested in three tranches, whereby each tranche comprising 1/3 of the options will vest on the first, second and third anniversary of the grant date, respectively.

The options have been granted without consideration and each option will upon exercise give the right to acquire one share in the Company. Any shares acquired upon exercise will be subject to a 12 months' lock-up period from the date received by the option holder, and all options will expire and lapse if not exercised within 11 November 2026.

CFO share options

In 2021, Per Arne Nygård was granted 120,000 options and each option, when exercised, will give the right to acquire one share in Observe Medical ASA. The options are granted without consideration.

The options are granted vest over a 2 year period, with 2/3 on the date of signing of the option agreement, 1/6 after 12 months and 1/6 after 24 months. The option shares have a 12 month lock-up period tied to them. Options that have not been exercised will lapse 3.5 years after grant date.

The option agreement regulates the adjustments in strike price in the event that a rights issue or repair issue is conducted by the Company. If such events the exercise price shall be reduced to reflect the dilutive effect of the share issue. On the basis of the above, the options have been granted with an exercise price of NOK 8.29, which reflects the volume weighted average share trading price of the Company's shares the 10 trading days prior to 1 March 2020 and recalculated to NOK 6.63 on basis of the rights issue in first quarter 2022. Furthermore, 4/6 of the options vested upon grant, while the remaining 2/6 vest with 50% on 1 March 2022 and 1 March 2023, respectively.

The option agreement regulates the adjustments in the event that a rights issue or repair issue is conducted by the Company. If such events the option scheme shall be adjusted to reflect the dilutive effect of the share issue.

Total option expenses for the company in 2023 are NOK 478 thousand.

Share options											
Name and position	Specification of plan	Performance period	Award date	Vesting date	End of holding period	Exercise period	Exercise price of the share and date	Share options held at the beginning of the year	Share options awarded	Share options vested	Share options awarded and unvested
Rune Nystad (CEO)	ESOP 2022	11.11.22 – 11.11.23	11.11.2022	11.11.2023	11.11.2023	11.11.23 – 11.11.26	4.5	333 333	0	333 333	0
		11.11.22 – 11.11.24	11.11.2022	11.11.2024	11.11.2024	11.11.24 – 11.11.26	4.5	333 333	0	0	333 333
		11.11.22 – 11.11.25	11.11.2022	11.11.2025	11.11.2025	11.11.25 – 11.11.26	4.5	333 334	0	0	333 334
Total								1 000 000	0	333 333	666 667
Per Arne Nygård (CFO)	ESOP 2021	16.11.21 – 16.11.21	16.11.2021	16.11.2021	16.11.2021	16.11.21 - 01.03.24	6.63	95 971	0	95 971	0
		16.11.21 – 01.03.22	16.11.2021	01.03.2022	01.03.2022	01.03.22 - 01.03.24	6.63	23 992	0	23 992	0
		16.11.21 – 01.03.23	16.11.2021	01.03.2023	01.03.2023	01.03.23 - 01.03.24	6.63	23 992	0	23 992	0
Total								143 955	0	143 955	0
Total for the Company								1 143 955	0	477 288	666 667

Note 19 – Earnings per Share

See note 22 for an overview of movements in number of shares, See note 18 for a description of share options. The potential shares due to shareoptions are expected to have no dilutive effects for the OM group as the net result for 2023 and 2022 were negative.

Amounts in NOK thousand

Earnings per share:

	2023	2022
Net result for the year, company's shareholders	-60 362	-50 801
Average number of shares	57 626 256	47 185 178
Basic-/Diluted earnings per share (NOK per share)	-1.05	-1.08

Note 20 – Related Parties

Transactions and shared costs have historically been charged from the parent Company to its subsidiary.

In addition to Group companies, 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 2022 and 2023 besides remuneration explained in Note 17 and 18. Members of the board was in 2022 paid a total of NOK thousand 310 for consultancy services related to DD processes in 2021.

In 2023 Observe Medical ASA entered into a strategic advisory agreement with and Reiten & Co AS that Reiten & Co shall, alone or with external advisors, act as a project manager, prepare valuations and act as a strategic and financial advisor to ensure a suitable transaction structure from a strategical and financial point of view in relation to the Convatec transaction, the Right Issue and relevant capital markets activities. Reiten & Co has the right to a fixed remuneration up to a total amount of NOK thousand 2,250. Incurred amount as at 31 December 2023 was NOK thousand 1,500. The fee is payable when the Board (excluding Reiten & Co representatives) deems liquidity sufficient.

Transactions and balances within the Group are eliminated in the financial statements and are not disclosed in this note.

Transaction and Balances with related parties includes transactions with Navamedic ASA, Ingerø Reiten Investment Company AS and ELI AS.

Transactions and balances with related parties

<i>Amounts in NOK thousand</i>	2023	2022
Finance expenses	4 897	3 681
Liabilities	50 649	40 615

Finance expenses are interest on interest bearing loans towards Navamedic ASA (TNOK 3,534), and on interest bearing converted loans from Ingerø Reiten Investment Company (TNOK 657), ELI AS (TNOK 190), JPB AS (TNOK 282), MP Pensjon (TNOK 65), Kubera AS (TNOK 65), Sålvoid Eiendom AS (TNOK 52) and Harding Invest AS (TNOK 52). Incurred liabilities towards Reiten & Co of TNOK 1,500 for strategic advisory.

Note 21 – Research and Development

Observe Medical performs research and development activities as part of the development of Sippi and Biim products, as well as product and production set-up of the UnoMeter™ portfolio. Capitalized research and development expenses are carried out as projects. In total it is estimated that there has been research and development expenditures of NOK 5.9 million in 2023 (NOK 4.2 million), of which NOK 4.6 million (NOK 2.5 million) is capitalized and NOK 1.2 million (NOK 1.7 million) is expensed as operating expenses. Expenses consist of estimated internal employee expenses related to project management and monitoring of the company's research and development activities, as well as not capitalized external expenses.

Note 22 – Shareholder Information

The following table shows shareholders owning 1% or more of Observe Medical ASA as at December 31, 2023:

Rank	Name	Number of shares	Ownership %
1	INGERØ REITEN INVESTMENT COMPANY A	37 384 437	19,61 %
2	JPB AS	16 314 944	8,56 %
3	ELI AS	11 013 298	5,78 %
4	RO, LARS	6 000 000	3,15 %
5	GINNY INVEST AS	5 500 000	2,88 %
6	BJØRNTVEDT, VEGARD	5 024 141	2,63 %
7	SILVERCOIN INDUSTRIES AS	4 948 437	2,60 %
8	NAVAMEDIC ASA	4 222 727	2,21 %
9	SKÅLVOLD EIENDOM AS	3 849 199	2,02 %
10	LAPAS AS	3 468 311	1,82 %
11	BJØRNTVEDT, HARALD	3 200 121	1,68 %
12	Nordnet Bank AB	2 492 692	1,31 %
13	TAJ HOLDING AS	2 481 496	1,30 %
14	CAM AS	2 383 162	1,25 %
15	PHILIP HOLDING AS	2 380 000	1,25 %
16	WANGESTAD, ANDREAS	2 380 000	1,25 %
17	MP PENSJON PK	2 362 305	1,24 %
18	KRISTIANSEN, DAGFINN HELGE	2 150 000	1,13 %
19	SÆTHER, HERMOD ATLE	2 085 108	1,09 %
20	KUBERA AS	2 065 144	1,08 %
21	QUICK ISLAND INVEST AS	2 000 000	1,05 %
22	GUNERIUS PETTERSEN AS	2 000 000	1,05 %
	Other	64 979 682	34,08 %
Total number of shares		190 685 204	100,00 %

Total number of shares are 190,685,204 with par value per share of NOK 0.26. All shares that are part of the parent company's share capital belong to the same share class with the same rights.

There were no number of treasury shares (own shares) at the end of 2023 and 2022.

Movement in number of shares

1 January 2022	19 605 457
March 2022, Rights issue	25 714 286
March 2022, Consideration shares	8 171 913
31 December 2022	53 491 656
1 January 2023	53 491 656
December 2023, Rights issue	137 193 548
31 December 2023	190 685 204

During 2023, Observe Medical ASA has issued 137,193,548 new shares in connection with the Rights issue for gross proceeds of NOK 35,670 thousand. Expenses related to the capital increase amount to NOK 4,980 thousand.

Note 23 –Business Combinations

Acquisitions in 2023

There has been none business combination during 2023.

Acquisitions in 2022

Acquisition of Biim Ultrasound AS

On March 8, 2022, Observe Medical ASA acquired 100 per cent of the shares in Biim Ultrasound AS. The transaction valued Biim Ultrasound at approximately NOK 185 million, representing an enterprise value of approximately NOK 209 million, financed through a combination of 8,171,913 consideration shares issued by the Company at a price of NOK 16.52 per share, and cash settlement of approximately NOK 54.2 million. Fair value of the 8,171,913 consideration shares at NOK 49.8 million.

External transaction related costs at NOK 5.6 million have been expensed as part of other operating expenses.

Biim Ultrasound is an international medical ultrasound technology company. Biim Ultrasound has developed a unique, wireless and pocketable ultrasound probe, Biim, that can scan patients and review images in seconds. The objective of Biim is to enhance healthcare personnel decision-making and improve patient outcomes. Biim's technology is patented, and the device received 510 (k) clearance from the US Food and Drug Administration (FDA) in 2018. Biim is approved for ultrasound imaging of the human body and is specifically used to guide needle and catheter insertions for dialysis and vascular access procedures.

A partner agreement with Fresenius Medical Care, the leading provider of kidney care services in the US, is in place, whereby Biim is intended to be used across Fresenius' dialysis centres in the US.

Biim Ultrasound AS had total revenues at NOK 6.8 million in 2021.

The company has been consolidated as part of Observe Medical Group from 1 March 2022 and has generated operating revenues of NOK 6.5 million and EBIT of negative NOK 7.6 million since the acquisition. If the company had been owned 100 per cent from 1 January 2022 it would have had an additional impact on the operating revenue of NOK 0.1 million and EBIT of negative NOK 5.4 million. Recognised goodwill of NOK 67.1 million.

Assets acquired and liabilities assumed

<i>Amounts in NOK thousand</i>	Carrying amount	Excess value	Fair value
Fixed assets	2 707	0	2 707
Inventories	810	0	810
Other receivables	208	0	208
Cash	0	0	0
Long term liabilities	-15 141	0	-15 141
Current liabilities	-19 501	0	-19 501
Total indentifiable net assets	-30 918	0	-30 918
Technology and customer relationships	51 639	16 023	67 662
Goodwill		67 106	67 106
Total recognised	20 722	83 129	103 850
Shares issued, at fair value			49 849
Cash			54 002
Total consideration			103 850
Paid in cash			54 002
Cash received			0
Net decrease/(increase) in cash			54 002

None of the goodwill recognised is deductible for income tax purposes.

Note 24 –Subsequent event

In January, the Group communicated that the net proceeds from the rights issue were not sufficient to improve the working capital needs for the continued product development and ramp up of sales activities for the ultrasound business, Biim Ultrasound AS. An ongoing project will evaluate various strategic options for the Biim ultrasound probe based on among other the outcome of discussions with Fresenius Medical Care and the financial resources available to Observe Medical.

At February 29, the Group announced that Rune Nystad will step down as CEO in Observe Medical and that Jørgen Mann, the Chief Commercial Officer ("CCO"), will step in as the interim CEO. Mr. Nystad will transition into the role as Chief Development Officer ("CDO") of the Company.

At March 21, the Group announced that Per Arne Nygård has resigned from his position as CFO to pursue opportunities outside the Company. Johan M. Fagerli, Finance Manager, assumed the responsibilities of Interim CFO with immediate effect.

At April 18, Observe Medical announced that it will transfer its Nordic distribution operations to Vingmed, following a strategic review. The Company assessed the relevance of the business, originally established as a platform for testing and launching its branded products. Given the expansion of our global distribution capabilities, which now fulfill our initial testing and pre-launch needs, the business is becoming less crucial to our core operations. Consequently, the Group have decided to seek more suitable ownership of the Nordic operations going forward.

The background of the slide features a close-up, angled view of a blue medical device. The device has several light blue icons on its surface, including a stylized 'M', a grid-like pattern, and a circular arrow. A small screen on the right side of the device displays a large, stylized drop icon and the word 'sip' in a cursive font. The top right corner of the device shows the brand name 'iddis' in white lowercase letters, followed by a small circular logo. The overall color scheme is dominated by shades of blue and green, with a bright green horizontal bar at the very top.

Parent Company
Observe Medical ASA

Annual Financial Statements 2023



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Observe Medical ASA

Income statement

<i>Amounts in NOK thousand</i>	Note	2023	2022
Operating revenues	11	2,514	1,470
Other operating revenues		77	4
Total operating revenues		2,591	1,474
Cost of goods sold		73	0
Personnel expenses	2	9,004	10,374
Other operating expenses	2,9	12,049	9,761
Operating expenses		21,126	20,135
Operating result before depreciation and amortization (EBITDA)		-18,535	-18,661
Depreciation and amortization	12	589	289
Operating result (EBIT)		-19,124	-18,950
Financial income and expenses			
Interest income from group companies	8,11	2,916	1,651
Financial income	8	1,979	11,676
Interest expense to group companies	8,11	-3,718	-4,051
Interest expenses	8	-5,986	-3,400
Financial expenses	8	-3,645	-531
Net financial items		-8,454	-5,345
Result before tax		-27,578	-13,604
Income tax expense	13	0	0
Result for the period		-27,578	-13,604
Brought forward			
Transferred to other equity		27,578	13,604
Net brought forward		-27,578	-13,604

Observe Medical ASA

Balance Sheet

<i>Amounts in NOK thousand</i>	Note	31.12.2023	31.12.2022
ASSETS			
Property, Plant and Equipment			
Equipment and other movables	12	1,380	2,488
Non-current assets			
Investments in subsidiaries	10	401,039	400,988
Loans to subsidiaries	7	50,118	34,653
Total non-current financial assets		451,156	435,641
Total non-current assets		452,536	438,129
Current assets			
Receivables from group companies	6	970	86
Other receivables and prepaid expenses	6	591	1,993
Bank deposits	3	12,297	8,822
Total current assets		13,858	10,900
Total assets		466,395	449,029

Observe Medical ASA

Balance Sheet

Amounts in NOK thousand

EQUITY AND LIABILITIES

Share capital		49,578	13,908
Share premium		331,475	380,650
Other paid-in equity		0	0
Total paid-in equity		381,053	394,558
Other equity		1,830	-42,092
Uncovered loss		-27,755	0
Total equity		355,305	352,466

Non-current liabilities

Liabilities to financial institutions	4,9,10,11	878	946
Contingent consideration	4	1,560	3,365
Non-current liabilities to group companies	4,11	49,876	45,631
Interest bearing non-current liabilities		49,149	
Total non-current liabilities		101,463	49,942

Current liabilities

Liabilities to financial institutions		0	0
Trade payables	5,11	5,330	2,917
Public duties payable	5	707	457
Interest-bearing current liabilities		0	40,615
Other current liabilities	5	3,590	2,651
Total current liabilities		9,627	46,639
Total liabilities		110,340	96,564

The Board of Directors and CEO of Observe Medical ASA
Oslo, April 26, 2024



Terje Bakken
Chair of the Board



Kathrine Gamborg Andreassen
Board member



Sanna Rydberg
Board member



Line Tønnessen
Board member



Eskild Endrerud
Board member



Jørgen Mann
Interim CEO

Observe Medical ASA

Equity

Amounts in NOK thousand

	Share capital	Share premium	Other paid-in equity	Total paid-in capital	Retained earnings	Total
Equity as at January 1, 2023	13,908	337,205	1,352	352,466	0	352,466
Registered capital	35,670			35,670		35,670
Registered capital cost		-5,730		-5,730		-5,730
Cost of employee options			478	478		478
Net result for the period		-27,579		-27,579		-27,579
Equity as at December 31, 2023	49,578	303,896	1,830	355,305	0	355,305

Share capital:	NOK thousand	Shares	Par price
Share capital January 1, 2023	13,908	53,491,656	0.26
Changes	35,670	137,193,548	0.26
Share capital December 31, 2023	49,578	190,685,204	0.26

Refer to Note 23 in the Observe Medical group's consolidated financial statement 2023 for shareholders' information.

Observe Medical ASA

Cash Flow Statement

<i>Amounts in NOK thousand</i>	Note	2023	2022
Cash flow from operating activities			
Result before tax		-27,579	-13,604
Depreciation		589	289
Interest expenses and change in contingent consideration not paid	8,11	-1,804	-6,657
Interest income from group companies not paid	8,11	0	0
Change in trade receivables and other receivables	6	-247	1,746
Change trade payables and other current liabilities		3,617	-1,403
Net cash flow from operating activities		-25,424	-19,630
Cash flow from investment activities			
Payments on the purchase of equipment		518	-2,401
Payment for shares in subsidiaries		-50	-54,002
Net cash flow used in investment activities		468	-56,403
Cash flow from financing activities			
Net changes liabilities to financial institutions		0	-6,509
Paid in new share capital		31,168	155,597
Repayment share capital		0	0
Change interest bearing loan		8,466	-9,459
Net change interest bearing debt to group companies		-11,202	-55,280
Net cash flow from financing activities		28,432	84,348
Exchange rate fluctuations		0	0
Changes in cash		3,476	8,315
Bank deposits as at January 1		8,822	507
Bank deposits end of period	3	12,297	8,822

Explanatory Notes to the Annual Financial Statements 2023

General

Observe Medical ASA is a Norwegian public listed company incorporated on June 13, 2019 to own and manage the Observe Medical business.

Observe Medical ASA was listed on Euronext Expand (previously Oslo Axess) on November 4, 2019. Observe Medical ASA holds 100% of all shares in its subsidiary Observe Medical AB, Observe Medical Nordic AB, Observe Medical ApS and Biim Ultrasound AS.

Observe Medical ASA provides financing to entities in the Group.

The financial statements for Observe Medical ASA have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway (NGAAP). Preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures of contingencies. Actual results may differ from estimates.

The consolidated financial statements of the Group have been prepared in accordance with IFRS. The Company's accounting principles are similar to the accounting principles for the Group unless otherwise noted. Financial statement disclosures for the Company that are substantially different from the disclosures for the Group are shown below. See notes to the consolidated financial statements.

Observe Medical ASA is registered and based in Norway. Its head office is located in Dronning Eufemias gate 16, 0191 Oslo, Norway.

Note 1 – Accounting Policies

Shares in Subsidiaries

Shares in subsidiary are presented according to the cost method. Dividends and group contribution will be recognized in the financial statement when these are proposed by the subsidiary. Shares in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of the investment. Indications may be operating losses or adverse market conditions. If it is considered probable that the fair value is below Observe Medical's carrying value, the

investment is impaired. The impairment will be reversed if the impairment situation is no longer present.

Foreign Currency Transactions

The functional currency of Observe Medical ASA is Norwegian kroner (NOK). Transactions in currencies other than the functional currency are recorded at the exchange rate at the date of transaction. Monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. Realized and unrealized currency gains and losses on transactions, assets and liabilities, denominated in a currency other than the functional currency are included in Financial income and expenses.

Revenue

Revenue stem from sale of administrative services to subsidiaries. These are recognized when the services are delivered. Interest income is recognized in the income statement as it is accrued.

Receivables

Trade receivables and short-term intercompany receivables are recognized at nominal value, less the accrual for expected losses of receivables. The accrual for losses is based on an individual assessment of each receivable.

Cash Deposits

Cash deposits include bank deposits as at end of the reporting period. The cash held by Observe Medical ASA reflects that most external bank deposits are channeled through the group financing agreement.

Transparency Act

The Company is for the reporting year outside of scope of the Act as the revenues are below MNOK 70 and the number of employees are below 50 FTE.

Payables

Trade payables and short-term intercompany payables are recognized at nominal value.

Financial Assets and Liabilities

Financial assets are initially recognized in the balance sheet at fair value (cost) and subsequently at the lower of cost or fair value. Financial liabilities are initially recognized in the balance sheet at fair value (cost) and subsequently at amortized cost.

Expenses

Expenses are recognized in the financial statement in the period when the services or materials are consumed.

Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax payable is based on taxable profit for the year.

Deferred tax is calculated on the basis of tax-reducing and tax increasing temporary differences that exist between accounting and tax values, and the tax loss carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off and entered net. The net deferred tax receivable is entered on the balance sheet to the extent that it is likely that it can be utilized. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates are adopted.

Classification and valuation of fixed assets

Fixed assets consist of assets intended for long-term ownership and use. Fixed assets are valued at acquisition cost less depreciation and write-downs. Long-term liabilities are entered on the balance sheet at the nominal amount at the time of the transaction.

Plant and equipment is capitalized and appreciated over the economic lifetime of the asset. Significant items of plant and equipment that consist of several material components with different lifetimes are broken down in order to establish different depreciation periods for the different components. Direct maintenance of plant and equipment is expensed on an ongoing basis under operating costs, while additions or improvements are added to the asset's cost price and depreciated in line with the asset. Plant and equipment is written down to the recoverable amount in the event of a fall in value that is not expected to be temporary. The recoverable amount is the higher of the net sales value and the value in use. Value in use is the present value of future cash flows related to the asset. The write-down is reversed when the basis for the write-down is no longer present.

Note 2 – Salary Expenses

<i>Amounts in NOK thousand</i>	2023	2022
Salaries	5,458	5,423
CEO cost invoiced from subsidiary	0	2,128
Fees to Board of Directors	1,320	1,265
Employment taxes	1,177	710
Pension insurance	526	328
Other benefits	523	520
Total salary expenses	9,004	10,374

At year end the company had 3 employees. The company has a contribution pension scheme that meets the requirement of the Norwegian Act of Mandatory Occupational Pension.

Share option expenses of TNOK 478 for 2023 are included in “Other Benefits”. The company is liable for the social security tax, and it is expensed over the estimated vesting period. See Note 18 and 19 in the Observe Medical group’s consolidated financial statement 2023 for further information related to the share options.

Auditor

Audit fees expensed for 2023 amounts to NOK 2,006 thousand. NOK 38 thousand is paid to EY for tax advisory. An additional NOK 250 thousand of other services is paid to EY for services related to the rights issue, and booked against equity. Fees to auditors are reported excluding VAT.

Note 3 – Bank Deposits

NOK 949 thousand of the bank deposits was restricted as at December 31, 2023 (tax withholding account). There are no significant restrictions on transferring cash within the group.

Note 4 – Non-Current Liabilities

<i>Amounts in NOK thousand</i>	2023	2022
Liabilities to financial institutions	878	946
Contingent consideration	1,560	3,365
Interest bearing debt to Observe Medical AB	49,876	45,613
Interest bearing debt to Navamedic ASA ¹⁾	43,864	0
Loan Navamedic ¹⁾	5,285	0
Total non-current liabilities	101,463	49,942

Note 5 –Current Liabilities

<i>Amounts in NOK thousand</i>	2023	2022
Liabilities to financial institutions	0	0
Trade payables	5,330	2,971
Public duties payable	707	457
Interest bearing debt to Navamedic ASA ¹⁾	0	40,614
Other liabilities	3,590	2,651
Total non-current liabilities	9,627	46,639

¹⁾ Loan from Navamedic ASA reclassified to non-current. Increase from 2022 to 2023 is due to accrued interest and an additional loan of NOK 5,000 thousand.

Loan Agreement with Navamedic ASA

On October 1, 2019, Observe Medical ASA, as the borrower, entered into a loan agreement with Navamedic, as the lender, for a loan of an aggregate amount of NOK 32,000 thousand (the “Bond Loan”).

The Bond Loan consists of the two following facilities:

- A subordinated convertible term loan facility in the amount of NOK 19,000 thousand (the “Facility A”); and
- A subordinated convertible term loan facility in the amount of NOK 13,000 thousand (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.

Both the facilities are fully drawn as of December 31, 2023.

Each loan facility given under the Bond Loan accrues 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 capitalized and added to the aggregate principal amount of the loans outstanding under the Bond Loan.

On September 6, 2023, Observe Medical ASA as the borrower, entered into a loan agreement with Navamedic ASA, as the lender, for a loan facility of an aggregate amount of NOK 5,000 thousand. Maturity date is set to 31 January 2025. The Loan shall accrue interest at 3 month NIBOR + 6% (percentage points) per annum. The maximum principal amount has been made available as of 31 December 2023.

Contingent Consideration

On August 4, 2015, Navamedic ASA acquired all of the shares and votes in Observe Medical International AB (OMI AB). The purchase price was NOK 60.6 million including a contingent consideration valued at NOK 25.6 million at the acquisition date. The contingent consideration depends on the revenues from sales of the Sippi® product over a number of years. The fair value of the contingent consideration involves discounting expected future payments. Discounting is based on a discount rate of 12% as at December 31, 2022.

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:

- NOK 6 million of accumulated revenue in excess of NOK 50 million
- Plus, NOK 6 million of accumulated revenue in excess of NOK 75 million
- Plus, NOK 6 million of accumulated revenue in excess of NOK 100 million
- Plus, NOK 13 million of accumulated revenue in excess of NOK 300 million
- Plus, NOK 34 million of accumulated revenue in excess of NOK 600 million
- Plus, NOK 60 million of accumulated revenue in excess of NOK 900 million

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

The change in fair value in 2023 is due to updated estimate related to when the sales of OM's products will be realized. The revenue and market potential remain unchanged but have been postponed.

Note 6 – Current assets

<i>Amounts in NOK thousand</i>	2023	2022
Other short-term receivables	591	1,993
Receivables from group companies	970	86
Bank deposits	12,297	8,822
Total receivables	13,858	10,900

Note 7 – Loans to Group Companies

<i>Amounts in NOK thousand</i>	2023	2022
Observe Medical APS	2,831	720
Biim Ultrasound AS	39,469	33,932
Observe Medical AS	7,819	0
Total loans to group companies	50,118	34,653

All group internal loans has a fixed interest rate of 8.00% per annum. Accrued interest shall monthly be capitalized and added to the aggregate principal amount of the loans outstanding under the loan agreement.

Note 8 – Financial Income and Expenses

<i>Amounts in NOK thousand</i>	2023	2022
Interest income from group companies	2,916	1,651
Net currency gain	0	1,647
Change in contingent consideration	1,979	10,028
Total financial income	4,895	13,327
Financial expenses	2023	2022
Interest expenses	5,986	3,400
Interest expenses to group companies	3,718	4,051
Net currency loss	3,472	0
Discounting effect contingent consideration	173	360
Other financial cost	0	170
Total financial expenses	13,350	7,982
Net financial income(+)/expenses (-)	-8,454	5,345

Note 9 – Other Operating Expenses

<i>Amounts in NOK thousand</i>	2023	2022
Audit services	2,006	2,071
Accounting and financial services	506	505
Consultants	2,772	894
IT expenses	651	579
Legal and professional fees	2,121	2,242
Other operating expenses	1,628	1,466
Stock exchange expenses	545	805
Travel expenses	237	262
Other group services	1,583	937
Total other operating expenses	12,049	9,761

Note 10 – Subsidiaries

<i>Amounts in NOK thousand</i>	Business office	Ownership share	Carrying amount December 31, 2023
Observe Medical AB	Gothenburg, Sweden	100%	123,011
Observe Medical ApS	Herlev, Denmark	100%	80,247
Observe Medical AS	Oslo, Norway	100%	50
Observe Medical Nordic AB	Gothenburg, Sweden	100%	8,729
Biim Ultrasound AS ²⁾	Oslo, Norway	100%	189,002
Total			401,038

²⁾ Biim Ultrasound AS was acquired at March 8, 2022. The transaction, with estimated acquisition consideration of NOK 185 million, financed through a combination of 8,171,913 consideration shares issued by the Company at a price of NOK 16.52 per share, and cash settlement of NOK 54 million.

Note 11 – Related Parties

<i>Amounts in NOK thousand</i>	Income	Operating expenses	Financial income	Financial expenses	Receivables	Liabilities
Navamedic ASA ¹⁾	0	0	0	3,534	0	49,149
Ingerø Reiten Investment Company AS ²⁾	0	0	0	657	0	0
Reiten & Co AS	0	0	0	0	0	750
Eli AS	0	0	0	190	0	0
JPB AS	0	0	0	282	0	0
MP Pensjon	0	0	0	65	0	0
Kubera AS	0	0	0	65	0	0
Skålvold Eiendom AS	0	0	0	52	0	0
Harding Invest AS	0	0	0	52	0	0
Observe Medical AB	1,115	1,851	0	3,718	0	49,876
Observe Medical ApS	67	1,395	164	5	2,942	0
Observe Medical Nordic AB	217	0	0	0	0	0
Biim Ultrasound AS	1115	0	2,752	0	40,479	0
Total	2,514	3,246	2,916	8,620	43,421	99,775

¹⁾ Navamedic ASA owned 2.21% of all shares in Observe Medical ASA as of 31 December 2023. ²⁾ Ingerø Reiten Investment Company AS owned 19.61% of all shares in Observe Medical ASA as of 31 December 2023. Incurred liabilities towards Reiten & Co of TNOK 750 for strategic advisory in 2023 (total of TNOK 1,500 in the Group).

Note 12 – Non-current assets

	Intangible assets	Plant and machinery	Fixtures and fittings	Total
Purchase cost as of 01.01.23	1,153	1,225	506	2,884
Inflow purchased fixed assets	115			115
Outflow thus year	633			633
Acquisition cost 31.12.23	635	1,225	506	2,366
Accumulated depreciation 31.12.23	176	368	442	985
Book value 31.12.23	459	858	64	1,380
This year's ordinary depreciations	176	245	169	589
Economic life	3 years	5 years	3 years	

Note 13 – Taxes

<i>Amounts in NOK thousand</i>	2023	2022
Income tax payable	0	0
Changes in deferred tax	0	0
Income tax expenses	0	0

Reconciliation from Nominal to Actual Tax Rate

<i>Amounts in NOK thousand</i>	2023	2022
Result before income tax	-27,579	-13,604
Non-deductible expenses	1	-14,729
Changes in temporary differences	16	-124
Total taxable income	-27,562	-28,458
Expected income tax expenses, 22%	-6,064	-2,992

Specification of Tax Effect to Temporary Differences

Non-current assets	145	161
Current assets	0	0
Liabilities and provisions	0	0
Non-recognized tax asset	0	0
Tax losses carried forward	-89,169	-61,607
Not included in the deferred tax calculation	89,024	61,446
Deferred tax assets/liabilities in the balance sheet	0	0

Reconciliation of Deferred Tax Assets in the Balance Sheet

Deferred tax assets January 1	0	0
Change in deferred taxes recognized in income statement	0	0

Observe Medical ASA is the holding company in Observe Medical group and has no income-generating activities other than group services and financing of group companies, as well as some consultancy services to related parties. In order to capitalize deferred tax assets, the company must prove taxable income through earnings in future years or through realistic tax adjustments that enable the benefit to be utilized.

Since the company expects losses in the coming years, the company considers that the conditions for capitalizing deferred tax assets not have been fulfilled.

A photograph of a hospital bed with a patient lying in it, covered by a white blanket. Medical equipment, including a ventilator and various tubes, is visible above the head of the bed. The image is overlaid with a dark blue gradient.

Auditor's report



Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Observe Medical ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Observe Medical ASA (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2023, the income statement, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with 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 and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company since the election by the general meeting of the shareholders on 3 June 2022.



Material uncertainty related to going concern

We draw attention to note 1 and 3 in the financial statements and the Board of Director's report, which describes that the Company will need to raise more equity, issue debt instruments or divest assets to fund further development on ongoing business. This indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2023. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment of goodwill and other intangible assets

Basis for the key audit matter

Total goodwill and other intangible assets in the consolidated financial statement amounts to MNOK 223,5 in 2023, which is 88% of total assets.

Management performed an impairment assessment where the recoverable amount was determined based on value in use using a cash flow model. Estimating the value in use requires management judgment, including estimates of future revenues, gross margin, operating costs, capital expenditures and discount rate. The estimates included assumptions related to successful commercialization of the Sippi® and Biim Ultrasound probe products.

Management's assessment of the valuation of goodwill and other intangible assets was a key audit matter because the assessment requires significant judgement and uncertainty will exist with respect to technology development and market conditions.

Our audit response

We evaluated management's assessment of impairment of the goodwill and other intangible assets. We tested management's assumptions used in the value in use calculations and corroborated estimates of future revenues, gross margin, operating costs and capital expenditures to the budget. We evaluated the level of consistency applied in the valuation methodology from previous years and assessed the historical accuracy of management's estimates. We assessed discount rate used and the mathematical accuracy of the valuation model.

We refer to note 4 and note 7 in the consolidated financial statement.



Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and CEO) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility contain the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that the other information is materially inconsistent with the financial statements, there is a material misstatement in this other information or that the information required by applicable legal requirements is not included in the board of directors' report, the statement on corporate governance or the statement on corporate social responsibility, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU. Management is responsible 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 financial statements, management is responsible for assessing the Company's and 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 Company or 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 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 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 the 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 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, 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 and 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's 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 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 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 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.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Observe Medical ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name Observe_Medical_ASA-2023-12-31-en.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the



preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation. We conduct our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we perform procedures to obtain an understanding of the company's processes for preparing the financial statements in accordance with the ESEF Regulation. We test whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 30 April 2024
ERNST & YOUNG AS

The auditor's report is signed electronically

Anja Maan
State Authorised Public Accountant (Norway)

Alternative Performance Measures (APMs)

Observe Medical uses alternative performance measures for periodic and annual financial reporting in order to provide a better understanding of the Group's underlying financial performance.

Gross result:	Operating revenues less direct cost of materials as cost price, transportation and warehouse cost of materials for sale.
EBIT:	Earnings before net financial items, results from associates and joint ventures and income tax.
EBITDA:	Earnings before interest, taxes, depreciation and amortization.
EBITDA before non-recurring items:	EBITDA of the Company before any extraordinary or unusual one-time non-recurring expenses or other charges as reflected in the Company's audited consolidated financial statements for the year
Operating expenses:	Employee benefit expenses plus other operating expenses.
Earnings per Share (EPS):	Profit divided by number of outstanding shares
Number of employees/workforce:	Number of employees comprise all staff on payroll including both full time and part time employees and employees on temporarily leave (paid and unpaid)
Employee turnover %:	Number of employees who have leave the organization in percentage of total number of employees.
Sick leave per cent:	Number of hours of sick leave as percentage of the total number of possible hours worked
Equity ratio:	Total shareholders' equity in percentage of total assets

Equity ratio

<i>Amounts in NOK thousand</i>	At 31 December 2023	At 31 December 2022
Total shareholders equity	115,606	138,306
Total assets	253,537	215,812
Equity ratio	45.6%	64.1%

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