INTERIM REPORT

H2 & FY 2024

Observe Medical ASA

observe medical


280
4225 ml
sippi

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 within urine output measurement. The strategic vision is to be a Nordic medtech platform for scalable and profitable growth, product development, regulatory performance and effective manufacturing.

The Group is headquartered in Oslo, Norway, with R&D and regulatory and distribution operations in Gothenburg, Sweden. In addition, Observe Medical has a distributor and partner network globally.

The current portfolio of proprietary products consists of Sippi®, a CE marked digitalized system for urine output measurement, the UnoMeter™ portfolio consisting of manual urine output measurement products and solutions for measuring intra-abdominal pressure, and the Biim ultrasound probe, which is a wireless, pocketable imaging solution designed for quick and efficient point-of-care diagnostics, offering high-quality imaging, seamless connectivity, and user-friendly operation.

Proprietary products

Platform for innovative Nordic ecosystem

“M&A Opportunities”

Patient welfare

Health economics

Data accuracy

H 2 / 2 0 2 4
H I G H L I G H T S

UNOMETER™ 500 POST MARKET UPGRADE

Post market upgrade finalized in August. After input from several markets, it was decided to upgrade the specifications of the product to improve the effectiveness of the product. This process led to postponed sales of UnoMeter™ 500. Market validation and confirmation during second half of the year with sales catching up in Q4.

UNOMETER™SAFETI PLUS DEVELOPMENT AND LAUNCH

In November 2024 UnoMeter™ Safeti™ Plus was re-launched as the final product in the portfolio of mechanical urimeters included in the Convatec portfolio. In 2021 this product alone was selling at a level of 121 mNOK annually.

With this launch the full portfolio of previous Convatec products was brought back to the market giving access to a market with annual sales of approx. 700 mNOK and specifically the 220 mNOK annual sales that Convatec had in 2021 from this portfolio.

CONTINUED EXPANSION OF SALES DISTRIBUTION NETWORK

The Group has been making progress in gradually re-establishing the historical sales distribution network globally, as of December 31 Observe Medical is present in countries mainly covering Europe, Middle East, Asia and South America.

SUBSEQUENT OFFERING AND CONVERSION OF LOAN TO SHARE CAPITAL

Following a subsequent offering raising 0.9 million in gross proceeds, Navamedic ASA converted NOK 16.4 million of the loan to shares in December 2024

EVENTS AFTER THE BALANCE SHEET DATE

The first major invoiceable supplies of UnoMeter™ Safeti ™ Plus was received in our warehouse in Gothenburg in January and shipped to distributors in Europe, the Middle East and Asia.

The extraordinary general meeting was held on January 7, 2025, amongst other, to adopt a consolidation of the Company's shares (reverse share split) in the ratio 15:1 to meet the Oslo Stock Exchange's requirement of a minimum market value of NOK 1 per share. The new number of outstanding shares is 19 257 514.

KEY FIGURES

(Amounts in NOK thousand, except EPS, equity ratio and number of FTE)	H2 2024	H2 2023 *restated*	FY 2024	FY 2023 *restated*
Revenue	**5 427**	**16 123**	**18 483**	**27,942**
Gross result adjusted*	1 169	5 007	6 159	9 632
Gross result	-1 916	5 007	3 074	9 287
Operating expenses	15 494	21 616	33 093	48 680
EBITDA adjusted*	**-14 326**	**-16 609**	**-26 934**	**-39 048**
EBITDA	**-17 410**	**-16 609**	**-27 769**	**-39 393**
Depreciation and amortization	6 101	6 649	12 761	13 604
Write-down of goodwill	69 781	0	69 781	0
EBIT	-93 258	-23 558	-112 527	-52 997
Net finance	-11 211	-5 137	-14 439	-10 874
Result	**-104 469**	**-28 694**	**-126 966**	**-63 888**
EPS	-0.78	-0.47	-0.55	-1.11
Equity	24 107	112 080	24 107	112 080
Total balance	148 483	244 822	148 483	244 822
Equity ratio	16.2%	45.8%	16.2%	45.8%
Number of FTE's at end of period	5	9	5	9

	OPERATING REVENUES	GROSS PROFIT*	GROSS MARGIN*	EBITDA*
H2 2024	**5.4 MNOK** -10.7 MNOK YoY	**1.2 MNOK** -3.8 MNOK YoY	**21.5%** -9.5 p.p. YoY	**-14.3 MNOK** +2.3 MNOK YoY
FY 2024	**18.5 MNOK** -9.5 MNOK YoY	**6.2 MNOK** -3.4 MNOK YoY	**33.3%** -1.2 p.p. YoY	**-26.9 MNOK** +12.1 MNOK YoY

***Adjusted for special items second half year 2024:**

- Inventory write-down 3 085 TNOK
- Impairment of goodwill 69 781 TNOK

UPDATE FROM THE CEO

2024 was in many ways a transition year towards the launch of UnoMeter™ Safeti™ Plus which has been the most revenue and profit generating product in the Convatec portfolio. During 2024, great effort was used to establish a brand new manufacturing platform and to complete the regulatory journey which has led to Observe Medical now being the legal manufacturer of UnoMeter™ Safeti™ Plus.

The first products were delivered to customers in January 2025 and repeat orders followed shortly after from numerous counties and we are encouraged by the positive initial market reception to this product now again being available in the market. Continuously our distributors are doing market evaluations, customer conversions and offering our portfolio to tenders across the European, Asian and South American markets.

With this important step on our journey towards a global leadership position within Urine Output Measurement we completed the last leg in the re-establishment and commercialization of the full Convatec UnoMeter™ portfolio.

In the second half of 2024, we upgraded the UnoMeter™ 500 to further improve product effectiveness. The upgraded version was launched in the latter half of the year, and we have already seen positive market confirmation, with sales picking up in Q4.

Our product development efforts are ongoing with additional new to market products set to launch in 2025. These include the upgraded UnoMeter™ Safeti™ MAX, featuring advanced patented infection control technology and the preparations for the launch of UnoMeter™ Sippi.

In 2021, the annual sales from the UnoMeter™ product portfolio generated a revenue of approximately NOK 220 million and thereby representing a significant growth opportunity for Observe Medical. Our estimated revenue the next 12 months from the UnoMeter™ family is NOK 100 million.

Additionally, during second half of 2024, Fresenius Medical Care, under new management, carried out a new evaluation of the value creation by using Biim ultrasound in their US based clinics. Early findings indicated positive value in using ultrasound, but also that further evaluations would continue approximately six months into 2025 since further data will be needed to support a business case to scale into additional clinics. Due to the further deferral of future cash flows from the Biim probe, the Management's impairment assessments have resulted in a write down of goodwill related to Biim. We remain committed to ongoing discussions with Fresenius Medical Care throughout 2025.

As we have entered 2025, we now have a commercialized portfolio that has the potential of creating a solid and profitable company. We now have a solid scaleable platform, with an established distribution network, a strong pipeline and competencies within product development and quality and regulatory affairs. With our efficient manufacturing setup, we are well-positioned to capture our strategic vision of becoming a Nordic medtech platform with global reach.

Jørgen Mann
CEO

TRULY **TRANSFORMATIVE YEARS**

2019

Listed on Oslo Stock Exchange
Spin-off from Norwegian listed pharmaceutical company, Navamedic ASA in November 2019

2020-2021

Focus on launching Sippi® in selected markets

- Nordic distribution and direct sales
- Covid-19

2022

Acquisition of Biim Ultrasound

- First major delivery of Biim products to Fresenius Medical Care
- Regulatory upgrade of Sippi® to MDR
- Covid-19

Exclusive agreement to acquire UnoMeter™ product range

2023

Regulatory integration and Commercial launch of Unometer™ 500 and Abdo-Pressure™

- Contract with 3rd party manufacturing partner
- Asset transfer Agreement with Convatec signed

2024

Regulatory integration and Commercial Launch of UnoMeter™ Safeti Plus

- Sales of UnoMeter™ products to 35+ countries

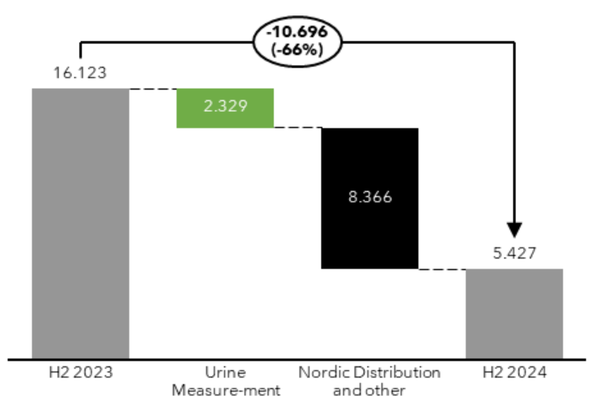
FINANCIAL REVIEW

Through the second half year of 2024 the company has done significant steps in the commercialization of the UnoMeter™ portfolio, with the launch of UnoMeter™ Safeti™ Plus, which is expected to have significant impact on the Company's financial performance. Firm orders of NOK 5 million received during the first month after product launch with delivery in 2025. Now Observe Medical's focus is on executing on recapturing UnoMeter™'s historical market.

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 2024. 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.

REVENUES

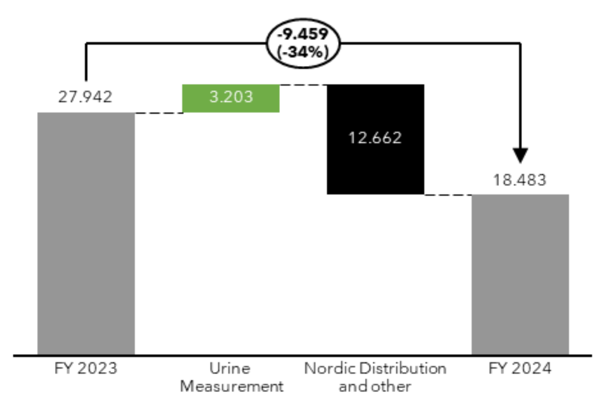
Revenues reached NOK 5.4 million in H2 2024, reflecting a year-over-year decrease of NOK -10.7 million.



The decrease is primarily driven by reduction in sales from the Nordic distribution (NOK -7.5 million) as the Company transferred certain customer contracts and inventory to Vingmed as part of a strategic restructuring initiative. This strategic divestiture aligns with Observe Medical's broader objective to streamline our operations and concentrate on expanding our international market presence, thereby enhancing shareholder value and strengthening our competitive position in the global market.

The UnoMeter™ products generated revenues of NOK 4.5 million in H2 2024, NOK -2.3 million lower than H2 2023. The decrease is driven by lower sales of UnoMeter™ 500 due to the post market upgrade, leading to delayed revenues, with 70% of the revenues from the two last months in 2024. There were no Biim Ultrasound sales in H2 2024 a reduction of NOK -1.1 million year-over-year.

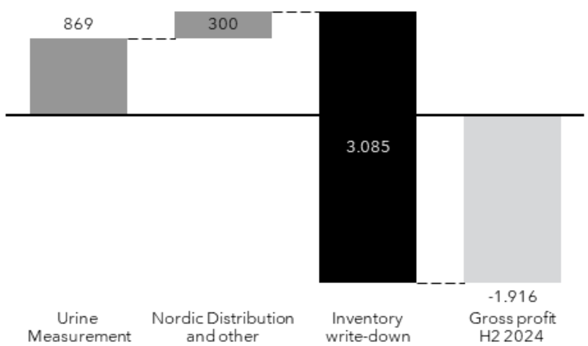
For the full year the Group recorded revenues of NOK 18.5 million, reflecting a year-over-year decrease of NOK -9.5 million, primarily driven by the discontinued Nordic distribution and other business (NOK -12.7 million), partly offset by UnoMeter™ sales of NOK 11.5 million, reflecting an increase of NOK 3.2 million / +39% year-over-year.



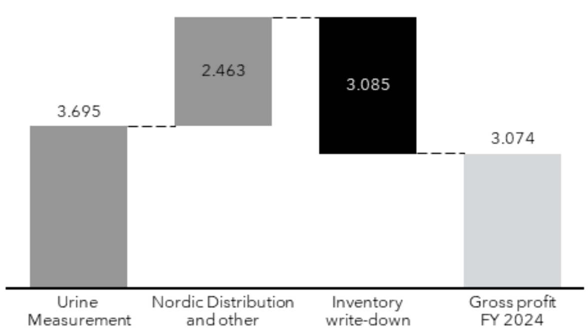
GROSS PROFIT

Gross profit negative of NOK 1.9 million in H2 2024, a year-over-year decrease of NOK -6.9 million, reflecting a gross margin of -35.3% vs 33.2% LY. The lower margin is primarily due to an inventory write-down of NOK 3.1 million (related to Biim and Nordic distribution), lower margin on sales of Nordic distribution portfolio and due to different product mix and replacement cost of UnoMeter™ 500.

Normalized for write-down the urine measurement category had a gross profit of NOK 0.9 million / 19.5%. Nordic distribution had a gross profit of below NOK 0.1 million / 7.5%, excl. write-down due to from sales of stock below cost.



For the full year 2024, the Group recorded a gross profit of NOK 3.1 million, NOK -6.2 million lower than last year. Higher gross profit from urine measurement reflecting higher sales volume but partly offset by product mix with lower margin.

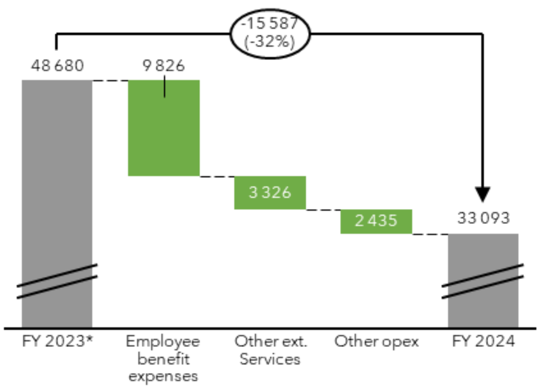


Normalized for write-down, the urine measurement category had a gross profit of NOK 3.7 million / 32.2%. Nordic distribution had a gross profit of NOK 1.1 million / 19.4% excl. write-down.

Other is originating from adjustment settlement related to the Biim acquisition and sale of assets of 1.3 million.

OPERATIONAL EXPENSES

The second half year shows opex of NOK 15.5 million, a reduction of NOK -6.1 million / 28% year-over-year. For the full year the Group had operating expenses of NOK 33.1 million, a decrease of NOK 15.6 million / 32% year-over-year, mainly driven by reduction of employees in second half of 2023 and first half of 2024. The Group initiated in second half of 2023 several cost reduction activities where downsizing of the workforce was one of the necessary measures.



The average number of FTE in 2024 was 6.6, compared to 16 last year. The Company is committed to optimize cost and has during the first half year of 2024 closed offices in Narvik, Seattle and Oulu. To enable sustainable growth the Group plans to rebuild a lean organization.

GROUP RESULTS SECOND HALF YEAR 2024

EBITDA in the second half year of 2024 was negative NOK 17.4 million compared to negative NOK 16.6 million in the same period last year. EBITDA adjusted for special items was negative 14.3 million.

Depreciation and amortization were NOK 75.8 million in the second half year of 2024, an increase of NOK +68.9 million YOY, whereof NOK 69.8 million is impairment of goodwill. Please refer to note 11 in the explanatory notes to the consolidated financial statements for details.

Net financial income was negative NOK 11.2 million compared to negative NOK 5.1 million in the same period in 2023. The increase is mainly driven by transactions with no cash effects as calculated interests on the discounted seller credit for the Unometer portfolio acquired in 2023, change in contingent consideration and currency.

Result for the period was negative NOK 104.5 million compared to negative NOK 28.7 million in the same period last year.

Earnings per share was negative NOK 0.78 compared to negative NOK 0.47 in the same period last year.

CASH FLOW SECOND HALF YEAR 2024

Net cash flow from **operating activities** was in the second half year of 2024 negative NOK 20.7 million, compared to negative NOK 5.0 million in the second half year of 2023.

Net cash flow from **investing activities** was negative NOK 1.6 million, compared to negative NOK 1.3 million in the second half year of 2023.

Net cash flow from **financing activities** was 20.4 million compared to NOK 23.2 million in the second half year of 2023.

For the full year 2024, net cash flow from operating activities was a negative NOK 30.7 million, whereas net cash flow from investment activities was negative NOK 0.7 million and net cash flow from financing activities NOK 17.5 million. Cash flow from investmet activities consisting of capital expentitures related to development of UnoMeter™ Safeti™ Plus partly offset by sale of a company car.

FINANCIAL POSITION AT 31 DECEMBER 2024

Total assets at 31 December 2024 amounted NOK 148.4 million, compared to NOK 246.4 million at the end of first half year and NOK 253.5 million at the end of 2023 (restated)

Non-current assets of NOK 136.7 million mainly consisting of goodwill NOK 33.1 million (NOK 102.0 million at 30 June 2024) and intangible assets associated with the technologies and patents for the Sippi® system and the Biim ultrasound probe, as well as the trademark of and development costs related to UnoMeter™ of NOK 103.4 million (NOK 115.9 million at 30 June 2024).

The change in the value of assets is driven by write-down of goodwill of NOK 69.8 million and write-down of inventory of NOK 3.1 million at 31 December 2024.

As of 31 December 2024, the Group had **bank deposits** of NOK 2.0 million, at 30 June 2024 the bank deposits were NOK 2.7 million.

As of 31 December 2024, the Group had **equity** of NOK 24.1 million compared to NOK 107.5 million at 30 June 2024 and 112.1 million at 31 December 2023 (restated). The equity ratio was 16.2% at 31 December 2024 compared to 43.6% at 30 June 2024. The change is mainly related to the negative result, currency effects and expenses related to share capital increase.

As of the end of 2024, the Group had interest bearing debt, current and non-current, at NOK 84.1 million, compared to NOK 54.8 million at 30 June 2024. **Total liabilities** amounted to NOK 124.3 million, a reduction from NOK 139.0 million at 30 June 2024 and 132.7 million at 31 December 2023.

EVENTS AFTER THE REPORTING DATE

The extraordinary general meeting was held on January 7 2025, and resolved, amongst other, to adopt a consolidation of the Company's shares (reverse share split) in the ratio 15:1 to meet the Oslo Stock Exchange's requirement of a minimum market value of NOK 1 per share. To facilitate the share consolidation, the general meeting resolved to increase the Company's share capital by NOK 1.30 through the issue of 5 new shares, each with a nominal value of NOK 0.26, in order to obtain a total number of shares divisible by 15. The proposals regarding (i) an general authorisation to the board of directors to increase the share capital in connection with financing of further growth and (ii) a authorisation to the board of directors to increase the share capital in connection with sett-off/contributions of loans and accounts payable etc., were also approved. The new number of outstanding shares is 19 257 514.

OUTLOOK

Over the past few years, Observe Medical has undergone a significant transformation. What once was mostly a product development company with a small distribution business in Sweden has now evolved into a commercial player with international distribution and its own production platforms.

2024 was in many ways a transition year towards the launch of UnoMeter™ Safeti™ Plus, the most revenue- and profit-generating product in the Convatec portfolio. Significant efforts were dedicated to establishing a new manufacturing platform and successfully completing the regulatory journey, resulting in Observe Medical becoming the legal manufacturer of UnoMeter™ Safeti™ Plus. These milestones position the company for growth and operational expansion in the coming years through its scalable platform.

Observe Medical's long-term ambition is to become a leading global medtech company by delivering innovative medical technology solutions that enhance patient care, improve clinical outcomes, and support positive health economics. Growth will be driven through the development, commercialization, and global distribution of its proprietary products, while also exploring strategic opportunities such as mergers, acquisitions, and partnerships to expand its market presence and product portfolio.

Urine Measurement

Observe Medical's strategy behind the UnoMeter™ acquisition is to reclaim market leadership in the urine measurement segment, particularly with the UnoMeter™ 500 and UnoMeter™ Safeti™ Plus. Prior to Convatec discontinuing the business, these brands commanded a strong market share of approximately 50-60% in Europe's urine measurement segment, distributed through partners in more than 50 countries globally. The by far strongest product in the portfolio, UnoMeter™ Safeti™ Plus was regulatory approved in November 2024, and the Group received orders for NOK 5 million within the first month. The first shipments to distributors in Europe, Middle East and Asia for validation in January 2025.

Once the brand has regained a foothold in the market, Observe Medical plans to introduce innovative products, such as an improved version of UnoMeter™ Safeti™ Plus featuring the patented infection control technology Sippcoat®, and re-launch our proprietary digital urimeter, Sippi® through the global distribution network.

The Company follows market developments closely and will continuously assess opportunities and risks that any changes in market conditions may entail.

Biim ultrasound probe

During second half of 2024, Fresenius Medical Care, under new management, carried out a new evaluation of the value creation by using Biim ultrasound in their US based clinics. Early findings indicated positive value in using ultrasound but also that the business case was not yet robust enough to scale the use across further clinics and the further evaluations would continue approximately 6 months into 2025. Based on further deferred future cash flows from the Biim probe, which have not materialized as projected, the result of Management's impairment assessments has resulted in a write down of goodwill related to Biim. We are looking forward to continuing our discussions with Fresenius Medical Care during 2025 about our FDA-approved pocketable ultrasound probe.

Distribution platform

Throughout 2024, the Company has undertaken a strategic restructuring of its Nordic sales operations, transitioning customer contracts to the Nordic distributor, Vingmed. The Nordic portfolio was originally established as a platform for testing and launching the Company's own branded products, and its strategic relevance has been reassessed in light of the expansion of our global distribution capabilities. With these enhanced global channels now effectively supporting our testing and pre-launch needs, direct Nordic sales operations have become less central to our core business model. Consequently, the Group initiated a process to transition these operations to more suitable ownership. The restructuring was not fully completed as of 31 December 2024, but will be finalized in the beginning of 2025.

However, the company is still constantly working to expand its product portfolio with high-quality products that can be distributed through our growing distribution network globally. An example of this is the letter of intent for female catheterization product with Sulacare.

The Group's ambition is to be a Nordic medtech platform for scalable and profitable growth, product development, regulatory performance and effective manufacturing. Value creating M&A and corporate development remains an important part of Observe Medical's strategy.

RISKS AND UNCERTAINTIES

The Group faces risks both of operational and financial nature, which are further described in the prospectus published on 19 November 2024 and can be viewed here; https://observemedical.com/prospectus-check/. A summary if the main risks follow below.

The Group faces a risk regarding its ability to continue as a going concern and requires additional capital to sustain operations at the planned scale. Despite raising NOK 22.9 million in gross proceeds, further funding is necessary to support product development, production, and sales. The Company does not have sufficient working capital for the next 12 months, and there is material uncertainty regarding its ongoing funding.

The Group's financial obligations have significantly increased, particularly due to the Convatec Asset Transfer Agreement, with upcoming payments totaling USD 3.9 million by September 2026. Additionally, it has NOK 38.3 million in subordinated loans from Navamedic, due in December 2027. The agreement allows conversion of part of the debt to equity. NOK 16.4 million of the loan was successfully converted to share capital in December 2024.

Further financing options, including new loans, investors, or supplier credit extensions, are being explored.

If the required capital is not secured, the Company may struggle to meet liabilities in 2025.

The Norwegian FSA is reviewing the Company's financial statements, citing material errors, including incorrect accounting for the Convatec Transaction, impairment testing, and debt renegotiations. The Company acknowledges certain errors, corrected in the interim and upcoming financial reports, (refer to note 1). If the FSA upholds its preliminary assessment in the Preliminary Notice of Decision, the Company will be required to correct all the errors identified by the Norwegian FSA in its annual financial statements for the financial year ending 31 December 2024 and publish certain additional information regarding such corrections through a stock exchange announcement.

Even if short-term funding is secured, the Group faces liquidity challenges due to its early commercialization phase. Revenue growth, particularly from the UnoMeter™ Portfolio, is critical, but uncertainty remains. Fresenius, Biim's only customer, is evaluating further investment in its ultrasound probe, and an unfavorable outcome could lead to Biim's bankruptcy, negatively impacting the Group's equity.

The Group's high debt level could restrict financial flexibility, increase borrowing costs, and limit growth opportunities. If it fails to generate sufficient revenue or secure financing on favorable terms, its ability to meet obligations and continue operations is at risk, potentially leading to bankruptcy.

Observe Medical operates in the medical technology market and faces common industry risks, including competition from new products with better features or market penetration. Increased competition may also reduce pricing potential.

After Convatec/Unomedical exited the urimeter market in 2022, new and existing competitors have introduced alternative products to fill the gap. Competing products may launch before Observe Medical secures a viable market share, increasing price pressure and slowing market entry.

The Group relies on distributors for international sales and is dependent on their performance. Distributor failures or production issues could delay commercialization and impact product quality.

Protecting intellectual property is crucial to the Group's success. Failure to do so, or infringement by third parties, could harm its brand value and business.

Global instability, including ongoing conflicts, is disrupting raw material supply, logistics, and financial markets, driving inflation. The company is vulnerable of fluctuating freight cost from China.

Management regularly evaluates cash flow projections, considering revenue, expenses, capital expenditures, and loan repayments. Failure to meet financial targets may impact liquidity, especially as the UnoMeter™ portfolio is still ramping up. If the Group does not achieve projected market share or pricing, revenue shortfalls could hinder its ability to meet obligations. If it cannot meet contractual obligations for UnoMeter™ purchases from Convatec, sales under the UnoMeter™ brand may be suspended.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

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 2024. 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 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.

CONDENSED CONSOLIDATED **FINANCIAL STATEMENTS**

[UNAUDITED]

Observe Medical Group

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK thousand)	Note	H2 2024	H2 2023 ***restated***	FY 2024	FY 2023 ***restated***
Operating revenues	6	5 427	16 123	18 483	27 942
Cost of materials	13,14	7 343	11 117	15 409	18 655
Gross result		**-1 916**	**5 007**	**3 074**	**9 287**
Employee benefit expenses		8 781	12 642	16 138	25 964
Other operating expenses		6 713	8 974	16 955	22 716
Operating expenses		**15 494**	**21 616**	**33 093**	**48 680**
Operating result before depreciation and amortisation (EBITDA)		**-17 410**	**-16 609**	**-30 019**	**-39 393**
Depreciation and amortisation	10,11	6 101	6 649	12 761	13 604
Impairment of goodwill	11	69 781	0	69 781	0
Operating result (EBIT)		**-93 258**	**-23 558**	**-112 527**	**-52 997**
Financial income and expenses					
Financial income		2 040	4 757	3 936	7 523
Financial expenses		13 251	9 894	18 375	18 397
Net financial items		**-11 211**	**-5 137**	**-14 439**	**-10 874**
Result before tax		**-104 469**	**-28 695**	**-126 966**	**-63 871**
Income tax expense		-16	-1	0	17
Result for the period		**-104 453**	**-28 694**	**-126 966**	**-63 888**
Earnings per share (NOK per share)	9	**-0,78**	**-0,47**	**-0,55**	**-1,11**

Observe Medical Group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

Amounts in NOK thousand	Note	**At 31 December 2024**	**At 31 December 2023** ***Restated***
Non-current assets			
Goodwill	11	33 067	102 314
Intangible assets	11	103 416	113 297
Tangible assets	10	228	1 989
Total non-current assets		**136 712**	**217 600**
Current assets			
Trade receivables		2 759	3 117
Inventories	14	5 327	6 890
Other receivables and prepaid expenses		1 629	3 539
Cash and cash equivalents		1 978	13 676
Total current assets		**11 694**	**27 222**
Total assets		**148 406**	**244 822**

EQUITY AND LIABILITIES

Amounts in NOK thousand	Note		
Total equity		**24 107**	**112 080**
Non-current liabilities			
Non-current lease liabilities		0	136
Contingent consideration	7	0	1 560
Other non-current liabilities		0	19 373
Non-current interest bearing liabilities		64 429	50 790
Total non-current liabilities		**64 429**	**71 859**
Current liabilities			
Trade payables		18 120	17 847
Current tax liabilities		0	0
VAT and other public taxes and duties payables		7 698	10 574
Interest bearing current liabilities		21 728	4 477
Current lease liabilities		0	656
Other current liabilities		12 324	27 329
Total current liabilities		**59 870**	**60 883**
Total liabilities		**124 299**	**132 742**
Total equity and liabilities		**148 406**	**244 822**

Observe Medical Group

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

[UNAUDITED]

(Amounts in NOK thousand)	Share capital	Share premium	Other paid-in equity	Total paid-in capital	Capital not paid in	Retained earnings	Translation differences	Total
Equity as of 1 January 2023	**13 908**	**283 700**	**11 800**	**309 409**	**0**	**-159 205**	**-11 898**	**138 306**
Share issue	35 670	-5 730		**29 940**				**29 940**
Share options						478		**478**
Net loss of the period						-63 888		**-63 888**
Translation differences							7 244	**7 244**
Equity as of 31 December 2023*	**49 578**	**277 970**	**11 800**	**339 348**	**0**	**-222 615**	**-4 654**	**112 080**
**Restated*								
Equity as of 1 January 2024	**49 578**	**277 970**	**11 800**	**339 348**	**0**	**-222 615**	**-4 654**	**112 080**
Share issue	25 530	10 464		35 993				**35 993**
Share options						634		**634**
Net loss of the period						-126 966		**-126 966**
Translation differences							2 366	**2 367**
Equity as of 31 December 2024	**75 108**	**288 434**	**11 800**	**375 340**	**0**	**-348 947**	**-2 288**	**24 107**

Directly attributable transaction costs related to issuing new shares are deducted from share premium. In 2023 this amounted to NOK 4 980 thousand and in 2024 this amounted to NOK 3 284 thousand.

Observe Medical Group

CONSOLIDATED CASH FLOW STATEMENT

[UNAUDITED]

(Amounts in NOK thousand)	**H2 2024**	**H2 2023 *Restated***	**FY 2024**	**FY 2023 *Restated***
Cash flow from operating activities				
Result before tax	-104 469	-28 695	-126 966	-63 871
Tax paid	372	445	581	36
Depreciation and amortization	75 882	6 915	82 542	13 570
Gain(-)/Loss(+) from sale of fixed assets	70	0	-55	0
Change in net finance, no cash effect	2 766	7 098	4 838	9 200
Change in inventories	1 344	2 665	1 563	1 227
Change in trade receivables and other receivables	-1 005	-590	1 798	515
Change trade payables and other current liabilities	4 362	5 454	5 021	13 168
Net cash flow from operating activities	**-20 678**	**-6 709**	**-30 678**	**-26 155**
Cash flow used in investing activities				
Sale of tangible and intangible assets	-59	267	1 117	392
Purchase of tangible and intangible assets	-1 524	-1 587	-1 841	-6 318
Net cash effect of business combination	0	0	0	0
Net cash flow from investing activities	**-1 584**	**-1 320**	**-724**	**-5 926**
Cash flow from financing activities				
Net proceeds from share issue	20 738	28 451	20 738	28 451
Change in net interest bearing debt	0	-4 493	-2 378	4 932
Payments of lease liabilities	-328	-782	-829	-1 643
Net cash flow from financing activities	**20 410**	**23 176**	**17 531**	**31 740**
Currency translation differences	1 126	-3 205	2 172	377
Change in cash	-726	11 941	-11 698	35
Bank deposits start of period	2 704	1 735	13 676	13 641
Bank deposits end of period	**1 978**	**13 676**	**1 978**	**13 676**

EXPLANATORY NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS** [UNAUDITED]

NOTE 1 – GENERAL INFORMATION

The condensed consolidated interim financial statements comprise the parent company Observe Medical ASA and its subsidiaries (collectively, the Group) presented as a single economic entity.

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 Company and its subsidiaries (together the Group) is a growing medtech group which has developed the next generation digital urine meter, Sippi® and the wireless and pocketable ultrasound probe, Biim. Observe Medical introduced in 2023 UnoMeter™, a manual Urine Measurement system and intra-abdominal pressure measurement solution 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 Sippi® to the market.

The Group consists of the following companies: Observe Medical ASA (Oslo, Norway), Observe Medical AB (Gothenburg, Sweden), Observe Medical Nordic AB (Gothenburg, Sweden), Observe Medical ApS (Sørum, Denmark), Biim Ultrasound AS, (Oslo, Norway), Biim Ultrasound Oy (Oulu, Finland) Biim Ultrasound Inc. (Seattle, USA).

The interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements and are unaudited.

Correction of an error – restatement

Reference is made to the stock announcement regarding the Financial Supervisory Authority of Norway's (the FSA) review of certain topics related to the 2023 annual financial statements and the interim report for the first half of 2024. In the course of the company's review, certain factual errors were identified, and these have been corrected in this interim report. Furthermore, the final decision from the FSA is still pending. As a result, there remains uncertainty regarding their conclusion. The current interim financial statements include the retrospective restatement of the following prior period errors:

1. According to the Preliminary Notice of Decision, capitalized expenses of NOK 4.5 million should have been expensed as operational expenses as the Norwegian FSA considers this to be startup costs. The Company's assessment is that these expenses are to be regarded as development costs under IAS 38, and that NOK 2.8 million have correctly been capitalized. This is because the Company incurred expenses

related to the development of UnoMeter™500 and obtaining the required regulatory approval, and the capitalized expenses were assessed to be in accordance with the capitalization requirements of IAS 38. After performing an updated detailed review, the Company acknowledges that parts of the capitalized expenses related to commercial strategy, supply-chain and parts of project management should be expensed. The effect is that operating expenses of NOK 1.7 million should have reduced the profit for the 12-month period ended 31 December 2023. The Company has assessed that expenses of NOK 2.8 million still should be capitalized and amortized over the asset's lifespan. In addition, reversed amortization expenses following the reduced capitalization with positive effect of 0.1 million for the period ended 31 December 2023. The identified error has no cash effect.

2. According to the Preliminary Notice of Decision, the acquired assets and seller credit[1] were incorrectly recorded at nominal, undiscounted value rather than at amortized cost based on an estimated market interest rate. The effect is that the group of acquired assets and seller credit should have been initially recognized at a lower value of approximately NOK 7 million based on an assessed discount rate of 12%. The Company agrees that the acquired assets and seller credit should have been initially recognized at a lower discounted value in the balance sheet as of 31 December 2023 and 30 June 2024. Calculated interest expenses of NOK 1.0 million should have reduced the profit for the 12-month period ended 31 December 2023 and NOK 2.1 million should have reduced the profit for the 6-month period ended 30 June 2024. The identified error has no cash effect.

3. According to the Preliminary Notice of Decision, the Norwegian FSA concludes that the Convatec License Agreement and the total asset should have been allocated a relative share of the fair value of the consideration as separate assets with the effect of higher depreciation. The Company's assessment is that the predominant portion of the value should be allocated to the UnoMeter™ trademark which will be tested annually for impairment, and that other identified assets of about NOK 4.5 million should be amortized over the asset's lifespan. Amortization expenses of (i) NOK 0.1 million should have reduced the profit for the 12-month period ended 31 December 2023 and (ii) NOK 0.4 million should have reduced the profit for the 6-month period ended 30 June 2024. The identified error has no cash effect.

4. Lack of annual impairment test: The Company acknowledges that the disclosures in the Financial Statements had some inconsistent information with regards to number of CGU's, and that acquired intangible assets in 2023 were shown as being amortized when instead being subject to annual impairment testing. In addition, some other relevant information should have been disclosed. As per 31 December 2023, the Management made an updated assessment and concluded that there were no significant changes to the business cases or to the estimated future cash flows for each CGU. The detailed impairment assessment for 2022 (which included all CGUs including Biim) were continued for 2023 including the Management's assessment that the cash flows were delayed due to different circumstances. The Company's liquidity situation was explained in a supporting document from the Management to be one important reason for delayed cash flows and not being able to actively commercializing the products as assumed as per 31 December 2022. The Company has performed updated impairment tests for the CGUs per 31

[1] *The asset transfer agreement entered into on 11 September 2023, between Observe Medical AS and Unomedical regarding the UnoMeter™ Portfolio*

December 2023 and per 30 June 2024 without indications of the need for impairment of goodwill. Please refer to note 11 for updated impairment assessments per 31.12.2024.

5. The Company's accounting in connection with the renegotiation in 2023 of the Navamedic Loans: The Company acknowledges that the accounting treatment for the loan renegotiation with Navamedic was not in accordance with the IFRS 9 requirements, particularly when changing from a fixed to floating interest rate. The calculated modification effect should have been recognized as an interest expense, increasing the debt obligation, and should have reduced the profit of NOK 0.8 million for the 12-month period ended 31 December 2023. The same amount has been reversed as an interest income over the next 15 months, reducing the debt obligation. Interest income of NOK 0.3 million should have increased the profit for the 12-month period ended 31 December 2023 (net negative P&L of NOK 0.7 million). Interest income of NOK 0.3 million should have increased the profit for the 6-month period ended 30 June 2024. According to the Company, the identified error has no cash effect.

The effect of the corrections on prior periods is disclosed int the table below:

Amounts in NOK thousand	Second half		First half		Year	
Summary of effect of corrections	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Other operating expenses		1 700				1 700
Operating result before depreciation and amortisation (EBITDA)		**- 1 700**				**- 1 700**
Depreciation and amortisation	222	34	222		443	34
Operating result (EBIT)	- 222	- 1 734	- 222		- 443	- 1 734
Net financial items	1 343	1 792	1 444		2 787	1 792
Result for the period	**- 1 565**	**- 3 526**	**- 1 666**		**- 3 231**	**- 3 526**
		-	-			
UnoMeter™ asset	- 222	- 8 715	- 222		- 443	- 8 715
Total Assets	**- 222**	**- 8 715**	**- 222**		**- 443**	**- 8 715**
Seller credit Convatec	- 1 343	5 951	- 2 148		- 3 491	5 951
Navamedic Loan		- 763	704		704	- 763
Total Liabilities	**- 1 343**	**5 189**	**- 1 444**		**- 2 787**	**5 189**
Total Equity	**1 565**	**3 526**	**1 666**		**3 231**	**3 526**
EPS	- 0,01	- 0,06	**- 0,02**		- 0,01	- 0,06

Going Concern assumption and liquidity

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

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 2024. 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 previously communicated that the net proceeds from the rights issue in 2023 were not sufficient to cover the working capital requirements for continued product development and operation of the ultrasound business, Biim Ultrasound AS. There is in 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 a material uncertainty with regards of the going concern assumption.

Reference is made to "risk and uncertainties" page 12 and note 5 Financial Risk management for further information on liquidity risk

NOTE 2 – ACCOUNTING POLICIES

The group prepares its consolidated annual financial statements in accordance with IFRS as adopted by the EU (International Financial Reporting Standards - IFRS). The accounting policies adopted in the financial statement for second half 2024 are consistent with those followed in preparing the annual consolidated financial statements for the year ended 31 December 2023. Refer to note 2 in the annual financial statement 2023 for description of the most important accounting policies.

References to IFRS in these financial statements refer to IFRS as approved by the EU.

NOTE 3 – BASIS OF PREPARATION AND STATEMENTS

The financial statements are presented in NOK, unless otherwise is stated. These interim condensed consolidated financial statement for the second half of 2024 has been prepared in accordance with the requirements of the IAS 34 Interim Financial Reporting. The interim report does not include all the information required for full annual financial statements of the group and should be read in conjunction with the consolidated financial statements for 2023 which can be downloaded here

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, 2024, are evaluated and are expected to not have any significant effect for the Group.

These interim condensed consolidated financial statements for the second half 2024 were approved by the Board of Directors and the CEO on 17 March 2025.

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

For management purposes, the Group has one operating segment, consistent with the reporting to the chief operating decision maker, consisting of the CEO and the Board of Directors, and three cash generating units (CGU's) consisting of Urine Measurement, Ultrasound and Other/distribution business.

Translation of Foreign 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

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 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 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.

The Group capitalizes costs for product development projects. Initial capitalization 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 capitalized, 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 2024, capitalized expenditures are related to development of the UnoMeter™ Safeti™ Plus.

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. 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 (NRV). 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. If NRV has fallen below cost, a write-down must be recognized in the period. Adjustments to inventory (e.g., obsolescence) must be recognized as they occur.

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 financial liabilities at amortized cost: primarily interest-bearing debt to Navamedic ASA, Business Finland and instalments of the Seller credit to Convatec regarding to acquirement of UnoMeter™, in addition to payables. Financial liabilities regarding contingent consideration related to Sippi® is assessed to zero as of 31 December 2024.

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 recognizes 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 4 – SIGNIFICANT JUDGEMENTS 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. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial statements, significant judgements made by management and the key sources of estimation uncertainty were the same as those applied to the annual consolidated financial statements for 2023 (see especially note 4).

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.

Development costs

The Group capitalizes costs for product development projects. Initial capitalization 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. 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 non-financial assets

Impairment occurs when the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount, which is determined as the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal is based on available market data from binding arm's length sales transactions for similar assets or observable market prices, adjusted for incremental disposal costs.

The value in use is calculated using a discounted cash flow (DCF) model, where cash flows are derived from the Group's five-year estimates.

The recoverable amount is sensitive to the discount rate applied in the DCF model, the expected future cash inflows, and the growth rate used for extrapolation. These estimates are especially relevant for goodwill and other intangible assets with indefinite useful lives.

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, contingent consideration, and recognition of deferred tax assets.

Key assumptions used in determining the recoverable amount for different CGUs, along with a sensitivity analysis, are further detailed in Note 11.

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 – FINANCIAL RISK MANAGEMENT

The Group's operations are exposed 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 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. It is a 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 can establish and keep its 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 of the seller credit, there is a risk that Observe Medical will have to suspend its sales under the UnoMeter™ brand.

Operational Risk

Geo-political factors, such as the Russian invasion of Ukraine and the war in the Middle East as well as implications after the Covid-19 pandemic, has resulted in a rapidly evolving geo-political situation and introduced a new set of challenges with respect to maintaining business continuity. These events have been 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, tariffs and taxes. There has also been a rise of protectionism leading to tariffs and sanctions which could disrupt trade lanes. The US-China relationship could potentially influence sourcing patterns and tariff costs. 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 include 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. 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.

The seller credit / liability to Convatec is in USD. A +/- 10% change of NOK against USD will have an effect of approximately NOK 4 million.

Going forward, it is expected that revenues will be generated in both the functional currency of the selling entity and in foreign currencies. This may also apply to cost of materials. 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 low credit risk. The company's customers has been mainly largely public enterprises and larger distributors that represent a low credit risk. As the company grow through expansion globally, the risk somewhat will increase, but the Group has an agreement with Avida on 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.

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 2024. 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 “risk and uncertainties” section page 12.

Variable Interest Rate Risk

The Group is exposed to variable interest rate risk as the interest-bearing liabilities to Navamedic ASA is agreed at interest at 3-month NIBOR + 6% (percentage points. The liability towards Convatec Plc. from the purchase of the UnoMeter™ portfolio are in USD and has a fixed interest rate. 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 to reduce capital expenses. So far, the Group has not had any debt with financial covenant restrictions.

NOTE 6 – REVENUES

Amounts in NOK thousand

Revenue per product group	H2 2024	H1 2024	H2 2023	H1 2023	H2 2022	H1 2022
Urine Measurement	5 124	7 048	6 794	1 491	21	118
Biim Ultrasound	0	0	1 162	45	47	5 004
Nordic distribution portfolio[2]	710	4 932	8 062	7527	7 380	6 345
Other[3]	253	1 077	106	2 756	64	542
Total	**6 086**	**13 056**	**16 123**	**11 819**	**7 512**	**12 009**

NOTE 7 – CONTINGENT CONSIDERATION

Observe Medical International AB was acquired at 4 August 2015 and 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 until 2026. The fair value of the contingent consideration involves discounting expected future payments. The fair value of the contingent consideration involves discounting expected future payments of royalties payable as a result of Sippi® sales. Potential royalty payments were not achieved by 2024, which was the last year potential royalty payments were stipulated in the agreement. Therefore, the company does not have any future obligations to be discounted

In addition to this, the agreement contained six milestone payments that 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. Remaining milestone payments is calculated based on accumulated Sales of the Sippi® in excess of NOK 900 million provided that such sales are achieved before the end of the calendar year 2026.

Although Observe Medical now is creating an effective distribution platform and are closer than ever to a commercial breakthrough for Sippi®, it is not likely to reach a revenue of NOK 900 million by the end of 2026. The remaining provision of NOK 1.5 million is therefore reversed and the change in estimated fair value, which includes calculated interest, is recognized through profit or loss.

[2] *During the period, the company transferred certain customer contracts and inventory to Vingmed as part of a strategic restructuring initiative. The transaction does not constitute a disposal of a separate major line of business under IFRS 5 and is therefore not classified as a discontinued operation. The company continues to operate within the same industry and market, serving existing customers and generating revenue from its remaining product and service offerings.*

[3] *Indemny settlement agreement related to the Biim acquisition leading to revenues of NOK 1.2 million in 2024.*

NOTE 8 – SHARE OPTIONS

As part of a long-term incentive plan, senior management has in the second half year of 2024 been awarded share options. CEO Jørgen Mann was granted 1 000 000 options with an exercise price of NOK 0.44. CFO Johan Fagerli was granted 500 000 share options with an exercise price of NOK 0.40. 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 the expiry date. FV of 0.22 and volatility of 110. Total option expenses for the company in 2024 are NOK 634 thousand.

Share options at 31 December 2024										
Name and position	Specification of plan	Award date	Vesting date	End of holding period	Exercise period	Exercise price of the share and date[4]	Share options held at the beginning of the year	Share options awarded	Share options vested	Share options awardee and unvested
Rune Nystad (former CEO)	ESOP 2022	11.11.2022	11.11.2023	11.11.2023	11.11.23 – 11.11.26	4.5	333 333	0	333 333	0
		11.11.2022	11.11.2024	11.11.2024	11.11.24 – 11.11.26	4.5	333 333	0	333 333	
		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**	**666 666**	**333 334**
Jørgen Mann (CEO)	CEO award	26.08.2024	26.08.2024	26.08.2024	26.08.24-25.08.25	0.44		333 333	333 333	-
		26.08.2024	26.08.2025	26.08.2025	26.08.25-25.08.26	0.44		333 333	0	333 333
		26.08.2024	26.08.2026	26.08.2026	26.08.26-25.08.27	0.44		333 334	0	333 334
Total							**0**	**1 000 000**	**333 333**	**666 667**
Johan Fagerli (CFO)	2024	12.12.2024	12.12.2025	12.12.2025	12.12.24-12.12.25	0.40		166 667		166 667
		12.12.2024	12.12.2026	12.12.2026	12.12.25-12.12.26	0.40		166 666		166 666
		12.12.2024	12.12.2027	12.12.2027	12.12.27-12.12.28	0.40		166 667		166 667
Total							**0**	**500 000**	**0**	**500 000**
Total for the Company							**1 000 000**	**1 500 000**	**1 000 000**	**1 500 000**

[4] The share option table has not been adjusted to reflect the reverse share split adopted on the extraordinary general meeting January 7 2025. The reverse share split was in the ratio of 15:1.

NOTE 9 – EARNINGS PER SHARE

For the periods presented there are no dilutive effects on profits or number of shares. Basic and diluted earnings per share are therefore the same. 2023 figures are restated.

	H2 2024	H2 2023*	FY 2024	FY 2023*
Profit for the period (TNOK)	-104 408	-28 694	-126 921	-63 888
Average no of shares	133 640 345	61 693 444	228 982 947	57 626 256
Earnings per share (NOK)	**-0.78**	**-0.47**	**-0.55**	**-1.11**

NOTE 10 - TANGIBLE ASSETS AND LEASE

Amounts in NOK thousand	Right-of-use	Other	Sum
Acquisition cost 1 January 2023	**2 549**	**2 870**	**5 419**
Additions	0	42	**42**
Additions from aquisition of companies	0	0	**0**
Disposals	-1 592	0	**-1 592**
Currency translation differences	78	5	**83**
Acquisition cost 31 December 2023	**1 035**	**2 917**	**3 952**
Acquisition cost 1 January 2024	1 035	**2 917**	**3 952**
Additions	0	0	**0**
Additions from aquisition of companies	0	0	**0**
Disposals	-1 053	-790	**-1 843**
Currency translation differences	19	-28	**-10**
Acquisition cost 31 December 2024	0	**2 099**	**2 099**
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**
Accumulated depreciation 1 January 2024	273	**1 722**	**1 995**
Depreciation for the year	463	267	**731**
Disposals	-726	-55	**-780**
Currency translation differences	-11	-31	**-42**
Accumulated depreciation 31 December 2024	**0**	**1 903**	**1 903**
Carrying value 1 January 2023	**2 595**	**1 557**	**4 152**
Additions	0	42	**42**
Additions from aquisition of companies	0	0	**0**
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**

Carrying value 1 January 2024	**762**	**1 195**	**1 957**
Additions	0	0	**0**
Additions from aquisition of companies	0	0	**0**
Disposals	-328	-735	**-1 063**
Depreciation	-463	-267	**-731**
Translation differences	29	3	**32**
Carrying value 31 December 2024	**0**	**196**	**196**

Lease Liability	**2024**	**2023**
As at 1 January	792	2 643
Additions	0	0
Additions from aquisition of companies	0	0
Disposal	0	-392
Lease payments in the period	-829	-1 643
Interest cost	6	81
Currency translation differences	31	103
Closing liability at 31 December	**0**	**792**
Current	0	656
Non-Current	0	136
	0	**792**

Effect of leases Contract on the Statement of Comprehensive Income

Amounts in NOK thousand	**2024**	**2023**
Depreciation expense of right-of-use assets	463	1 543
Interest expense on lease liabilities	6	81
Expense relating to short-term leases (included in other operating expenses)	637	1 736
Total amount recocnised in result for the period	**1 107**	**3 360**

Undiscounted Lease Liabilities and Maturity of Cash Outflow

Amounts in NOK thousand	**2024**	**2023**
Due within 1 year	0	837
Due between 1 year and 3 years	0	197
Total	**0**	**1 035**

Lease contracts relating to company cars and offices was disposed during 2024.

NOTE 11 – INTANGIBLE ASSETS

Amounts in NOK thousand	Goodwill	Trademark	Technology assets / Patent	Technology development	Sum
Acquisition cost 1 January 2023	**99 961**		**98 859**	**15 418**	**214 238**
Additions	0	33 673	4 433	2 809	**40 915**
Currency translation differences	2 353		5 260	207	**7 820**
Acquisition cost 31 December 2023	**102 314**	**33 673**	**108 552**	**18 434**	**262 973**
Acquisition cost 1 January 2024	**102 314**	**33 673**	**108 552**	**18 434**	**262 973**
Additions	0		1 775	0	**1 775**
Disposals	69 781				**69 781**
Currency translation differences	567		459	68	**1 094**
Acquisition cost 31 December 2024	**33 067**	**33 673**	**110 786**	**18 502**	**196 029**
Accumulated amortization 1 January 2023	**0**	**0**	**23 687**	**7 822**	**31 509**
Amortization for the year	0		8 898	2 734	**11 632**
Currency translation differences	0	0	4 073	149	**4 221**
Accumulated amortization 31 December 2023	**0**	**0**	**36 657**	**10 705**	**47 362**
Accumulated amortization 1 January 2024	**0**	**0**	**36 657**	**10 705**	**47 362**
Amortization for the year	0		9 660	2 370	**12 030**
Impairment for the year	69 781				**69 781**
Disposals	69 781				**69 781**
Currency translation differences	0		91	62	**153**
Accumulated amortization 31 December 2024	**0**	**0**	**46 408**	**13 137**	**59 545**
Carrying value 1 January 2023	**99 961**	**0**	**75 172**	**7 595**	**182 728**
Additions	0	33 673	4 433	2 809	**40 915**
Amortization	0		-8 898	-2 734	**-11 632**
Translation differences	2 353	0	1 187	58	**3 599**
Carrying value 31 December 2023	**102 314**	**33 673**	**71 895**	**7 729**	**215 611**
Carrying value 1 January 2024	102 314	33 673	71 895	7 729	**215 611**
Additions	0		1 775	0	**1 775**
Amortization	0		-9 660	-2 370	**-12 030**
Impairment for the year	-69 781				**-69 736**
Translation differences	534		368	7	**940**
Carrying value 31 December 2024	**33 067**	**33 673**	**64 377**	**5 366**	**136 484**
Useful life	Indefinite	Indefinite	10 year	5 year	

Goodwill relates to the acquisition of Observe Medical International in 2015, Sylak AB in 2020 and Biim Ultrasound AS in 2022. Technology assets/patent relates to the Sippi® patents and Biim, and technical documentation related to UnoMeter™. Trademark relates to the asset transfer agreement of the UnoMeter™, and Technology development relates to capitalized external expenses / development costs of the product portfolio. Goodwill and trademark are not amortized but tested for impairment.

Impairment test

Amounts recorded on the Group's assets are reviewed on the balance sheet date for any indications of value impairment. Should such indications be present, an estimate is made of the asset's recoverable amount. Each year on the balance sheet date recoverable amounts on goodwill, assets with unlimited useful lifetime, and intangible assets not yet available for use, are computed. Write-downs are undertaken when the recorded value of an asset or cash-flow-generating entity exceeds the recoverable amount. Write-downs are recognized in profit/loss. Write-down of goodwill is not reversed. In the case of other assets, write-downs can be reversed if there is a change in the estimates used to compute the recoverable amount.

Impairment assessments of goodwill and other intangible assets

At 31 December 2024, the Group conducted an impairment test of intangible assets in accordance with IAS 36 Impairment of Assets.

The recoverable amount was determined using the value-in-use method, based on discounted cash flows (DCF) covering a 5-year estimate period for the following three CGU's: Urine measurement, Ultrasound and Other/distribution business.

Amounts in NOK thousand	**CGU Urine measurement**	**CGU Ultrasound**	**CGU Other business**	**Sum**
As at 31 December 2024				
Goodwill	33 067	-	-	**33 067**
Trademark	33 673	-	-	**33 673**
Technology/Patent	21 253	46 671	-	**67 923**
Customer relationships and other	-	1 821	-	**1 821**
Carrying value	**87 994**	**48 491**	**-**	**136 484**

Amounts in NOK thousand	**CGU Urine measurement**	**CGU Ultrasound**	**CGU Other business**	**Sum**
As at 31 December 2023*				
Goodwill	32 544	67 106	2 665	**102 314**
Trademark	33 673			
Technology/Patent	23 316	54 233		**111 222**
Customer relationships and other	-	2 075		**2 075**
Carrying value	**89 532**	**123 414**	**2 665**	**215 611**

In general, there is uncertainty regarding both the amount of revenue and its timing. The growth rate is based on a realistic roll-out of the products. he impairment assessment compares the book value as of December 31, 2024, with the recoverable amount, estimated using 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 and WACC. Urine measurement (Sippi®, UnoMeter™) and Ultrasound (Biim) is most sensitive to changes in these assumptions.

Managements estimates for 2025-2029 is used. Uncertainty exists associated with the estimates used to determine future cash flows and the discount rate used to calculate the value in use.

Management estimates from the impairment assessment per 30.06.2024 has been modified to include the market development from this date until 31.12.2024. The key changes to management estimates:

- Estimates per 31.12.2024 includes a full 5-year period, as opposed to the assessment per 30.06.2024 which was adjusted to reflect a period of 4.5 years.
- Discount rate was increased to 12.7%, compared with 12% in 30.06.2024.

Different scenarios have been used in the impairment model to test the asset's recoverable amount under different conditions. The basis for the scenarios has been to test the valuation at three different scenarios: Base case (Management best estimate), 30% reduction in revenue to base case and 70% reduction in revenue to base case. For Ultrasound, the base case primarily relies on revenue from Fresenius (current contract). Consequently, we have also included a «zero value case» for this CGU, accounting for the case if this contract should not proceed. In the «zero-value case», Biim's enterprise value is set to zero.

CGU Urine measurement

Management's assumptions regarding future growth for Sippi® and UnoMeter™ remain consistent with the projections as of 31 December 2023 and 30 June 2024 and do not indicate need for impairment.

During the last year the company has prioritized development, production and roll-out of the UnoMeter™ portfolio, with UnoMeter™ Safeti™ Plus as the by far largest product in terms of revenue. Sippi® is planned to be rolled out in a larger scale when the UnoMeter™ products are established on the global market. Despite delayed cash flows, Sippi® still holds significant value for Observe Medical. The progress made, through the UnoMeter™, products highlight that Sippi® now is better positioned for long-term commercial success. Future revenue growth is a matter of timing, and the product's future revenue potential in the global market remains unchanged.

Estimates for the Urine measurement CGU are based on a continued roll-out of the Unometer™ products, reaching full historical market sales in 2027-2028 (over NOK 200 million in annual sales). Estimates for the Sippi® device anticipate new sales starting in Q4 2025, followed by gradual growth as both sales and recurring revenue from established customers increase.

Urine Measurement	**Base case**
Average revenue growth per year*	58.9 %
Average gross margin*	41.6 %
Average EBITDA margin*	9.2 %

Weight in estimation of fair value	
Base case	50 %
- 30% revenue case	25 %
- 70% revenue case	25 %

** Average in 2025-2029 management estimates*

CGU Ultrasound

On the 31 of May 2024 an extension of the agreement with Fresenius Medical Care for the supply of wireless pocketable ultrasound devices was signed. The initial agreement with Fresenius was entered into in October 2021, with a one-year extension exercised in October 2023. This renewal extends the partnership until April 1, 2026.

Fresenius Medical Care is the world's largest provider of dialysis, dialysis products, and other services, with the potential to supply ultrasound probes to approximately 3,000 clinics in the U.S. With a full scale-roll out in Fresenius, this would imply on average 2-8 probes per clinic. Our estimate includes an average of 3.5 probes per clinic. As of today, Biim has sold 285 Biim probes to Fresenius.

With reference to note 1 paragraph 4, The FSA pointed out that the goodwill related to Biim should have been impaired in 2023. In response, the company did perform an updated impairment test for 2023 and the first half of 2024. The result of these tests did not indicate need for impairment as the company assessed that the value in use is higher than the fair value less costs to dispose.

As of 31 December 2024, a three-month pilot project with Biim was conducted in selected clinics, including staff retraining and re-engagement with physicians. Despite the benefits of the technology, Fresenius are not ready to scale up the use to all clinics but will continue to assess the utilization of Biim machines across their clinics over the next 6 months to monitor the engagement with the device.

As the Company has limited resources, following a new path with alternative partners to commercialize the Biim probe with different customers lays some time ahead. Further deferral of the estimated future cash flows was therefore necessary. This new information has prompted management to review the current estimates for the Ultrasound CGU. Revenues have been delayed fitting with the new indications from Fresenius and the estimates include only sales to Fresenius and no further roll-out to new customers based on the limited sales resources that the company has at hand for this business segment. In sum, the estimate changes indicated the need for impairment

As a result of the impairment test, the Group has recognized an impairment loss of NOK 67.1 million in the Ultrasound CGU. The carrying value of the goodwill related to the Biim probe is thus written off, while the estimated DCF values (value in use) from the segment still exceeded the carrying values of the technology/patents and customer relationship. As such, the value in use assessment still exceeds NOK 48.5 million.

Ultrasound	**Base case**
Average revenue growth per year*	12.0 %
Average gross margin*	60.0 %
Average EBITDA margin**	35.5 %
Weight in estimation of fair value	
Base case	25.0 %
- 30% revenue case	12.5 %
- 70% revenue case	12.5 %
- zero case	25.0 %

** From first year of revenue 2026E*

*** Average in 2026-2029 management estimates. Assuming only opex cost (cash flow) for 2025E (no sales)*

While the probe has FDA approval and remains a patented technology, the delayed adoption of the product in the market has led to slower-than-expected revenues. This, in turn, impacted the discounted cash flow (DCF) model used to assess the recoverable amount of the associated goodwill.

The impairment is based on an updated assessment of the timing and predictability of future cash inflows, necessitating a more conservative valuation in accordance with applicable accounting standards. However, the company continues to view the Biim probe as a strategically important asset with potential for future revenue growth, supported by ongoing market adoption, strategic partnerships, and operational improvements. Due to time and delayed conclusions from Fresenius, the Company is unable to reliably substantiate future cash flows at this stage. As a result, goodwill has been written down. As an FDA-approved, patented technology, the Biim probe still has a market position, and commercial relevance.

CGU Other/distribution business

The goodwill in the other/distribution CGU, amounting to NOK 2.7 million, which originated from the acquisition of Sylak AB, has been fully impaired, as the customer contracts acquired under Sylak AB transaction has now been terminated. In accordance with IAS 36 - Impairment of Assets, goodwill must be allocated to a cash-generating unit (CGU) that benefits from the synergies of the acquisition. Since Observe Medical Nordic AB (formerly Sylak AB) is no longer an operational entity and its associated business activities have ceased, the goodwill cannot be transferred or assigned to any future operations. Given that there is no recoverable amount attributable to this goodwill, and in line with prudence and financial reporting requirements, the full amount has been impaired in the current period.

The impairment is presented under Write-down of goodwill in the income statement.

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 capitalized value as shown in the balance sheet per at 31 December 2024.

NOTE 12 – FINANCIAL ITEMS

Amounts in NOK thousand		
Financial income	**2024**	**2023 Restated**
Interest income	39	64
Change contingent consideration	1 452	1 978
Currency gain	2 445	5 481
Other financial income	0	0
Total	**3 936**	**7 523**
Financial expenses	**2024**	**2023**
Interest expenses	10 598	6 649
Change contingent consideration	-108	173
Currency loss	7 864	9 758
Other financial expenses	21	1 817
Total	**18 375**	**18 397**
Net financial items	**-14 439**	**-10 874**

NOTE 13 – COST OF MATERIALS

Amounts in NOK thousand	**H2 2024**	**H2 2023**	**FY 2024**	**FY 2023**
Cost of materials for resale	4 258	11 117	12 324	18 291
Write-down of inventory	3 085	0	3 085	365
Total cost of materials	**7 343**	**11 117**	**15 409**	**18 655**

Inventory write-down of a total of NOK 3 085 thousand in second half. NOK 2 250 thousand relates to raw materials located in the US for the Biim probe. In accordance with IAS 2, raw materials should be measured at the lower of cost and net realizable value. Given that these components have had no movement since 2023, there is an increased risk of obsolescence. Although the components remain technically usable, to ensure a conservative and accurate valuation as the future turnover is postponed, a full write-down of the raw materials has been recognized. NOK 835 thousand relates to obsolete inventory in Sweden.

NOTE 14 – INVENTORIES

Amounts in NOK thousand	FY 2024	FY 2023
Raw materials and extra parts (at cost)	2 987	2 113
Finished goods (at lower of cost and net realisable value)	5 425	8 403
Write-down	-3 085	-3 626
Total	**5 327**	**6 890**

NOTE 15 – FINANCIAL INSTRUMENTS

Loans

The Company has two subordinated loan agreements with Navamedic for loans with an aggregate outstanding amount of NOK 38.3 million (including interest) at the date of 31 December 2024 (the Navamedic Loans) after a conversion to share capital of NOK 16.4 million.

On 6 December 2024, the Company and Navamedic entered into an Addendum Agreement with respect to the Navamedic Loans. Pursuant to the Addendum Agreement, Navamedic converted NOK 16 354 815.20 of Navamedic Loan I to shares in the Company (the Conversion Shares), at a subscription price of NOK 0.40 per Conversion Share. The first loan agreement, entered into on 27 September 2019, has an outstanding principal amount of NOK 32.1 million including interest ("Navamedic Loan I"). The second loan agreement, entered into on 6 September 2023, has an outstanding principal amount of NOK 6.2 million including interest ("Navamedic Loan II").

Furthermore, the final maturity dates of the Navamedic Loans are postponed from 31 January 2025 to 31 December 2028 ("Navamedic Loan I") and 31 December 2027 ("Navamedic Loan II") and a new amortization schedule will be applied for Navamedic Loans. Following the addendum, Observe Medical shall start paying interest on loan 1 from second quarter of 2025 and start paying principal from 1 January 2026. The remaining principal of NOK 15 000 000 is due at 31 December 2028. Observe Medical shall start paying interest on loan 2 from second quarter of 2025. The remaining principal of NOK 6 343 380 is due at 31 December 2027.

Furthermore, there remains a risk that the Company may not be able to pay the outstanding amounts under the Navamedic Loans upon maturity, or to make required interest payments, if the Group's financial situation does not improve.

In addition to the above, the Biim Ultrasound Oy has a "start-up funding" loan from Business Finland of approximately EUR 400,000 including accrued interest. The loan is classified as short-term interest-bearing debt. The company has been offered a payment plan over 6 years starting September 2025, but currently not signed any addendum to the agreement.

The Group may also incur additional indebtedness in the future, including in the near-term future.

The Group has assessed and accounted for the modification effect arising from the renegotiation of debt in accordance with IFRS 9 Financial Instruments for renegotiation in 2023 and 2024. For the renegotiation 2024 the finance effect is negative NOK 1.2 million.

UnoMeter™ seller credit / asset transfer agreement

On 19 November 2024 the Group reached an agreement with Convatec/Unomedical to defer all outstanding payments of consideration pursuant to the asset transfer agreement with Convatec/Unomedical for the acquisition of the UnoMeter™ portfolio, totaling USD 3,895,000, by 12 months. The remaining consideration will be payable as follows:

- USD 500,000 shall be paid on 28 June 2025; (with an option for the Company to defer the payment for six months)
- USD 1,000,000 shall be prepaid by 30 December 2025 (with an option for the Company to defer the payment for six months); and
- the remaining portion of the consideration will be paid at completion of the transaction, and no later than 1 September 2026.

Under the amended terms, the Company will pay interest on these deferred amounts at a rate of 7.8% per annum. The interest payments will be calculated from (i) 28 June 2024, for the first consideration instalment and (ii) 30 December 2024, for the second consideration instalment. The interest will be payable on a quarterly basis with a first payment amounting to USD 10,000 on 20 December 2024, and subsequent quarterly payments starting on 1 April 2025. No other changes have been made to the agreement.

The Group has assessed and accounted for the modification effect arising from the renegotiation of debt in accordance with IFRS 9 Financial Instruments for renegotiation in November 2024 with a financial effect of positive NOK 1.6 million. Net modification effects included in net finance of NOK 0.4 million.

Financial liabilities as at 31 December 2024

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								
Contingent consideration upon acquisitions								
Payables loan to Navamedic group	0.0	3.1	25.1	23.1			51.2	39.6
Other non-current interest bearing liabilities								
Other non-current liabilities								
Trade account payables	16.6	1.5					18.1	18.1
Other current liabilities		1.4					1.4	1.4
Payables to Convatec		18.0	29.5				47.6	41.9
Total	21.3	24.0	54.6	23.1			123.0	105.7

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
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								
Trade account payables	10.8	7.0					17.8	17.8
Other current liabilities		2.5					2.5	2.5
Payables to Convatec	15.9		25.3				41.2	41.2
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

To enhance working capital, the company has negotiated extended payment terms with some suppliers, resulting in deferred trade payables. The instalments related to Convatec seller credit may be deferred with additional 6 months from June 2025 and December 2025.

Classification of financial assets and liabilities as at 31 December 2024

Amounts in NOK million	**Measured at amortised cost**	**Fair value through profit or loss**	**Total**
Assets			
Cash and cash equivalents	2.0		2.0
Trade receivables and other receivables	3.9		3.9
Total financial assets [2) and 3)]	5.9		5.9
Liabilities			
Liabilities to financial institutions			
Lease liabilities			
Contingent consideration upon acquisitions			
Non-current interest bearing liabilities			
Payables loan to Navamedic group	39.6		39.6
Trade account payables and other liabilities	19.5		19.5
Payables loan to Convatec	41.9		41.9
Other current interest bearing liabilities	4.7		4.7
Total financial liabilities [3)]	**105.7**		**105.7**

Classification of financial assets and liabilities as at 31 December 2023

Amounts in NOK million	**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			
Liabilities to financial institutions			
Lease liabilities	0.8		0.8
Contingent consideration upon acquisitions		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			
Trade account payables and other liabilities	20.3		20.3
Payables to Convatec	41.2		41.2
Other current interest bearing liabilities	4.5		4.5
Total financial liabilities	**116.8**	**1.6**	**118.4**

NOTE 16 – RELATED PARTIES

Transactions and balances with related parties

Amounts in NOK thousand		**As at 31.12.2024**	**As at 31.12.2023**
Operational Expenses	Reiten&Co AS	750	1 500
Financial expenses	Navamedic ASA	5 523	3 534
Trade payables and other current liabilities	Reiten&Co AS	0	1 500
Interest bearing debt	Navamedic ASA	38 317	49 149

Transactions and Balances with related parties includes transactions with Reiten&Co, 100% owned by R. Investment Company AS (RIC) and Navamedic ASA as the largest shareholder after debt conversion. In accordance with the agreement made with Reiten & Co in 2023 for strategic advisory services related to the Convatec transaction, the rights issue, and financial advisory, NOK 750,000 was expensed under this agreement in H1 2024. In the Private placement in June 2024, RIC subscribed for the amount NOK 2,250 thousand.

NOTE 17 – SHAREHOLDER INFORMATION

Top shareholders at 31 December 2024

		31 December 2024	
Rank	**Name**	**Holding**	**Stake**
1	NAVAMEDIC ASA	45 109 765	15.62 %
2	R. INVESTMENT COMPANY AS	31 553 565	10.92 %
3	JPB AS	17 564 944	6.08 %
4	ELI AS	13 263 298	4.59 %
4	SKØYEN INVEST AS	10 074 159	3.49 %
6	GINNY INVEST AS	9 250 000	3.20 %
7	F2 FUNDS AS	9 000 000	3.12 %
8	SILVERCOIN INDUSTRIES AS	8 296 150	2.87 %
9	ALPINE CAPITAL AS	7 482 036	2.59 %
10	BJØRNTVEDT, VEGARD	7 165 922	2.48 %
11	CAM AS	6 633 162	2.30 %
12	RO, LARS	6 266 626	2.17 %
13	PHILIP HOLDING AS	5 500 000	1.90 %
14	KING KONG INVEST AS	5 000 000	1.73 %
15	QUICK ISLAND INVEST AS	4 715 337	1.63 %
16	JOHANSSON, ERIC	4 250 000	1.47 %
17	WANGESTAD, ANDREAS	4 105 000	1.42 %
18	LIVERMORE INVEST AS	4 038 254	1.40 %
19	GUNERIUS PETTERSEN AS	3 725 000	1.29 %
20	LAPAS AS	3 468 311	1.20 %
	SUM TOP 20 SHAREHOLDERS	206 461 529	71.47 %
	OTHER SHAREHOLDERS	82 414 646	28.53 %
	Total	**288 876 175**	**100.00 %**

After the reverse share split on 14 January 2025, the total outstanding number of shares is 19 257 514

Number of shares owned by board of directors and group management and at 31.12.2024 by primary insiders

Name	Position	Total shares
Terje Bakken[1]	Chairman of the Board	1 350 000
Eskild Endrerud[2]	Board Member	14 718 859
Line Tønnessen[3]	Board Member	932 692
Jørgen Mann	Chief Executive Officer	600 000
Johan M. Fagerli	Chief Financial Officer	250 763
Rune Nystad[4]	Chief Development Officer	1 662 483

1) Bakken represents R. Investment Company, at the Board of Directors. 1 250 000 of the Shares owned by Bakken are owned through his privately held company, Kikinn Invest AS. 2) Endrerud represents the Company's third largest shareholders, ELI AS, at the Board of Directors. Endrerud owns 100% of ATHEND Holding AS. ATHEND Holding AS owns 378,994 shares in the Company and 50% of the shares in SEED Capital AS, who owns 64,067 shares in the Company. SEED Capital AS owns 91.932% of ELI AS, who owns 13,263,298 shares in the Company. In total, Eskild Endrerud indirectly owns 13,706,359 shares in the Company and directly owns 1,012,500 shares in the Company.
3) Tønnessen represents the shareholder R. Investment Company, at the Board of Directors. The Shares owned by Tønnesen are owned by her directly. 4) The shares are owned by US Holding AS who is 100% owned by Rune Nystad

Movement in number of shares	
1 January 2024	**190 685 204**
July/August 2024, Private placement	55 000 000
December 2024, Subsequent offering	2 303 933
December 2024, Debt conversion	40 887 038
31 December 2024	**288 876 175**

NOTE 18 – EVENTS AFTER THE REPORTING DATE

The extraordinary general meeting was held on January 7 2025, amongst other, to adopt a consolidation of the Company's shares (reverse share split) in the ratio 15:1 to meet the Oslo Stock Exchange's requirement of a minimum market value of NOK 1 per share. The new number of outstanding shares is 19 257 514.

31 December 2024	**288 876 175**
January 2025, share issue rounding	5
Reverse share split ratio 15:1	- 269 617 773
14 January 2025	**19 258 412**

Subsequent to the reporting period, the trade tensions and tariff measures between the US and certain countries have continued to evolve. These developments could potentially affect the company’s supply chain, cost structure, and market access. The company is actively monitoring the situation and assessing its impact on operations.

ALTERNATIVE PERFORMANCE MEASURES (APMS)

The condensed consolidated interim financial statements are prepared in accordance with international financial reporting standards (IFRS). In addition, management uses certain alternative performance measures (APMs). The APMs are regularly reviewed by management and their aim is to enhance stakeholders' understanding of the company's performance and financial position alongside IFRS measures. APMs should not be considered as a substitute for, or superior to, measures of performance in accordance with IFRS. APMs are calculated consistently over time and are based on financial data presented in accordance with IFRS and other operational data as described and reconciled below. As APMs are not uniformly defined, the APMs set out below might not be comparable to similarly labelled measures by other companies. The current interim financial statements include the retrospective restatement of a prior period error. The error is related to a financial liability not having been recognised for the obligation to acquire non-controlling interests in a subsidiary. No APMs are affected by this restatement. The income statement for previous periods is re-presented, see note 1 for further details. Affected APMs are re-presented accordingly and Earnings per share (adjusted) for continuing operations is presented as an APM.

Gross result	Operating revenues less direct cost of materials as cost price, transportation and warehouse cost of materials for sale. Gross result is a sub-total in the condensed consolidated statement of income.
Gross result adjusted	Gross Profit adjusted for one-off items, non-recurring expenses such as write-down
EBIT	Earnings before net financial items, results from associates and joint ventures and income tax. EBIT is a sub-total in the condensed consolidated statement of income.
EBITDA adjusted	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
EBITDA	Earnings before interest, tax, depreciation and amortization. EBITDA is asub-total in the condensed consolidated statement of comprehensive income.
Operating expenses	Employee benefit expenses plus other operating expenses.
Net interest-bearing debt	Non-current and current interest bearing liabilities deducted bank deposits
Equity ratio	Total equity divided by total assets

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This report includes, among other things, forward-looking information and statements that are subject to risks and uncertainties, which may cause actual results to differ from expectations. These statements and this report are based on current expectations, estimates, and projections regarding economic conditions. While Observe Medical ASA believes its expectations and assumptions are reasonable, there is no guarantee that they will be achieved or that actual results will align with those outlined in the report.

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