



Annual report 2020



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Highlights for 2020

- In 2020, Navamedic has made strategically important investments in its organization and platform, including strengthening its presence and positioning in the Dutch market and the launch of the company's patient support program. These investments will be key as Navamedic embark 2021 and continue to launch new products and continue to grow its existing portfolio.
- In full-year 2020, Navamedic's revenues increased by 11.2% to NOK 209.9 (NOK 188.8 million) with an EBITDA of negative NOK 1.3 million (negative NOK 6.5 million) driven by both new product launches and investments in further growth initiatives.
- Gross margin improved to 33.5% (30.5%), partly due to favourable revenues mix, reduced CoGS and other changes.
- Strengthened the company's portfolio and offering across product categories. In 2020, Navamedic strengthened its hospital and prescription drug offering through the acquisition of Nordic marketing authorizations for a large hospital antibiotics portfolio.
- The company expanded its consumer health offering by entering a long-term exclusive distribution agreement for ThermaCare® in the Nordics and the Netherlands. Alflorex® launched in Denmark, Iceland and the Netherlands during the year, and continued growth in Norway.
- Continued strong performance for Mysimba®, accelerated by improved reimbursement in Norway and Navamedic's patient support program.
- Navamedic completed a private placement including a subsequent offering to raise a total of NOK 52.4 in order to fund growth initiatives as well as general corporate purposes.

Key figures

<i>(in NOK'1000)</i>	2020	2019
Total revenue	209 877	188 755
Gross profit *	70 339	57 603
Operating profit before Depreciation and Amortization (EBITDA)	-1 267	-6 457
Operating profit (EBIT)	-4 926	-10 086
Profit before tax continuing operations	-16 596	-15 477
Net profit / loss (-) continuing operations	-16 460	-16 297
Net profit / loss (-) Total operations	-16 460	27 935
Total assets	260 038	187 056
Total equity	129 486	79 231
Gross margin (%) *	33.5%	30.5%
EBITDA margin (%) *	-0.6%	-3.4%
Equity ratio (%) *	49.8%	42.4%

*Alternative performance measures

Comment from the CEO

In 2020, we have continued the implementation of our growth strategy. We have built on our solid foundation and strengthened our existing business by leveraging and investing in our highly scalable market access platform. We have focused strongly on launches of new products and will launch new products in at least one country in each launch window going forward. We have increased value through acquisitions of products and brands. In short, we have continued our journey of building a leading Nordic pharma company, targeting growth in Northern Europe.

During the year, we have accelerated our investments in our organization and platform. We have continued building our team of category experts with deep local market knowledge, centered around our core categories medical nutrition, gastro, women's health, and obesity. We have further strengthened our already strong capabilities with regards to quality assurance, regulatory competence, digitalization, and product launches. We have strengthened our position in the Nordic healthcare ecosystem, engaging in Health Talks, keeping our dialog with key opinion leaders across markets and supporting in solving other key issues like compliance, patients dropping out of treatments.

2020 was an eventful year, with the COVID-19 pandemic impacting our societies and markets. Navamedic has monitored the situation closely and worked to limit effects on supply and demand. We have experienced some volatility for certain products like Imdur®, however offset by strong performance in our consumer health, medical nutrition and specialty pharma product categories.

With the pandemic as a backdrop, we have taken important steps in the execution of our growth strategy. We have strengthened the core and continued our push for growth in our existing portfolio and through launch of new products in our key geographies. Key growth drivers continued to be Mysimba® and Alflorex®. In 2020, Navamedic launched its patient support program for treatment of obesity, MyControl, already displaying promising results and has so far helped all participants in the pilot completing the 16-week program. In 2020, we also expanded our key gastro product Alflorex® to

several new markets, including Iceland, Denmark and the Netherlands. In addition, we entered into an exclusive distribution agreement in the Nordics and the Netherlands for ThermaCare®, a leading product in the important pain category. The Netherlands is a strategically important market for us, and in the second half of the year we saw a particularly positive development in this market as a result of growth investments made in 2020.

Securing and increasing value through ownership to products and brands are a key part of our growth strategy. In August, we completed the acquisition of marketing authorizations for a series of antibiotics for hospital use in the Nordics. The transaction strengthens our hospital and prescription drug offering, paving the way for the addition of more such products going forward.

As we embark on 2021, I am proud to say that we are following our plan of building a leading Nordic pharma company. We have a strong platform founded on leading pharma expertise and a digital approach. We have an expanding portfolio of quality products in key and growing categories. We have a highly motivated and competent team of category experts in exciting markets, and we are executing on our pipeline of opportunities to increase and secure value through M&A. We are also proud of our engaged and committed shareholders, joining us on the next stage of our journey. I am certainly looking forward to the road ahead.



Kathrine Gamborg Andreassen
Chief Executive Officer

Directors' report 2020



Group's result for the year

Due to the de-merger of the Medtech business in 2019, the numbers for 2019 below refer to continued operations unless otherwise stated.

In 2020, the Group reported revenues of NOK 209.9 million, up from NOK 188.8 million in 2019, representing an increase of 11.2%, mainly driven by growth in the Specialty pharma and Consumer health product categories.

The EBITDA in 2020 was negative NOK 1.3 million, compared to negative NOK 6.5 million period last year. The negative EBITDA is mainly driven by more resources spent on business development and growth initiatives.

The operating result (EBIT) in 2020 was negative NOK 4.9 million, compared to negative NOK 10.1 million in 2019. Net financials were negative NOK 7.1 million in 2020, compared to negative NOK 4.7 million last year. The result before tax was negative NOK 16.6 million in 2020, down from negative NOK 15.5 million in 2019.

The result after tax was negative NOK 16.5 million in 2020 compared to negative NOK 16.3 million last year.

The result after tax for discontinued operations was zero in 2020, while the result after tax for discontinued operations was NOK 44.2 million in 2019.

The result after tax for total operations was negative NOK 16.5 million in 2020, down from NOK 27.9 million last year.

The total comprehensive income was negative NOK 7.6 million in 2020, compared to NOK 25.6 million in 2019, following currency translation differences in the periods of NOK 8.9 million and negative NOK 4.2 million, respectively.

Group external profit and loss items related to the former Medtech division have been re-represented as "discontinued operations" for the relevant periods in 2019.

Group's cash flow 2020

The Group had a net cash flow from operating activities (total operations) in 2020 of negative NOK 3.1 million, (NOK 12.7 million), as changes in trade payables and increased inventory contributed negatively this period. Net cash from investing activities ended at negative NOK 24.9 million in 2020, compared to negative NOK 1.9 million in 2019. The net cash flow from financing activities was NOK 53.6 million in 2020, compared to negative NOK 10.9 million last year. The change in net cash from financing activities is mainly due to the share capital increase in the private placement. The cash and cash equivalents were NOK 39.6 million at 31 December 2020.

The company's financial position as of 31 December 2020

The Group's consolidated total assets were NOK 260.0 million at 31 December 2020, up from NOK 187.1 million at year-end 2019, of which non-current assets were NOK 142.2 million. Current assets increased to NOK 117.8 million from NOK 68.8 million at 31 December 2019. The increase in non-current assets is mainly related to loans to

associated company (Observe Medical ASA), while the increase in current assets is related to the increased cash at hand as a result of the private placement, and increased inventory mostly as a result of re-stocking of Imdur®.

Non-current liabilities are NOK 25.1 million per 31 December 2020, an increase from NOK 26.4 million at 31 December 2019. At the end of 2020, Navamedic had an equity of NOK 129.5 million, compared to NOK 79.2 million per 31 December 2019, representing an equity ratio of 49.8%. The increased equity is mainly due to the share capital increase in the private placement.

The Group had current liabilities of NOK 105.3 million compared to NOK 81.4 million at 31 December 2019. The increase is mainly related to trade and other payables, short term part of license liabilities, partially offset by reductions in short term liabilities to financial institutions and short term liabilities.

External assets and liabilities related to the Medtech division are presented as "held for distribution" in separate line items in the "current" sections in the consolidated statement of financial position at 31 December 2019. There are no assets or liabilities classified as "held for distribution" as at 31 December 2020.

Corporate social responsibility and the external environment

Navamedic is committed to ethical operations. The company complies with the laws of the countries in which it operates and runs its business operations in line with nationally and internationally recognised principles and guidelines for human and labour rights.

The company refuses to tolerate any form of corruption in its day-to-day work or in relation to business contacts. The group has guidelines for all employees on accepting gifts, benefits, or other tokens of appreciation.

Based on an assessment of the company's size, nature of its business, and available management resources, the company has not deemed it appropriate to establish other specific guidelines on fulfilling its corporate social responsibilities and preventing corruption. In the opinion of the board, the company exercises good control in this area. Any need for such guidelines will be assessed on an ongoing basis as the company grows and develops.

The company's operations have little effect on the external environment beyond that which is normal for this type of company and its operations are not particularly energy intensive.

Navamedic has taken significant steps to continuously improve our environmental focus. Through implementing a new Environmental Management System programme, the company has initiated an initiative to become ISO 14001 certified and expect the certification to be in place during the first half of 2021. The group maintains a continuous focus on minimising its negative environmental impact through routines for reducing paper and energy consumption, increasing the efficiency of waste sorting, increasing recycling and the reuse of electronic waste, as well as limiting travel activities.

All employees are encouraged to report internally if they are concerned about the group's integrity or identify breaches of laws and regulations. Whistle-blowing can take place confidentially if so desired, and the company cannot impose negative sanctions on the whistle-blower, irrespective of whether the whistle-blowing is genuine.

Going concern

The annual financial statements have been prepared on the assumption that the company is a going concern. In 2020, the company successfully completed a private placement with gross proceeds in the amount of NOK 50 million, further strengthening the company's liquidity as well as providing a solid base to undertake significant investments in growth initiatives. The board confirms that the basis for the company as a going concern exists and bases its opinion on the company and the group's financial positions, the agreements that have been signed with both suppliers and customers, expected cash flows in 2021, and the company's financial liabilities. Due consideration has also been given to possible negative future impacts of the Covid-19 pandemic in the assessment supporting the going concern assumption.

Working environment, equality and discrimination

There were no serious incidents that resulted in personal injuries or absences in 2020. Nor was any damage to property or equipment reported. The working environment is generally satisfactory. The sick leave rate was 1.8% in 2020, compared with 2.0% in 2019. The group continuously strives to protect and improve health and safety in its operations. Navamedic strives to be a responsible employer that does not discriminate and that assesses all employees on an equal basis with respect to career opportunities and rights, regardless of gender, ethnicity, disability, or sexual orientation. Navamedic wants to achieve a balance between the genders. The group's management team in 2020 consisted of six members, two of whom are women.

Risk factors

The operational and financial risks Navamedic is exposed to differ little from what could be considered normal risks in the distribution of pharmaceuticals in that the company is not directly exposed to the risk of the development and production of their products.

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

The Group is exposed to operational risk. The Group believes that such risk will primarily arise in relation to the development of future sales of the company's products, measured in terms of both price and volume. Factors that can influence market risk include increased competition, out of stock-situations at its suppliers, price reductions and competition from existing and future pharmaceuticals within the company's range of therapies.

The company depends on supply and distribution from suppliers. The company has supply and distribution agreements with suppliers in which the term of the agreement varies from one to eight years. The company is dependent on renewing these agreements at market prices and on market terms and conditions and is therefore in continuous dialogue with the suppliers to ensure they are renewed.

There is a risk that some of the company's products will face competition from new products and generic products. The company has close ties with a few major suppliers, something that can entail a concentration risk. The risk of this can be reduced by a more diversified and broader portfolio of products.

Financial risk mainly consists of interest-, currency-, credit- and liquidity risks. Navamedic continuously monitors these factors and actively manages risk through commercial operations and other measures to reduce these risks.

As at 31 December 2020, the company considered the group's liquidity to be satisfactory.

The interest rate risk is primarily linked to the group's liquidity, and interest rates affect the group's borrowing expenses. Thus far, the group has not entered into any types of hedging arrangements in order to reduce interest rate risks. The company's borrowing rates and interest rates on bank deposits and short term liquidity investments are floating. Interest rates on loans to associated company is fixed.

In 2020, a substantial portion of the group's revenue and the majority of salaries and other operating expenses were in NOK, SEK, DKK and EUR. Materials are generally paid for in EUR, GBP, SEK and USD. Net investments in foreign subsidiaries are exposed to currency risk in SEK. The board assesses the company's need for currency hedging on an ongoing basis but has currently not introduced specific hedging strategies beyond natural hedging and specific assessments in larger agreements.

Navamedic trades with deemed creditworthy third parties and generally sells its products to major actors such as pharmacy chains and wholesalers, as well as public health sectors and hospitals.

Trade receivables are continuously monitored and the risk of incurring losses is generally regarded as low.

The Covid-19 outbreak has implied risk with regards to supply chain and sourcing of products and a risk related to Navamedic's employees becoming infected and consequently may not being able to carry out their work and functions as required. The company has initiated its business continuity plan to secure all key areas of operations. Furthermore, the company's operations and result have shown over the last year with Covid 19 that it is less vulnerable to severe negative effects of Covid 19 than most other companies and industries.

Organisation

The group had 30 employees at the end of 2020, compared to 24 at the end of 2019.

In accordance with the Norwegian Public Limited Liability Companies Act, the board has prepared a declaration concerning pay and other benefits for executive personnel, which is included in note 16.

Corporate governance

Navamedic generally complies with the Norwegian Code of Practice for Corporate Governance (NUES). See the special section of the annual report for the company's corporate governance report.

The share

The Navamedic share has been listed on the Oslo Stock Exchange since 2006 with the ticker NAVA. As at 31 December 2020, the company had 15.291.885 outstanding shares, each with a nominal value of NOK 0.74 per share, and 935shareholders.

Parent company

Internal support and shared services have been organized in the parent company, Navamedic ASA, in areas where substantial economies of scale and synergies can be realised. The parent company has a master agreement on royalties from its subsidiary Navamedic AB. The parent company holds the rights to various products that are resold by the subsidiaries and thereby earns royalties. The royalties are based on actual sales in Navamedic AB. Service fees are charged out to subsidiaries covering costs for strategic development, marketing, logistics and purchasing management, as well as financial and accounting management. In addition, the parent company has activities relating to insurance, systems development and operations and other operating activities that are performed on behalf of its subsidiaries, which are also charged out.

The operating revenue in Navamedic ASA of NOK 30.1 million in 2020 was a decrease of NOK 1.6 million mainly due to a decrease in service fees. Total operating expenses decreased by NOK 1.7.

Net financial items amounted to NOK -8.5 million, compared with NOK -1.0 million in 2019. The change mainly relates to currency translation differences.

Equity amounted to NOK 128.2 million, an increase from 87.7 in 2019.

Disposal of net result for the year and dividends

The parent company's result after tax for 2020 was NOK -17.3million. The board proposes that the net result for the year be transferred to and covered by other equity. The board also proposes no dividends to Navamedic ASA's shareholders for 2020.

Subsequent events

On 4 January 2021, the board resolved to settle the first tranche of the acquisition of marketing authorizations for a series of antibiotics products from ACS Dobfar and InfoRlife. This first tranche of the purchase price in the amount of NOK 19 million was settled by issuing new shares. The share capital increase was registered with the Norwegian Register of Business Enterprises (Nw. Foretaksregisteret), on January 18, 2021.

On February 9, 2021, Navamedic announced the launch of Cysticina[®], the first non-prescription drug for alleviating urinary tract infections in the Norwegian market.

On April 8, 2021, Navamedic announced that the company has entered into an exclusive long term distribution agreement with Novozymes for PrecisionBiotics Zenflore[®] in the Nordics. Through this agreement Navamedic strengthens its position within consumer healthcare and clinically proven probiotics for specific disease areas.

Outlook

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

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

The company will also actively work to build and retain value through ownership and further development of assets, both short- and long-term. Through licensing rights and developing and purchasing products, the company will increase its share of pharmaceuticals that we ourselves own the marketing rights and trademarks to. The company has solid expertise and capacity within this field and is in the process of building up its portfolio of potential products to be launched in the coming years. If the conditions are right, we will also consider further merger and acquisition options.

Based on the growth strategy and outlook, the board of Navamedic expects that the company will continue the positive development in 2021 and show growth in the coming years.

The Board of Directors and CEO of Navamedic ASA

Oslo, 28 April 2021



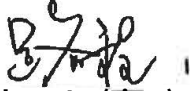
Terje Bakken (sign.)

Chair of the Board



Inger Johanne Solhaug (sign.)

Board member



Cheng Lu (sign.)

Board member



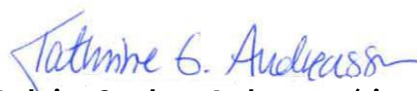
Jostein Davidsen (sign.)

Board member



Narve Reiten (sign.)

Board member



Kathrine Gamborg Andreassen (sign.)

CEO

The Management Team and Board

Management Team



Kathrine Gamborg Andreassen **CEO**

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



Lars Hjarrand **CFO**

Lars joined Navamedic in December 2019. Prior to joining Navamedic Mr Hjarrand has extensive finance experience from several different companies and industries over the past 20 years. Mr Hjarrand holds a bachelor degree in Economics from University of Minnesota and an MBA in Finance from the Carlson School of Management.

Board of Directors



Terje Bakken **Chair of the Board**

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



Narve Reiten **Board Member**

Narve is the founder of Reiten & Co and has extensive investment and operational experience in the Nordic market. Mr Reiten holds a Master of Business and Economics degree from the BI Norwegian Business School and is a Certified Financial Analyst (CFA) from the Norwegian School of Economics and Business Administration.



Inger Johanne Solhaug **Board Member**

Inger Johanne has extensive experience from the fast moving consumer goods sector and has held leading positions at Orkla for 20 years. Among other things, she has served as a member of the Executive Management Team at Orkla and was CEO of Nidar. Ms. Solhaug holds a Master of Business and Economics degree from the Norwegian School of Economics and is currently working as Business Development Director in Insula AS.



Jostein Davidsen **Board Member**

Jostein has more than 30 years' experience from the international pharmaceutical industry, including managerial positions at Nycomed and Takeda Pharmaceuticals and as CEO of the Swiss company Acino Pharmaceuticals. Mr. Davidsen currently sits on the board of Primex Pharmaceuticals AG and Norvia Nutrition Ltd. He also serves as a coach for international pharmaceutical leaders in Emerging Markets. Mr. Davidsen studied at Oslo school of Economics and Administration and hold several Leadership and board learning programs from IMD Switzerland.



Cheng Lu **Board Member**

Cheng is a director at TopRidge Pharma. She has an MSc in Human Resource Management from King's College in London and EMBA in Cambridge Judge Business School (2020-2022), Bachelor of Business Administration from Wisconsin International University, Ukraine.

Corporate governance



Implementation and reporting on corporate governance

The board of Navamedic has adopted guidelines for corporate governance in Navamedic ASA.

The board has stipulated guidelines for ethics and corporate social responsibility that apply to all of the companies in the Navamedic Group. The guidelines clarify the ethical values and standards for corporate social responsibility on which the group's and the employees' work shall be based.

Business

Navamedic's business and purpose are described in article 3 of the articles of association, which reads:

"The company's business is to develop, produce, market, and sell pharmaceuticals and related products, perform consultancy services in connection with this, and invest in related activities."

The company's goals and main strategies are described on the company's website. Its vision, goals, and core values are set out in the company's guidelines for corporate governance and guidelines for ethics and corporate social responsibility.

Navamedic also has active risk management to ensure value creation for shareholders and safeguard societal interests in general.

The company's vision is that the business, as it is described in the articles of association, shall be run in a sustainable manner.

Equity and dividends

Capital structure

Navamedic's registered share capital amounts to NOK 11,315,994.90, divided into 15,291,885 shares, each with a nominal value of NOK 0,74. As at 31 December 2020, equity amounted to NOK 129,486 million, which results in an equity ratio of 49,8%.

Dividends

Navamedic's dividend policy is established by the board through the guidelines for corporate governance. Each year, in connection with the preparation of the annual financial statements, the board assesses the company's need for capital in the coming period. Based on this assessment, the board issues its recommendation concerning dividends to the general meeting with the explicit goals of ensuring the company's strategy is implemented and providing optimum value creation for the company's shareholders.

The board has presented a proposal not to pay a dividend for 2020.

Board authorisations

On 18 February 2020, the company completed a private placement of in total 2,630,000 new shares, at a subscription price of NOK 19.00 per share. The Private Placement was divided into two tranches. Tranche 1 comprised 1,186,767 new shares which were resolved issued by the company's board of directors on 18 February

2020 pursuant to the authorisation to increase the share capital granted to it at the company's ordinary general meeting on 28 May 2019. Tranche 2 comprised 1,443,233 new shares which were approved by the general meeting in an extraordinary general meeting on 11 March 2020. In addition, the extraordinary general meeting held on 11 March 2020 granted the board of directors with an authorization to complete a subsequent offering following the private placement by increasing the Company's share capital by up to NOK 389,240. The subsequent offering was completed in June 2020 and resulted in the issuing of 347,337 new shares.

At the annual general meeting on 3 June 2020, the board was given an authorisation to increase the company's share capital with up to NOK 2,200,000 (equaling to approximately 20% of the company's share capital at the time) in order to finance further growth, issue shares as consideration in connection with acquisitions of other companies, businesses or assets or in order to finance such acquisitions or to strengthen the company's equity. The authorisation is valid until the annual general meeting in 2021, and 30 June 2021 at the latest. Furthermore, the extraordinary general meeting held on 11 March 2020, granted an authorization to the board of directors to increase the company's share capital by up to NOK 1,170,000 in order to issue consideration shares for a portion of the purchase price under the agreement entered into with ACS Dobfar and InfoRLife as announced by the company in a stock exchange announcement dated 4 August 2020. The authorisation is valid until the company's annual general meeting in 2021, but no longer than to and including 30 June 2021. The board of directors of Navamedic resolved on 4 January 2021 to settle the first tranche of the purchase price under the agreement for an amount of NOK 19 million by issuance of 1,053,775 new shares to InfoRLife. The subscription price for the consideration shares issued to InfoRLife was NOK 18.0304.

The annual general meeting also gave an authorisation to the board to increase the share capital with up to NOK 850,000 (equaling to approximately 8% of the company's share capital at the time) related to the company's long-term share incentive programme as approved by the annual general meeting on 3 June 2020. This authorisation is effective until the annual meeting in 2022 but not longer than 3 June 2022. During 2020, 510 000 options were granted to key employees in the company under the long-term incentive program.

Equal treatment of shareholders and transactions with close associates

The company has one class of share and each share in the company has one vote. The company owned none of its own shares as at 31 December 2020.

Pursuant to the Norwegian Code of Practice for Corporate Governance, companies should have guidelines that ensure that board members and executive personnel report to the board if they have, direct or indirect, significant interests in an agreement entered into by the company.

In the case of members of the board of Navamedic, this is explicitly set out in the rules of procedure for the board. The company's guidelines for ethics and corporate social responsibility, which apply to all employees and board members in the group, contain guidelines on handling potential conflicts of interest.

The guidelines also stipulate that Navamedic's employees and board members should avoid having ownership interests or board positions in other enterprises if these could be deemed likely to weaken their loyalty to Navamedic. Pursuant to the guidelines, questions concerning board members' and executive personnel's board positions or share investments in companies that compete with Navamedic or that are business contacts of Navamedic, must always be clarified with the board of Navamedic.

Shares and negotiability

Pursuant to the Norwegian Code of Practice for Corporate Governance, the articles of association should not stipulate any restrictions on ownership. Navamedic had no deviations from this.

The articles of association contain no restrictions on the negotiability of shares. Navamedic ASA is listed on the Oslo Stock Exchange. Navamedic also actively strives to increase the interest in the company to attract new investors.

General meetings

Navamedic held an extraordinary general meeting on March 11, 2020 and its annual general meeting on 3 June, 2020.

The notice was sent within the 21 days deadline and contained descriptions of the items on the agenda and the board's proposed resolutions. The supporting documentation was prepared with the aim of enabling shareholders to arrive at a view concerning the items on the agenda. The registration deadline was set at three days before the general meetings, in accordance with the provision in the company's articles of association. The notices described the procedures for taking part in and casting votes at the general meetings, as well as attendance by proxies.

The proxy forms were designed such that votes could, to the extent possible, be cast concerning each item on the agenda. In the proxy form a person was also proposed to act as a proxy for the shareholders.

The chair of the board attended the annual and extraordinary general meetings in 2020. The company's auditor was also available by telephone at the annual general meeting, although no need for contact arose.

The extraordinary general meeting in 2020 was chaired by Terje Bakken.

Minutes of general meetings are published and available under the company's ticker on Newsweb and the company's website www.navamedic.com shortly after the meetings.

Nomination committee

The nomination committee consists of chairman Bernt Olav Røttingsnes, members Bård Brath Ingerø and Grete Hogstad. At the annual general meeting on 3 June 2020, all members of the nomination committee were re-elected with term ending on the annual general meeting 2021.

The board, composition and independence

The board of Navamedic has five ordinary members, all of whom are elected by the general meeting. No board members are elected for terms of more than two years at time. None of the company's board members has special interests that prevent them from acting independently.

The company's annual report contains information about the board members' year of birth, relevant experience, and current position. The board members have varied experience from industries such as pharmaceuticals, finance,

acquisitions and mergers, industry, and marketing. This experience was gained in Norwegian and international companies and public enterprises.

It is Navamedic's opinion that, as a corporate body, the board safeguards the best interests of the shareholders as a group. This is based on the board's qualifications, capacity, and diversity suiting the business Navamedic operates.

In the opinion of the board, it is desirable for board members to own shares in the company, but no formalised encouragement to own shares in the company exists. Chair of the board Terje Bakken and Narve Reiten have significant ownership in IRIC (Ingerø Reiten Investment Company), Navamedic's largest shareholder, while Cheng Lu is employed by TopRidge Pharma which is also one of the largest shareholders.

No executive personnel sit on the company's board.

The work of the board of directors

The board bears overarching responsibility for the management of the company and supervising the day-to-day management and the company's operations. Its main duties consist of formulating the company's strategy and following up the implementation of this strategy. The board also performs control functions that ensure the company's asset management is prudent. The board appoints the CEO.

Pursuant to the provisions of Norwegian company law, the board has stipulated rules of procedure for the board that provide detailed rules for the board's functions, duties, and responsibilities.

The board has a policy that board members and executive personnel must inform the company of any significant interests they may have in matters that are to be addressed by the board.

The board has an annual plan for its work that particularly focuses on goals, strategy, and implementation. The chair of the board is responsible for ensuring that the board's work is executed effectively and correctly in accordance with the law. For matters in which the chair of the board is, or has been, actively involved, another board member is nominated to chair the discussion such that the company is assured an independent process.

A clear division of work between the board and executive personnel has been established. The CEO is responsible for the company's operational management.

The board holds a minimum of six board meetings a year, one of which is a strategy meeting. Extraordinary board meetings are held as required to consider matters that cannot wait until the next ordinary board meeting.

24 formal board meetings were held in 2020, and the duties of the board were also addressed through updates via telephone conferences, with and without the management team present.

The board has established an audit committee as a sub-committee to the board. Special rules of procedure have been set out for this committee. The audit committee consists of two board members who are independent of the company's day-to-day management team.

The board has also established an M&A committee as a sub-committee to the board. The audit committee, the M&A committee consists of two board members, both of whom are independent of the company's daily operations.

The board has the objective of conducting an annual evaluation of its work, working methods, and qualifications. A similar evaluation is also conducted of the CEO.

Risk management and internal control

The board's supervision must ensure that the company has good internal control routines and appropriate systems for risk management that are commensurate with the scope and nature of the business being operated, including the company's values and guidelines for ethics and corporate social responsibility. The audit committee has particular responsibility for monitoring risk management and internal control.

Navamedic is a relatively small company with a small management team, and with limited capacity. However, while the company's size and operations are not especially extensive, there are several aspects and requirements of operating in the industry that requires robust routines related to internal control. The company has established routines to ensure satisfactory internal control and risk management and is in the process of further improvements through the implementation of new ERP system, a process started in 2020 and to be completed in 2021.

The board will ensure that routines for internal control and risk management are developed on an ongoing basis as the scope of the company's operations increase.

As part of its auditing services, the auditor assesses whether there are any material weaknesses in the internal control for financial reporting. The auditor takes part in the audit committee and board meetings in connection with the auditor's annual summary for the management team of factors identified during audits.

The management team emphasises establishing good control routines in those areas that are of material importance for financial reporting. The control routines are based on an authorisation structure that defines roles and responsibilities for each level of management, as well as guidelines for how one should ensure good internal control, including satisfactory routines related to division of duties.

The board receives regular financial reports in which the company's economic and financial status is commented on. The company complies with the Oslo Stock Exchange's deadlines for interim reporting. The company has chosen not to issue interim reports from and including the fourth quarter of 2017 in accordance with IAS 34, instead it prepares and publishes a presentation for the quarter.

Accounting problems are analysed immediately, and the auditor consulted if required. An overview of relevant questions is presented to the board in connection with the publication of interim presentations and half-year and annual reports.

Remuneration of the board of directors

The board's remuneration is agreed each year by the general meeting. The board's remuneration is independent of the company's results and board members do not have options in the company.

Information about the board's remuneration for 2020 is included in note 16 to the financial statements. no board members have special duties in relation to the company beyond their board position and participation in the audit committee and M&A committee.

Remuneration of executive personnel

In 2010, the board set out guidelines for the remuneration of executive personnel in accordance with the provisions of the Norwegian Public Limited Liability Companies Act.

The board's statement on executive pay is included in the annual report and considered by the general meeting in accordance with the Public Limited Liability Companies Act. No subsequent changes have been made to these guidelines.

The board's statement on executive pay was approved by the general meeting on 3 June 2020.

Procedures and authorisations for determining the remuneration of the corporate management team are governed by the company's rules of procedure for the board.

The rules of procedure for the board and the board's statement on executive pay stipulate that all schemes that include the awarding of shares, subscription rights, options, and other forms of remuneration linked to shares or the development of the share price, must be established by the company's general meeting.

The setting of the CEO's salary for 2020 was approved by the board and information about the remuneration of the CEO and other executive personnel in 2020 can be found in note 16 to the consolidated annual financial statements. Before determining the pay of the management team, a comparison is made with equivalent positions in companies outside the group.

Information and communication

Navamedic's information and communication policies are presented in the company's guidelines for corporate governance. The guidelines are based on the principle of the equal treatment of market actors and cover financial reporting and investor relations.

Navamedic will provide the market with accurate, consistent, and relevant information. Half-year reports and interim presentations for the Oslo Stock Exchange are presented in English only.

According to the company's guidelines for corporate governance, the board must ensure that interim presentations issued by the company provide a true and complete picture of the group's financial and business positions, as well as the extent to which the company's operational and strategic goals are achieved.

The Norwegian Code of Practice for Corporate Governance recommends that the board establishes guidelines for the company's contact with shareholders outside the general meeting. Navamedic's guidelines for contact with the shareholders are published on the company's website.

Navamedic's communication with shareholders is based on the principle that all owners should have equal access to the information. Navamedic arranges public investor presentations in connection with the publication of half-year reports and interim presentations. In these, the results are reviewed, and the development of the market and the company's outlook are commented on.

As a minimum, the CEO and CFO take part in the presentations. For 2021, Navamedic will present interim presentations, as well as publish a half-year report and an annual report.

Take-overs

The company's guidelines for corporate governance stipulate that in the event of potential take-overs or restructuring situations, the board shall exercise particular care such that the assets and interests of all shareholders are safeguarded.

The guidelines for corporate governance at Navamedic also stipulate that the Norwegian Code of Practice for Corporate Governance must be followed, and the board will follow the more detailed recommendations in this document if a potential take-over situation arises.

No take-over offers were presented to Navamedic or its shareholders in 2020.

Auditor

The company engaged EY as its new auditor on the annual general meeting on June 3, 2020. The auditor attends board meetings in connection with the annual financial statements and most meetings of the board's audit committee. At least one meeting a year is held between the auditor and board without the CEO or other member of the company's executive team present.

The auditor presents an audit plan for the audit committee each year. According to the company's guidelines for corporate governance, the auditor shall each year provide the board with written confirmation that they comply with the requirements for independence and objectivity. The guidelines also stipulate that services from the auditor beyond the mandatory audit and closely related advice must only be provided following a decision by the board or audit committee.

Consolidated financial statements 2020



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Consolidated statement of comprehensive income

<i>(in NOK '1000)</i>	Note	2020	2019
Operating revenues	5	209 877	188 755
Total revenue		209 877	188 755
Cost of materials		139 538	131 152
Payroll expenses	16	32 574	33 363
Other operating expenses	15	39 031	30 696
Operating profit before Depreciation and Amortization (EBITDA)		-1 267	-6 457
Depreciation	7, 9	1 551	1 602
Amortization	8	2 108	2 027
Operating result (EBIT)		-4 926	-10 086
Income from associated companies	18	-4 528	-700
Financial income		2 846	331
Financial expenses		3 844	2 442
Net currency gain/losses		-6 144	-2 580
Net financial income and expenses	17	-7 142	-4 691
Profit before tax continuing operations		-16 596	-15 477
Income taxes, continuing operations	26	-136	820
Net profit / loss (-) continuing operations		-16 460	-16 297
Net profit / loss (-) discontinued operations		0	44 232
Net profit / loss (-) Total operations		-16 460	27 935
<i>Other comprehensive income:</i>			
Currency translation differences		8 867	-4 233
Reversal of translation differences upon demerger of Observe Medical ASA		0	1 855
Total other comprehensive income		8 867	-2 377
Total comprehensive income		-7 593	25 557
<i>Attributable to:</i>			
Shareholders in the parent company		-7 593	25 557
Earnings per share basic and diluted continuing operations (NOK)	24	-1,14	-1,39
Earnings per share basic and diluted total operations (NOK)	24	-1,14	2,39

Consolidated statement of financial position

<i>(in NOK '1000)</i>	Note	31.12.2020	31.12.2019
Assets			
Non-current assets			
Intangible non-current assets			
Goodwill	8	64 472	59 520
Deferred tax assets	24	9 168	9 242
Other intangible assets	8	9 689	6 631
Total intangible non-current assets		83 330	75 393
Other non-current assets			
Property, plant & equipment	7	174	55
Right of use assets	9	1 903	1 901
Shares in associated companies	18	22 022	15 300
Non-current loans to associated companies	18	34 821	25 565
Total other non-current assets		58 919	42 821
Total non-current assets		142 249	118 213
Current assets			
Tax receivables	26	7 614	5 449
Inventories	11	41 945	31 983
Trade and other receivables	10	28 646	19 972
Cash and cash equivalents	19	39 584	11 439
Total current assets		117 789	68 843
Total assets		260 038	187 056

Consolidated statement of financial position (cont.)

<i>(in NOK '1000)</i>	Note	31.12.2020	31.12.2019
Equity			
<i>Paid in equity</i>			
Share capital		11 316	8 782
Share premium reserve		147 610	66 037
Total paid in equity	13	158 926	74 820
<i>Retained earnings</i>			
Retained earnings		-29 441	4 411
Total retained earnings		-29 441	4 411
Total equity		129 486	79 231
Liabilities			
<i>Non-current liabilities</i>			
Non-current license liabilities	21	3 343	9 568
Non-current liabilities to financial institutions	20	20 870	16 092
Non-current right of use liabilities	9	842	781
Total non-current liabilities		25 055	26 441
<i>Current liabilities</i>			
Trade account payables	14	66 956	42 704
Current liabilities to financial institutions	20	0	7 513
Current right of use liabilities	9	1 078	1 150
Current license liabilities	21	16 500	8 831
Taxes payable	26	2 795	1 092
Other current liabilities	14	18 168	20 095
Total current liabilities		105 497	81 385
Total liabilities		130 552	107 826
Total equity and liabilities		260 038	187 056

The Board of Directors and CEO of Navamedic ASA

Oslo, 28 April 2021



Terje Bakken (sign.)
Chair of the Board



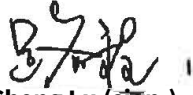
Jostein Davidsen (sign.)
Board member



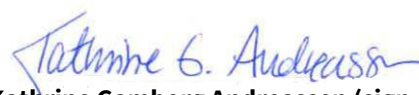
Inger Johanne Solhaug (sign.)
Board member



Narve Reiten (sign.)
Board member



Cheng Lu (sign.)
Board member



Kathrine Gamborg Andreassen (sign.)
CEO

Consolidated statement of changes in equity

(in NOK '1000)

	Share capital	Share premium	Retained	Total
Balance as at 1 January 2019	10 868	110 480	-22 026	99 322
Net profit / loss (-) Total operations			27 935	27 935
Currency translation differences			-2 377	-2 377
Capital increase	1 000	11 141		12 141
Demerger of Observe Medical ASA	-3 086	-55 584		-58 670
Cost of share capital increase				0
Share options			880	880
Balance as at 31 December 2019	8 782	66 037	4 411	79 231
Balance as at 1 January 2020	8 782	66 037	4 411	79 231
Correction opening balance		23 659	-23 659	0
Net profit / loss (-) Total operations			-16 460	-16 460
Currency translation differences			8 867	8 867
Capital increase	2 534	57 914	-4 765	55 682
Share options			2 166	2 166
Balance as at 31 December 2020	11 316	147 610	-29 441	129 486

Correction opening balance in 2020 is due to a deviation between opening balance group share premium reserve and parent company share premium reserve.

Consolidated cash flow statement

<i>(in NOK '1000)</i>	Note	2020	2019
<i>Cash flow from operating activities</i>			
Profit before tax continuing operations		-16 596	-15 477
Taxes paid		-287	329
Depreciation, amortization and impairment	7, 8, 9	3 659	3 629
Financial income / expenses without cash flow effect		1 379	2 050
Income from associated companies		4 528	700
Payment of license liabilities		-117	0
Changes in inventory		-9 962	3 601
Changes in trade and other receivables		-8 674	16 721
Changes in trade and other payables		24 818	1 617
Changes in other current items		-1 928	10 017
Cash flows from operating activities discontinued operations		0	-10 481
Net cash flow from operating activities		-3 180	12 706
<i>Cash flow from investing activities</i>			
Acquisition of tangible and intangible assets	7, 8	-4 994	-721
Loans granted to associated companies	18	-9 902	0
Loans repaid from associated companies	18	3 000	0
Interest received		9	17
Purchase of shares in other companies		-11 250	0
Demerger of Observe Medical ASA		0	-1 147
Net cash flow from investing activities		-23 137	-1 852
<i>Cash flow from financing activities</i>			
Payment of loans		-5 251	-8 393
Interest paid		-1 844	-578
Share issues		60 447	-359
Payment of lease liabilities		-1 594	-1 571
Net cash flow from financing activities		51 759	-10 901
Changes in currency		2 703	440
Net change in cash		28 145	393
Cash and cash equivalents start period		11 439	11 046
Cash and cash equivalents end period	19	39 584	11 439

Notes to the consolidated financial statements



Note 1 – General information

Navamedic ASA is a Nordic pharma company with a footprint in Northern Europe listed on the Oslo Stock Exchange. The company is a reliable supplier of high-quality products, delivered to hospitals and through pharmacies, meeting the specific medical needs of patients and consumers.

The product portfolio consists of prescription and non-prescription pharmaceuticals as well as other healthcare products registered as medical nutrition, medical devices, food supplements or cosmetics.

Navamedic is present in all Nordic countries, the Baltics and Benelux and has sales of specific products even in other European countries like UK and Greece.

Through its subsidiary Navamedic AB, the group distributes more than 40 products from 20 international producers and brand owners in the European market.

Navamedic's ambition is to grow by expanding its product portfolio and launching existing products in new markets.

Navamedic ASA is registered and based in Norway. Its head office is in Solli Plass in Oslo. Its postal address is Henrik Ibsens gate 90, 0255 Oslo, Norway.

Note 2 – Summary of significant accounting policies

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

2.1 Framework for preparation of the financial statements

Navamedic's consolidated financial statements have been prepared in accordance with international accounting standards and interpretations from the IFRS Interpretations Committee (IFRIC), as established by the EU (IFRS).

The consolidated financial statements have been prepared on the basis of historical cost.

The consolidated financial statements have been prepared by applying the same accounting policies to transactions and events that would be similar under otherwise equal conditions.

The accounting policies applied, and the presentation of the consolidated financial information are consistent with the previous annual financial statements for the year that ended 31 December 2019.

The consolidated financial statements have been prepared on the assumption that the group is a going concern.

2.2 Consolidation policies

A subsidiary is a company over which Navamedic ASA (directly or indirectly) has control. Control is attained when Navamedic is exposed to, or has rights to, variable returns from its engagement in a company in which it has

invested and is able to influence this return by exercising power over the company. Power means existing rights that currently provide Navamedic with the ability to steer relevant activities, i.e. the activities that affect, to a significant degree, the return from the company that has been invested in. All subsidiaries are owned 100% and there are no minority interests.

Subsidiaries are consolidated from the date when the group attains control and consolidation ceases when control of the subsidiary ceases.

The acquisition method is used for acquisitions of business. The consideration is measured at the fair value of the assets transferred, liabilities assumed, and equity instruments issued. The fair value of all assets or liabilities according to the agreement on contingent consideration is also included in the remuneration. Identifiable assets, liabilities, and contingent liabilities are recognised at their fair value on the acquisition date.

Acquisitions-related costs linked business combinations are recognised as expenses when they are incurred.

Contingent consideration is measured at fair value on the acquisition date. Subsequent changes in the fair value of contingent consideration classified as an asset or liability and that are not adjustments during the measurement period must be recognised through profit or loss.

If the sum of the remuneration, fair value of earlier assets, and any fair value of minority interests exceeds the fair value of identifiable net assets in the acquired company, the difference is capitalised as goodwill. If the sum is lower than the company's net assets, the difference is recognised through profit or loss.

Intra-group revenue, expenses, and balances are eliminated. The gain and loss elements in a capitalised asset that arose due to an intra-group transaction are also eliminated. The accounts of subsidiaries are, if necessary, restated so they correspond with the group's accounting policies.

2.3 Segment information

Navamedic identifies its segments according to the organisation and reporting structure as decided and followed up by the chief operating decision maker. Operating segments are components of a business that are evaluated regularly by the chief operating decision maker, defined as the CEO, for the purpose of assessing performance and allocating resources. Navamedic operating segments represent separately managed business areas with unique products serving different markets. After the demerger of the Medtech division as at 31 October 2019, Navamedic currently has only one business segment which is the Pharma division.

2.4 Translation of foreign currency

a) Functional currency and presentation currency

The accounts of the individual units in the group are measured in the currency that is mainly used in the economic area in which the unit operates (functional currency). The consolidated financial statements are presented in NOK, which is both the parent company's functional currency and its presentation currency.

b) Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency using the transaction's exchange rate. Realised currency gains and losses that arise during the settlement and translation of monetary items

in foreign currency at the exchange rate on the balance sheet date are recognised through profit or loss. Currency gains and losses are presented (net) as financial income or financial expenses.

c) Group companies

The income statements and balance sheets of group companies with functional currencies different from the presentation currency are translated in the following way:

- a) balance sheets are translated using the exchange rate on the balance sheet date
- b) income statements are translated using the average exchange rate for the year
- c) translation differences are recognised in other comprehensive income and specified in equity as a separate item

Goodwill and excess values upon the acquisition of a foreign unit are treated as assets and liabilities in the acquired unit and translated at the exchange rate on the balance sheet date. Translation differences that arise are recognised in other comprehensive income.

2.5 Intangible assets

All intangible assets are recognized at cost less accumulated amortization and impairments. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the assets carrying amount or recognized as a separate asset.

The group's intangible assets consist of the following:

a) Licenses (product rights) and marketing authorisations

Navamedic holds rights to market and sell specific products in defined geographical areas. Investments related to such licenses are amortised on a straight-line basis over their expected useful economic life, which typically range between five to ten years.

Navamedic further distributes a number of products through wholesalers on behalf of rights holders. Investments related to obtaining such marketing authorisations are amortised on a straight-line basis over their expected useful economic life, which typically range between five to ten years. For products that are under registration, the amortisation of the cost of acquisition commences upon launch and is amortised over the period of the agreement.

b) Other intangible assets

Navamedic invests in information technology assets intended to products and marketing. Furthermore, investments in licences and marketing authorisations where the products in question have not yet been launched due to regulatory or other reasons, are classified as other intangible assets until launch.

2.6 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment is recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying value of the other assets in the CGU on a pro rata basis.

An impairment in respect of goodwill is not reversed. For other assets, an impairment is reversed only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

2.7 Inventories

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

2.8 Financial assets

The group currently has financial assets within the following category:

a) Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's financial assets at amortized cost primarily consist of trade receivables and other receivables, loan receivables and bank deposits. Financial assets at amortized cost are initially recognized at fair value, transaction costs are added to the carrying amount. Financial assets at amortized cost are subsequently carried at amortized cost.

2.9 Trade receivables

Trade receivables arise from sales of goods or services within the ordinary business cycle. If settlement is expected within one year or less (or in the ordinary business cycle if this is longer), the receivables are classified as current assets. If this is not the case, the receivables are classified as non-current receivables.

Trade receivables are measured at the transaction price upon initial recognition. In subsequent measurements, trade receivables are measured at amortised cost less provisions for expected credit losses.

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The group has entered into a trade receivable financing agreement with Avida Finans AB.

2.10 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank deposits which are readily convertible into cash within a 3-month period.

2.11 Financial liabilities

The group currently has financial liabilities within the following category:

a) Financial liabilities at amortized cost

Financial liabilities at amortized cost are liabilities that represent a contractual obligation to deliver cash, and are classified as current or non-current based on whether the estimated settlement date is less than or more than 12 months in the future. The group's financial liabilities at amortized cost consist of interest-bearing liabilities in the form of overdraft facilities and instalment loans, licensing liabilities, trade account payables and other non-interest-bearing liabilities. Financial liabilities at amortized cost are initially recognized at fair value net of directly attributable transaction costs, and subsequently measured at amortized costs applying the effective interest method.

2.12 Income Tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

a) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

b) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that convincing evidence exists that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that convincing evidence no longer that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent convincing evidence that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2.13 Employee benefits

a) Pensions

The company has entered into a mandatory defined contribution pension scheme for employees in Norway and Sweden. Under defined contribution plans, the group pays contributions to public or private organized insurance plans for pensions on a compulsory, contractual, or voluntary basis. The group has no further payment obligations once the contributions have been paid. The plan in Norway complies with the requirements of the Norwegian Mandatory Occupational Pension Act. The contributions are recognised as payroll expenses as incurred, see note 16.

b) Severance pay

Severance payments are recognised when the employment relationship is terminated by the group before the normal retirement date or when an employee accepts voluntary redundancy in return for such remuneration. The group recognises severance pay when it is demonstrably obliged to either end the employment relationship of today's employees in accordance with a formal, detailed plan that the group cannot withdraw, or to provide severance pay due to an offer made to encourage voluntary redundancies.

2.14 Provisions

Provisions for product warranties, onerous contracts, restructuring costs, termination benefits and legal claims are recognized when: The Group has a present or constructive obligation as a result of past events; it is probable that

an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are discounted only when the effect is material and the distribution in time can be reliably estimated.

2.15 Revenue recognition

a) Revenue from contracts with customers

Navamedic distributes and delivers pharmaceuticals and other products to hospitals and pharmacies, mainly in the Nordic region, but also in a number of other countries in Europe. Revenues are measured based on the transaction price specified in a contract with a customer. The group's revenues are generated from the sale of goods, and revenue is recognised at the point in time when control of the goods transfers to the customer, typically when the group has delivered the goods to the customer.

Invoices are issued upon delivery of the goods or based on accumulated monthly sales through a wholesaler. Payment terms for revenue are typically 30 days.

b) Interest income

Interest income is recognised through profit or loss proportionally over time in accordance with the effective interest rate method.

c) Revenue from dividends

Dividend revenues are recognised through profit or loss when the right to receive payment arises.

2.16 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right of use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right of use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid

under residual value guarantees. In calculating the present value of lease payments, the Group uses its estimated incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.17 Dividends

Dividend payments to the company's shareholders are classified as liabilities from and including the moment the dividend is determined by the general meeting.

Note 3 – Financial risk management and capital management

The Group's operations expose it to various types of financial risk: Market risk (including currency risk, variable interest risk, and price risk), credit risk, and liquidity risk. The group focuses on minimising the potential negative effects that unforeseeable movements in the capital markets can have on the group's financial results. The group does not use financial derivatives to protect itself from specific risks.

The group's risk management is performed by the management team in accordance with company risk policy approved by the board.

a) Market risk

Operational risk

The Group is exposed to operational risk. The Group believes that such risk will primarily arise in relation to the development of future sales of the company'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 pharmaceuticals within the company's range of therapies.

The company depends on supply and distribution from suppliers. The company has supply and distribution agreements with suppliers in which the term of the agreement varies from one to eight years. The company is dependent on renewing these agreements at market prices and on market terms and conditions, and is therefore in continuous dialogue with the suppliers to ensure they are renewed.

The group is exposed to risk related to pandemic outbreaks, however, based on the existing portfolio of products, the company is probably less prone to be affected to the same extent as many other companies. The demand for most of the company's products, except some Consumer Health products, is less likely to be

affected since the end users typically use the products based on needs and can not easily stop using them. There is a risk that some products' production and delivery could be affected in the event of long term shut down.

Currency risk

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

The group is exposed to exchange rate fluctuations relating to balance sheet items in foreign currency. Focusing on the major exposures, SEK and EUR, a sensitivity analysis of the effect of a potential change of +/- 5% in the exchange rates NOK/SEK and NOK/EUR at 31 December 2020 shows that a weakening of NOK against SEK would result in a reduction in pre-tax profit of NOK 3,2 mill. A weakening of NOK against EUR would result in an increase in pre-tax profit of NOK 2,3 mill.

Variable interest rate risk

The group is exposed to interest rate risk related to bank deposits. The interest rate on the Group's loans is fixed. The calculated interest income and expenses, as well as actual interest payments, are affected by rate changes. The group has not entered into any hedging arrangements to cover fluctuations in the general level of interest rates. Calculations show that a 1% rise in interest rates would result in interest income of NOK 0.4 million.

b) Credit risk

The group is exposed to no significant concentrations of credit risk. Routines have been introduced to ensure products are sold to customers with satisfactory creditworthiness. The company's customers are largely public enterprises and larger pharmacy chains that represent a low credit risk. The level of consumer sales is relatively low. See also note 10, which shows when the group's receivables fall due.

c) Liquidity risk

The group's liquidity risk is considered moderate as at 31 December, and the group's liquidity situation as at 31 December 2020 is considered to be satisfactory. As at 31 December 2020, the group had NOK 39.6 million in cash and cash equivalents (NOK 11.4 million as at 31 December 2019). The group has a 3-year loan of SEK 20 million, which is due in 2022. The group continually monitors the liquidity risk associated with the due dates for financial liabilities.

The table below illustrates the maturity structure of liabilities:

Maturity structure of liabilities 2020

<i>(in NOK '1000)</i>	Note	Carrying	Undiscounted	Year 1	Expected cash flows			Total
					Year 2	Year 3	Year 3-5	
License liabilities	21	19 844	25 087	16 690	2 869	5 528		25 087
Liabilities to financial institutions	20	20 870	20 870		20 870			20 870
Interest on liabilities to financial institutions	20		2 374	1 357	1 017			2 374
Right of use liabilities	9	1 920	2 028	1 153	583	291		2 028
Trade account payables	13	66 956	66 956	66 956				66 956
Taxes payable	26	2 795	2 795	2 795				2 795
Other current liabilities	14	18 168	18 168	18 168				18 168
Total		130 552	138 277	107 118	25 339	5 820	0	138 277

Maturity structure of liabilities 2019

<i>(in NOK '1000)</i>	Note	Carrying	Undiscounted	Year 1	Expected cash flows			Total
					Year 2	Year 3	Year 3-5	
License liabilities	21	18 399	23 740	4 446	11 383	7 911		23 740
Liabilities to financial institutions	20	23 605	23 605	7 513		16 092		23 605
Interest on liabilities to financial institutions	20			1 412	1 046	784		3 243
Right of use liabilities	9	1 931	1 935	1 136	532	266		1 935
Trade account payables	13	42 704	42 704	42 704				42 704
Taxes payable	26	1 092	1 092	1 092				1 092
Other current liabilities	14	20 095	20 095	20 095				20 095
Total		107 826	113 170	78 399	12 961	25 053	0	116 413

Capital structure and capital management goals

The group's goal in relation to capital management is to ensure continued operations to secure returns for its owners, and to maintain an optimal capital structure. The group continuously strives to have a leverage ratio and an equity ratio adapted to the business' risk profile. The Group's main financing agreements are between Navamedic AB and Avida Finans AB and consist of i) an accounts receivable financing agreement with a credit limit of SEK 47 million which carries a fixed interest rate of 5.9 % p.a. on the used credit, an annual fee of 0.5 % on the full credit limit amount as well as a fixed fee of SEK 5.00 per invoice; ii) a 36 month loan of SEK 20 million due in September 2022 with a fixed interest rate of 6.5% p.a. For the 36 month loan agreement there is a covenant that the outstanding balance may not exceed 50% of the inventory level.

Note 4 – Critical accounting estimates and discretionary assessments

Estimates and discretionary assessments are evaluated on an ongoing basis and are based on past experience and other factors, including expectations concerning future events regarded as probable under current circumstances.

Important accounting estimates and assumptions

The group prepares estimates and makes assumptions about the future. The accounting estimates that follow from these will, by definition, seldom be fully in line with the final outcomes. Estimates and assumptions that represent a risk of material changes to the carrying values for assets and liabilities during the next accounting year are discussed below.

a) Measurement of goodwill and intangible assets

The most important estimates and assumptions that carry a risk that they will materially affect the carrying values for assets and liabilities during the next accounting year relate to the measurement of goodwill and

intangible assets, see note 8. The management uses estimates and assumptions in the determination of the accounting depreciation period and impairment assessments of intangible assets.

Capitalisation of identifiable intangible assets is based on expectations of future financial benefits. Measurements of future financial benefits are based on the management team's judgment and estimates on balance sheet dates.

b) Tax

Assessment of whether a deferred tax asset is recognisable involves a significant degree of judgment in determining the likelihood of utilisation against future taxable results within the various tax jurisdictions in which the group operates.

The capitalised deferred tax asset at 31 December 2021 is primarily linked to the tax losses carried forward in the parent company in Norway.

The management considers that, in accordance with the requirements in IAS 12.35 and 12.36, and also taking into consideration the ESMA considerations on recognition of deferred tax assets arising from the carry forward of unused tax losses, that the following convincing evidence exists that taxable profits will be available:

- The group budget for 2021 and the business plan for 2021-2023, which includes predictable income from group internal management fee and royalty fee, and also income from newly entered into agreements which is expected to materialise in 2021 with a convincing degree of certainty. The group has further assessed that the precision in actual results vs. budget constitutes convincing evidence that taxable profits will be utilized in the near-term.

Based on the items above, management considered it highly probable that future taxable profits would be available against which the tax losses can be recovered and, therefore, the related deferred tax asset can be realised.

Note 5 – Segment Information and revenue from contracts with customers

Operating segments are identified based on the reporting the management team uses to evaluate performance and profitability at a strategic level.

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

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

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

- **Medical nutrition**, including a broad portfolio of medical nutrition products for patients with genetic disorder. The product range also includes products within carbohydrate metabolism, fat metabolism (MCT products) and renal disease.
- **Consumer health**, including gastro, oral, dermatology and pain products such as Alflorex[®], Thermacare[®], Gelorevoice[®], Aftamed and Nyda[®].
- **Branded generics**, including cardiology products and generics such as Imdur[®] (used to prevent angina attacks), Nitrolingual (treatment for angina pectoris) and a portfolio of antibiotics for use in hospitals.
- **Specialty pharma**, including obesity and urology products such as Mysimba[®] (prescription pharmaceutical for treatment of obesity) and Elmiron[®] and Gepan[®] (products for treatment of painful bladder syndrome).

Operating revenues by major markets*

<i>(in NOK '1000)</i>	2020	2019
Sweden	54 179	54 894
Norway	64 324	51 553
Denmark	33 888	30 800
Finland	16 344	15 361
Other countries	41 142	36 147
Total revenue	209 877	188 755

* Markets are defined as the countries which the products are sold

Operating revenues by product categories

<i>(in NOK '1000)</i>	2020	2019
Branded generics	68 254	69 119
Specialty pharma	57 091	48 158
Medical nutrition	50 923	47 125
Consumer health	32 901	23 667
Other	708	687
Total revenue	209 877	188 755

Non-current assets by country *

<i>(in NOK '1000)</i>	2020	2019
Sweden	56 436	65 623
Norway	19 289	2 484
Total	75 725	68 107

* Other than financial instruments and deferred tax assets.

The Group has different kinds of rebates. The rebates are for the most part standard rebates and are mostly in Denmark, but also in some other countries, typically 10-15% for pharmacies in Denmark. The rebates are mostly for OTC products but also for some tender products where the Group pays a kick-back.

Also see note 10 regarding trade receivables.

Note 6 – Investments in subsidiaries and associated companies

	Office location	Ownership
Subsidiaries		
Navamedic AB	Gothenburg, Sweden	100 %
Novicus Pharma AS	Oslo, Norway	100 %
Navamedic A/S (under liquidation)	Smørum, Denmark	100 %
Associated companies		
Observe Medical ASA	Oslo, Norway	21,54 %

The subsidiary Navamedic AB has branches in Norway, Denmark and Finland. Also see note 18 regarding associated companies.

Note 7 – Property, plant & equipment

<i>(in NOK '1000)</i>	Office equipment	Total
Accumulated cost		
Balance at 1 January 2019	1 920	1 920
Additions	53	53
Currency translation differences	-4	-4
Accumulated cost discontinued operations	-1 729	-1 729
Accumulated cost at 31 December 2019	240	240
Balance at 1 January 2020	240	240
Additions	172	172
Currency translation differences	20	20
Accumulated cost at 31 December 2020	432	432
Accumulated depreciation		
Balance at 1 January 2019	-1 811	-1 811
Depreciation	-48	-48
Currency translation differences	2	2
Accumulated depreciation discontinued operations	1 671	1 671
Balance as at 31 December 2019	-185	-185
Balance at 1 January 2020	-185	-185
Depreciation	-55	-55
Currency translation differences	-18	-18
Balance as at 31 December 2020	-258	-258
Expected useful economic life	3-5 years	
Carrying amounts		
At 1 January 2019	109	109
At 31 December 2019	55	55
At 31 December 2020	174	174

All property, plant & equipment is located in Norway and Sweden.

Note 8 – Goodwill and Intangible assets

<i>(in NOK '1000)</i>	Intangible assets			Total intangible assets
	Goodwill	Licenses	Other intangible assets	
Accumulated cost				
Balance at 1 January 2019	72 363	30 996		30 996
Additions	12 427		420	420
Demerger of Observe Medical ASA	-30 639			
Currency translation differences	5 369	-139		-139
Accumulated cost at 31 December 2019	59 520	30 857	420	31 277
Balance at 1 January 2020	59 520	30 857	420	31 277
Additions			4 822	4 822
Currency translation differences	4 953	696		696
Accumulated cost at 31 December 2020	64 472	31 552	5 243	36 795
Accumulated depreciation				
Balance at 1 January 2019	0	-24 029		-24 029
Amortization	0	-2 027		-2 027
Currency translation differences	0	1 410		1 410
Balance as at 31 December 2019	0	-24 646		-24 646
Balance at 1 January 2020	0	-24 646		-24 646
Amortization	0	-2 043	-65	-2 108
Currency translation differences	0	-352		-352
Balance as at 31 December 2020	0	-27 041	-65	-27 106
Expected useful economic life		5-10 years	5-10 years	
Carrying amounts				
At 31 December 2019	59 520	6 211	420	6 631
At 31 December 2020	64 472	4 511	5 178	9 689

Test for impairment losses for cash generating units that contain goodwill

Goodwill originates from the purchase of Vitaflo AB and other minor acquisitions, including Novicus Pharma AS in 2019. For the purpose of impairment testing, goodwill has been allocated to the group's single cash generating unit ('CGU'), being the Pharma division.

Impairment test – Pharma division

Impairment testing is based on value-in-use calculations, determined by discounting the estimated future cash flows to be generated by the CGU.

The test is based on the book value of the goodwill at 31.12.2020 compared to the estimated value calculated on the basis of discounted future cash flows. The calculations were based on the original product portfolio as well as new products. The basis for including new products is that the acquisition not only provided a product portfolio, but also a platform to be used for launch of new products. The 2021-2025 budget is used, with a modest revenue growth of 5%, after which we have assumed a 2.5% growth. A discount rate pre-tax of 12.6% was used to discount future cash flows. The resulting EBITDA margin estimates ranges from 4% in 2021 to 14% in 2025. The estimated value of the CGU exceeded the book value at 31.12.2020, therefore resulting in no write-down of the goodwill. In addition to the discounted cash flow estimation, sensitivity analysis showed that even with a significantly more conservative view, the estimated value would still not result in a write-down. Key assumptions include moderate growth in the revenue according to the above mentioned during the period, together with the estimated EBITDA margin and the level of the discount rate. Additionally, neither reasonably possible negative changes in the growth assumption, nor reasonably possible negative changes in the EBITDA margin would lead to an impairment. Also, a reasonably possible increase in the discount rate after tax would not give rise to impairment.

Note 9 – Right of use assets and liabilities

Right of use assets

<i>(in NOK '1000)</i>	2020	2019
Right of use assets	1 903	1 901
Total Right of use assets	1 903	1 901

<i>(in NOK '1000)</i>	Land and buildings	Motor vehicles	Office equipment	Total
Balance at 1 January 2019	465	1 640	68	2 174
Depreciation	-654	-757	-26	-1 437
Additions	918	506		1 424
Adjustments		92		92
Termination		-294		-294
Currency translation differences	-9	-48	-1	-59
Balance at 31 December 2019	719	1 140	41	1 901
Balance at 1 January 2020	719	1 140	41	1 901
Depreciation	-889	-577	-30	-1 496
Additions	631	796	0	1 427
Adjustments	303	-309	0	-6
Currency translation differences	2	71	4	77
Balance at 31 December 2020	766	1 121	15	1 903

Right of use liabilities

<i>(in NOK '1000)</i>	2020	2019
Non-current right of use liabilities	842	781
Current right of use liabilities	1 078	1 150
Total right of use liabilities	1 920	1 931

Maturity analysis contractual undiscounted cash flows

<i>(in NOK '1000)</i>	2020	2019
Less than one year	1 153	1 136
Between one and five years	874	798
More than five years	0	0
Total undiscounted lease liabilities at 31 December	2 028	1 935

Changes in right of use liabilities

<i>(in NOK '1000)</i>	2020	2019
At 1 January	1 931	0
Cash flow	-1 594	-1 571
Non-cash changes	1 583	3 502
At 31 December	1 920	1 931

Amounts recognised in profit or loss

<i>(in NOK '1000)</i>	2020	2019
Interest on lease liabilities	85	118
Depreciation right of use assets	1 496	1 437

Other information

<i>(in NOK '1000)</i>	2020	2019
Lease payments for short-term leases and low value assets	0	1 690

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the statement of financial position at the date of initial application is 4,6 %.

Note 10 – Trade and other receivables

<i>(in NOK '1000)</i>	2020	2019
Trade receivables	22 790	17 321
Other receivables and prepaid expenses	5 855	2 650
Total trade and other receivables	28 646	19 972

<i>(in NOK '1000)</i>	2020	2019
Gross trade receivables	22 833	17 339
Provision for loss on trade receivables	-42	-17
Total trade receivables	22 790	17 321

<i>(in NOK '1000)</i>	2020	2019
Provision for loss on trade receivables at 1 January	-17	-831
Reversal of previous years provision for loss on trade receivables		
This years provision for loss on trade receivables	-38	814
Loss on trade receivables	13	1
Total provision for loss on trade receivables at 31 December	-42	-17

Due date profile trade receivables

<i>(in NOK '1000)</i>	2020	2019
Not due	14 581	13 954
0-3 months	6 856	3 098
> 3 months	1 354	270
Total trade receivables	22 790	17 321

The Group has traditionally had low losses on trade receivables, and considers the risk associated with trade receivables as low.

Note 11 – Inventories

<i>(in NOK '1000)</i>	2020	2019
Inventory	42 062	32 851
Provisions for inventory obsolescence	-117	-868
Total inventory	41 945	31 983

Note 12 – Financial assets and liabilities

<i>(in NOK '1000)</i>	Carrying amount as at 31.12.2020	Fair value as at 31.12.2020	Carrying amount as at 31.12.2019	Fair value as at 31.12.2019
Non-current financial assets				
Non-current loans to associated companies	34 821	34 821	25 565	25 565
Total non-current financial assets	34 821	34 821	25 565	25 565
Current financial assets				
Tax receivables	7 614	7 614	5 449	5 449
Trade and other receivables	28 646	28 646	19 972	19 972
Cash and cash equivalents	39 584	39 584	11 439	11 439
Total current financial assets	75 844	75 844	36 860	36 860
Total financial assets	110 665	110 665	62 425	62 425
Non-current financial liabilities				
Non-current license liabilities	3 343	3 343	9 568	9 568
Non-current liabilities to financial institutions	20 870	20 870	16 092	16 092
Total non-current financial liabilities	24 213	24 213	25 660	25 660
Current financial liabilities				
Trade and other payables	66 956	66 956	42 704	42 704
Current liabilities to financial institutions	0	0	7 513	7 513
Current license liabilities	16 500	16 500	8 831	8 831
Total current financial liabilities	83 456	83 456	59 048	59 048
Total financial liabilities	107 669	107 669	84 708	84 708

Fair value hierarchy for financial instruments recognized at fair value

All financial assets are valued based on level 2 inputs in accordance with IFRS 13:81.

Fair value of financial instruments recognized at amortised cost

Due to their short term nature, the carrying value of current financial assets and liabilities is deemed a reasonable approximation to the fair value of these financial assets and liabilities. The interest rate on non-current liabilities to financial institutions is considered not to be significantly different from what the Group could achieve as of 31

December 2020, and as such the carrying amount is considered not to be significantly different from the fair value. The discount rate applied to the calculation of amortized cost for non-current license liabilities is considered not to be significantly different from the market cost of capital as of 31 December 2020, and as such the carrying amount is considered not to be significantly different from the fair value.

Note 13 – Paid in equity and shareholders

<i>(in NOK '1000, number of shares in actual figures)</i>	Number of shares	Share capital	Share premium reserve	Total paid in equity
As of 1 January 2019	10 867 673	10 868	110 480	121 348
Share capital issues	1 000 000	1 000	11 141	12 141
De-merger of Observe Medical ASA		-3 086	-55 584	-58 670
As of 31 December 2019	11 867 673	8 782	66 037	74 819
As of 1 January 2020	11 867 673	8 782	66 037	74 819
Correction opening balance			23 659	23 659
Share capital issues	3 424 212	2 534	57 914	60 447
As of 31 December 2020	15 291 885	11 316	147 610	158 926

Each share has a nominal value of NOK 0,74 kr (1,00 kr as of 1 January 2019).

Largest shareholders as of 31 December 2020

Shareholder	Number of shares	Share of capital	Share of votes
INGERØ REITEN INV. COMPANY AS	3 563 042	23,3 %	23,3 %
TOPRIDGE PHARMA LTD	1 420 922	9,3 %	9,3 %
J.P. Morgan Bank Luxembourg S.A.	1 235 801	8,1 %	8,1 %
LARS RO	1 174 998	7,7 %	7,7 %
SOLEGLAD INVEST AS	666 668	4,4 %	4,4 %
TRANBERGKOLLEN INVEST AS	525 000	3,4 %	3,4 %
LEIKERANE AS	500 000	3,3 %	3,3 %
J.P. Morgan Bank Luxembourg S.A.	489 522	3,2 %	3,2 %
ARTAL AS	447 551	2,9 %	2,9 %
Danske Invest Norge Vekst	320 861	2,1 %	2,1 %
ALPINE CAPITAL AS	250 000	1,6 %	1,6 %
COSIMO AS	216 500	1,4 %	1,4 %
KRAEBER Verwaltung GMBH	214 850	1,4 %	1,4 %
LARS HJARRAND	185 882	1,2 %	1,2 %
HARDING INVEST AS	172 188	1,1 %	1,1 %
BUKKEVIK INVESTERING AS	160 000	1,0 %	1,0 %
Other shareholders	3 748 100	24,5 %	24,5 %
Total	15 291 885	100 %	100 %

Ingerø Reiten Inv. Company AS is represented on the Board by Terje Bakken and Narve Reiten. Topridge Pharma LTD is represented on the Board by Cheng Lu. Navamedic distributes the pharmaceutical product Imdur for Topridge Pharma.

Shares owned by the board and executive personnel in Navamedic ASA as at 31 December 2020

Name	Role	Number of shares	Comment
Terje Bakken	Chairman of the Board	3 563 042	Through Ingerø Reiten Inv. Company AS
Narve Reiten	Board Member	3 563 042	Through Ingerø Reiten Inv. Company AS
Kathrine Gamborg Andreassen	CEO	666 668	Through Soleglad Invest AS
Lars Hjarrand	CFO	185 882	
Ole Henrik Eriksen	COO	500 000	Through Leikerane AS
Astrid T Bratvedt	CSO	525 000	Through Tranbergkollen Invest AS
Astrid T Bratvedt	CSO	2 000	

Shares owned by the board and executive personnel in Navamedic ASA as at 31 December 2019

Name	Role	Number of shares	Comment
Narve Reiten	Board Member	2 916 667	Through Ingerø Reiten Inv. Company AS
Kathrine Gamborg Andreassen	CEO	416 668	Through Soleglad Invest
Lars Hjarrand	CFO	132 882	
Ole Henrik Eriksen	COO	416 666	Through Leikerane AS
Astrid T Bratvedt	CSO	416 666	Through Tranbergkollen Invest AS
Astrid T Bratvedt	CSO	2 000	
Per Anders Elvertro	Head of Regulatory	30 000	

Note 14 – Trade accounts payable and other current liabilities

Due date profile trade accounts payable

<i>(in NOK '1000)</i>	2020	2019
Not due	20 690	17 138
0-3 months	8 921	9 508
> 3 months	37 348	16 058
Total trade accounts payable	66 960	42 704

Other current liabilities

<i>(in NOK '1000)</i>	2020	2019
Accrued salaries and public duties	13 882	6 529
Accrued expenses and other current liabilities	3 968	13 566
Total other current liabilities	17 850	20 095

Note 15 – Other operating expenses

<i>(in NOK '1000)</i>	2020	2019
Consulting, legal and audit fees	12 991	17 200
Travel expenses	1 572	2 277
Insurance	547	528
IR expenses	1 811	237
Marketing, freight, and commissions	15 065	4 572
Other expenses (incl. control and regulatory fees)	7 045	5 884
Total other operating expenses	39 031	30 696

Auditor expense recognised

<i>(in NOK '1000)</i>	2020	2019
Statutory audit	2 072	1 706
Tax advice	0	105
Attestation services	0	173
Other assurance services	779	84
Due Dilligence	0	2 924
Total auditor expense recognised	2 851	4 992

Note 16 – Payroll expenses

<i>(in NOK '1000)</i>	2020	2019
Salaries	21 676	19 429
Employer's National insurance contributions	4 137	3 669
Share options for employees	2 166	880
Pension expenses – defined-contribution scheme	2 714	1 713
Other payroll expenses	1 870	7 673
Total payroll expenses	32 563	33 363
Number of FTEs	26	24

Remuneration executive personell 2020

<i>(in NOK '1000)</i>	Salary	Bonus	Pension expenses	Other remuneration	Other payroll expenses	Total
Kathrine Gamborg Andreassen, CEO	2 142	1 050	108	912		4 211
Lars Hjarrand, CFO	1 562		117	101		1 779
Total remuneration executive personell 2020	3 704	1 050	225	1 012	0	5 991

Remuneration executive personell 2019

<i>(in NOK '1000)</i>	Salary	Bonus	Pension expenses	Other remuneration	Other payroll expenses	Total
Kathrine Gamborg Andreassen, CEO	1 898		111	425		2 434
Lars Hjarrand, CFO (09.12 - 31.12)	142		9	8		159
Toril Marie Ås, CFO (01.01 - 09.12)	1 507	75	220	199	2 200	4 201
Total remuneration executive personell 2019	3 547	75	340	632	2 200	6 794

Lars Hjarrand joined Navamedic as CFO on 9 December 2019, replacing Toril Marie Ås.

Executive personell is defined as being chief executive officer (CEO) and chief financial officer (CFO).

No loans were issued and no assets were pledged to the benefit of employees, shareholders or board members in 2020 or 2019.

Board fees paid

<i>(in NOK '1000)</i>	2020	2019
Terje Bakken	400	221
Narve Reiten	205	66
Jostein Davidsen	175	120
Inger Johanne Solhaug	205	66
Cheng Lu	175	53
Kathrine Gamborg Andreassen		268
Rikard Storvestre		64
Svein Erik Nicolaysen		80
Total board fees paid	1 160	938

Share-based remuneration

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

Share options held by key management personnel

	Quantity at 31.12.2020	Quantity at 31.12.2019
Kathrine Gamborg Andreassen, CEO	105 000	250 000
Lars Hjarrand, CFO	150 000	75 000
Total	255 000	325 000

Statement on the stipulation of salaries and other remuneration for the CEO and other executive personnel

Pursuant to Section 6-16a of the Norwegian Public Limited Liability Companies Act, the board of Navamedic has prepared a statement on the stipulation of salaries and other remuneration for the CEO and executive personnel.

All pay and remuneration in the group are based on the gross pay principle, meaning that any tax consequences of remuneration individuals receive are not the concern of the group.

The main principle in Navamedic's executive pay policy is that executive personnel will be offered competitive terms and conditions. The group aims to offer a level of pay that reflects an average pay level in small pharmaceutical companies in the Nordic region.

As a guideline, executive personnel can be awarded remuneration in addition to their basic salary (bonus), but this is limited to 50% of the annual salary and linked to the achievement of specific targets, and at the same time such that total compensation is within the average. Any bonuses to the CEO must be determined by the board.

Executive personnel can only be awarded options for the acquisition of/subscription to shares in the company.

The company offers defined contribution based pensions to all employees. Some executive personal has been awarded share options. See note 16.

The CEO and CFO are subject to notice periods of 6 months. The CEO has a termination payment agreement of 12 months.

Note 17 – Financial income and expenses

Financial income

<i>(in NOK '1000)</i>	2020	2019
Interest income	2 518	10
Other financial income	328	321
Total financial income	2 846	331

Financial expenses

<i>(in NOK '1000)</i>	2020	2019
Interest expenses	2 705	1 775
Other financial expenses	1 139	667
Total financial expenses	3 844	2 442

Net currency gain/losses

<i>(in NOK '1000)</i>	2020	2019
Currency gains	20 142	1 067
Currency losses	-26 287	-3 647
Total net currency gain/losses	-6 144	-2 580

Note 18 – Shares in associated companies

<i>(in NOK '1000)</i>	Observe Medical ASA
Carrying amount as of 1 January 2019	0
Addition through de-merger of subsidiary	16 000
Share of net income (loss)	-700
Carrying amount as of 31 December 2019	15 300
Carrying amount as of 1 January 2020	15 300
Share capital issue	11 250
Share of net income (loss)	-4 528
Carrying amount as of 31 December 2020	22 022

At 31 December 2020 Navamedic ASA held 21,54% of the shares in Observe Medical ASA. The share of net income (loss) is based on reported figures for the period Q1-Q3, and an estimate of net income (loss) for Q4.

At 31 December 2020 the observed share price of the listed company Observe Medical ASA was NOK 13.85, indicating a value of NOK 58,5 mill for Navamedic ASA's investment in the company.

Observe Medical ASA financials

<i>(in NOK '1000)</i>	2020	2019
Operating revenue	2 961	177
Gross result	986	-460
Operating expenses	-25 910	-11 041
Depreciation and amortization	-3 163	-4 285
Operating result (EBIT)	-28 087	-15 787
Net financial items	-8 782	-1 131
Tax expense	0	0
Total comprehensive income (loss)	-35 737	-18 281
Total non-current assets	57 936	51 670
Total current assets	29 797	3 663
Total assets	87 733	55 333
Total equity	20 349	14 542
Total non-current liabilities	57 449	37 889
Total current liabilities	9 935	2 902
Total liabilities	67 384	40 791
Total equity and liabilities	87 733	55 333

Loan to Observe Medical ASA

The group has an outstanding loan of TNOK 34 821 at 31 December 2020 (TNOK 25 565 at 31 December 2019).

Subsequent to the demerger of Observe Medical ASA in 2019, Navamedic ASA (as lender) entered into a loan agreement with Observe Medical ASA (as the borrower) for a loan of an aggregate amount of TNOK 32 000. The loan was structured as a bullet loan, with repayment of the entire loan at the maturity date.

The loan agreement consists of the two following facilities:

- A subordinated convertible term loan facility in the amount of TNOK 19 000 ; and
- A subordinated convertible term loan facility in the maximum amount of TNOK 13 000.

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

The Facility A was made available to Observe Medical on the completion date of the demerger, while the Liquidity Facility of TNOK 13 000 was drawn on up until August 2020. Subsequent to August 2020, the loan is fully drawn. Each loan given under the facilities accrue interest at a fixed interest rate of 8.00% per annum.

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

Additionally, Navamedic ASA has the right to, following the date falling 12 months after the completion date of the demerger, 31 October 2020, request that all, but not parts of, the loan outstanding is converted into Shares. Following the disbursement of a written notice to Observe Medical ASA by the Company informing about an exercise of the conversion right, Observe Medical has the optionality to either (1) accept the conversion right or (2) reject such conversion right by settling the loans in full in cash or settling parts of any loans in cash and the remainder through conversion.

The subscription price in a conversion shall be equal to the volume weighted average share price of Observe Medical ASA's shares on the Oslo Axess for the last ten days prior to the conversion date, but in no event be less than the nominal value of each share.

The conversion right attached to the loan to Observe Medical ASA is considered to be an embedded derivative within the scope of IFRS 9. However, since the subscription price in the conversion right is linked to the observed share price, this embedded derivative is considered to be of little or no value.

Note 19 – Cash and cash equivalents

<i>(in NOK '1000)</i>	2020	2019
Cash and cash equivalents	38 797	10 693
Restricted funds	788	746
Total cash and cash equivalents	39 584	11 439

Restricted funds consist of tax deduction and other restricted deposit accounts.

Note 20 – Interest-bearing liabilities to financial institutions

Non-current interest-bearing liabilities to financial institutions

	2020	2019
Total non current interest-bearing liabilities, nominal value (TNOK)	20 870	16 092
Average interest rate, including margin	6,5 %	6,5 %
Average remaining duration	1,75 years	2,75 years

Non-current interest-bearing liabilities consisted of one loan with Avida Finance AB in SEK both in 2020 and 2019. Interest is paid monthly, and the loan falls due in its entirety in september 2022. The loan has a covenant that the outstanding balance should not exceed 50% of the inventory. Due to a temporary out of stock situation of one of the Group's key products, the inventory level was temporarily lower than normal and over the 50% balance as of 31 December 2019.

Current interest-bearing liabilities to financial institutions

	2020	2019
Total non current interest-bearing liabilities, nominal value (TNOK)		7 513
Average interest rate, including margin		6,5 %
Average remaining duration		0,75 years

Current interest-bearing liabilities consisted of a short-term loan with Avida Finance AB. The loan fell due in its entirety in September 2020.

Changes in total interest-bearing liabilities to financial institutions

<i>(in NOK '1000)</i>	2020	2019
At 1 January	23 605	32 600
Cash flow	-5 251	-8 995
Non-cash changes	2 516	
At 31 December	20 870	23 605

Note 21 – License liabilities

<i>(in NOK '1000)</i>	2020	2019
Total carrying amount non-current license liabilities	3 343	9 568
Total carrying amount current license liabilities	16 500	8 831
Total carrying amount license liabilities	19 844	18 399
Total undiscounted amount non-current license liabilities	25 087	23 740
Average discount rate amortized cost calculation	2,5 %	2,5 %

Non-current license liabilities consist of the discounted cash flows from product licensing agreements with long-term payment plans. Current license liabilities consist of the short-term part (due in less than 1 year) of the discounted cash flows from product licensing agreements.

Expected undiscounted cash flows from license liabilities

<i>(in NOK '1000)</i>	2020	2019
Year 1	16 690	4 446
Year 2	2 869	11 383
Year 3-5	5 528	7 911
After year 5	0	0
Total expected undiscounted cash flows from license liabilities	25 087	23 740

The discount rate applied to the amortized cost calculations equals the effective interest rate for each agreement. For interest free agreements the estimated cost of debt that the Group could achieve on loans with similar maturity and security is applied.

Note 22 – Contingent assets and liabilities

The group has no outstanding contingent asset or liabilities as at 31 December 2020 and 2019, respectively.

Note 23 – Options

Key management personnel in Navamedic ASA receive parts of their salary as share-based remuneration (see note 16).

Total costs related to options

<i>(in NOK '1000)</i>	2020	2019
Total option cost	2 166	880
Total social security provision	-318	570
Total costs related to options	1 847	1 450

Reconciliation outstanding options

	Number of instruments	Weighted average strike price
Outstanding options 1 January 2019	61 875	6,96
Granted	475 000	9,76
Total outstanding options 31 December 2019	536 875	9,44
Outstanding options 1 January 2020	536 875	9,44
Granted	510 000	19,00
Exercised	-446 875	8,68
Terminated	-15 000	6,96
Total outstanding options 31 December 2020	585 000	18,42

Granted options

	2020	2019
Number of options granted	510 000	475 000
Weighted average strike price	19,00	9,76
Weighted average share price at grant time	18,89	17,07
Estimated weighted average fair value at grant time	7,72	3,03
Simulation model	Monte carlo	Monte carlo
Estimated volatility	62,8 %	55 %
Interest rate	0,265 %	1,3 %
Expected dividend	0	0

Outstanding options 31 December 2019

	Number of options	Of which vested	Weighted Average remaining contractual life (years)
Strike price 6,96	61 875		1,43
Strike price 8,88	275 000	275 000	2,87
Strike price 8,88	125 000	125 000	0,25
Strike price 14,46	75 000		3,50
Total outstanding options 31 December 2019	536 875	400 000	

Outstanding options 31 December 2020

	Number of options	Of which vested	Weighted Average remaining contractual life (years)
Strike price 14,46	75 000	25 000	2,50
Strike price 19,00	510 000		3,46
Total outstanding options 31 December 2020	585 000	25 000	

The options with strike price 6,96 outstanding at 31 December 2019 vested in 2020. The 125 000 options with strike price 8,88 outstanding at 31 December 2019 vested immediately at grant date. The 275 000 options with strike price 8,8 at 31 December 2019 and all the options granted in 2020 vest 1/3 every 12 months after the grant date (if the option holder is still employed). Options that have not been exercised will lapse 4 years after grant date.

Shares received from exercised options are subject to a lock-up period of 12 months, with the exception of the 125 000 options with strike price of 8,88 granted in 2019, which are subject to a lock-up period of 24 months. The lock-up obligations shall not prevent the option holders from selling an amount of the option shares necessary to finance the exercise price, as well as the tax payable as a consequence of the exercise of options.

Note 24 – Earnings per share

(in NOK '1000)

	2020	2019
Net profit / loss (-) continuing operations	-16 460	-16 297
Net profit / loss (-) total operations	-16 460	27 935
Weighted average shares issued	14 461 612	11 706 029
Ordinary earnings per share continuing operations	-1,14	-1,39
Ordinary earnings per share total operations	-1,14	2,39

Diluted earnings per share

Diluted earnings per share equals ordinary earnings per share both in 2020 and 2019, since net profit /loss from continuing operations is negative, and additional issue of shares would increase earnings per share. There are 585 000 antidilutive potential ordinary shares outstanding through share options at 31 December 2020 (536 875 at 31 December 2019).

Note 25 – Transactions with related parties

TopRidge Pharma Limited, which owns 1 420 522 shares in Navamedic ASA, has one board member and is also a supplier to Navamedic. The Group purchased goods from TopRidge worth TSEK 41 847 in 2020 and TSEK 44 197 in 2019.

Novicus Pharma AS, which was acquired in February 2019, was partially owned by current CEO, Kathrine G. Andreassen.

Note 26 – Tax expense and deferred tax

<i>(in NOK '1000)</i>	2020	2019
Profit before tax continuing operations	-16 596	-15 477
Tax expense		
Tax payable	455	0
Reversed tax provision	-665	0
Change in deferred tax	74	820
Total tax expense	-136	820
Effective tax rate	0,82 %	-5,30 %

Tax payable 2020	Norwegian entities	Navamedic AB				Total
		Norwegian branch	Swedish entity	Danish branch	Finnish branch	
Profit before tax (not consolidated)	-17 394	10 006	5 119	289	-478	-2 457
Permanent differences	23		30			53
Changes in temporary differences	-839					-839
Deficit carried forward applied			-3 209			-3 209
Total basis for tax payable	-18 210	10 006	1 941	289	-478	-6 451
Tax payable Norway, 22%		2 201				2 201
Tax payable Sweden, 21.4%			415			415
Tax payable Sweden reversed tax provision			-2 265			-2 265
Tax payable branches reclaimable Sweden						
Tax payable Denmark, 22%				64		64
Tax payable Finland, 20%						
Tax payable Finland, other					40	40
Total tax payable	0	2 201	-1 849	64	40	455

Tax payable 2019	Navamedic AB				Total
	Norwegian entity	Swedish entity	Danish branch	Finnish branch	
Profit before tax (not consolidated)	-10 073	-3 039	246	1 802	-11 064
Permanent differences	39	120			159
Changes in temporary differences					0
Deficit carried forward applied					0
Total basis for tax payable	-10 033	-2 919	246	1 802	-10 905
Tax payable Norway, 22%					
Tax payable Sweden, 21.4%					
Tax payable Sweden reversed tax provision					
Tax payable branches reclaimable Sweden		-390			-390
Tax payable Denmark, 22%			54		54
Tax payable Finland, 20%				360	360
Tax payable Finland, other				-25	-25
Total tax payable	0	-390	54	335	0

Deferred tax 2020	Navamedic AB				Total
	Norwegian entities	Norwegian branch	Swedish entity	Danish branch	
Intangible assets	-1 452				-1 452
Outstanding receivables	0				0
Provisions for liabilities	17 890				17 890
Tax losses carried forward	50 564				50 564
Total temporary differences	67 001				67 001
Temporary differences not capitalised	-25 327				-25 327
Total net temporary differences	41 674				41 674
Tax rate	22 %				
Net deferred tax assets (-)/ deferred tax (+)	9 168				9 168

Deferred tax 2019	Navamedic AB				Total
	Norwegian entities	Swedish entity	Danish branch	Finnish branch	
Intangible assets	246				246
Outstanding receivables					0
Provisions for liabilities	-19 185				-19 185
Tax losses carried forward	-32 550	-2 919			-35 469
Total temporary differences	-51 489	-2 919			-54 409
Temporary differences not capitalised	9 481	2 919			12 400
Total net temporary differences	-42 009	0			-42 009
Tax rate	22 %	21,4 %			
Net deferred tax assets (-)/ deferred tax (+)	-9 242	0			-9 242

Deferred tax assets from tax losses carried forward are recognized to the extent that convincing evidence exists that taxable profits will become available. The group's tax assets at 31 December 2020 are related to its Norwegian entities.

There are no time limits relating to the utilization of the tax losses carried forward.

Tax payable

<i>(in NOK '1000)</i>	2020	2019
Carrying amount tax payable 1 January	1 092	2 064
Reversed tax provision tax provision	-665	
Tax payable excl. Reclaimable tax	2 680	
Taxes paid during the period	-239	-973
Translation differences	-72	
Carrying amount tax payable 31 December	2 795	1 092

In addition, tax receivables related to prepaid taxes and reclaimable tax within Navamedic AB amounting to TNOK 7 614 (TNOK 5 449) is recognized on the balance sheet.

Note 27 – Subsequent events

On 4 January 2021, the board resolved to settle the first tranche of the acquisition of marketing authorizations for a series of antibiotics products from ACS Dobfar and InfoRLife. Reference is made to Navamedic ASA's stock exchange announcement published on 4 August 2020. This first tranche of the purchase price in the amount of NOK 19 million was settled by issuance of 1,053,775 new shares to InfoRLife. The resolution to issue the 1,053,775 new shares entailed an increase of the Company's share capital of NOK 779,793.50. The share capital increase was registered with the Norwegian Register of Business Enterprises (Nw. Foretaksregisteret), on January 18, 2021.

Parent Company Navamedic ASA, annual financial statements 2020



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Income statement

<i>(in NOK '1000)</i>	Note	2020	2019
Operating revenues	9, 13	30 788	32 391
Total revenue		30 788	32 391
Payroll expenses	7, 13	18 891	20 896
Depreciation and impairment	15	637	782
Other operating expenses	3	20 083	19 666
Total operating expenses		39 611	41 345
Operating profit		-8 822	-8 954
Financial income	14	2 515	325
Other financial income	14	448	2 700
Financial expenses	13, 14	-4 590	-2 384
Other financial expenses	14	-6 834	-1 622
Net financial income and expenses	17	-8 461	-982
Profit before tax		-17 283	-9 936
Tax expense	6	0	0
Net profit after tax		-17 283	-9 936
Net profit after tax is allocated to:			
Other equity	1	-17 283	-9 936

Balance sheet

(in NOK '1000)

	Note	31.12.2020	31.12.2019
Assets			
Fixed assets			
Non-current assets			
Intangible assets			
Intangible assets	3	6 710	2 484
Deferred tax asset	6	9 168	9 168
Total intangible assets		15 878	11 652
Tangible assets			
Property, plant & equipment	3	152	35
Total tangible assets		152	35
Financial assets			
Investments in group companies	2	102 904	102 504
Investments in associated companies	2	27 250	16 000
Loan to group companies		34 821	25 565
Total financial assets		164 975	144 069
Total non-current assets		181 005	155 757
Current assets			
Receivables			
Trade receivables	4	291	482
Other short-term loans group companies	4	29 764	4 085
Other receivables	4	1 998	2 197
Total receivables		32 053	6 764
Bank deposits	5	5 566	1 728
Total current assets		37 619	8 491
Total assets		218 624	164 248

<i>(in NOK '1000)</i>	Note	31.12.2020	31.12.2019
Equity			
<i>Paid in equity</i>			
Share capital	1, 8	11 316	8 782
Share premium reserve	1	147 610	89 697
Total paid in equity		158 926	98 479
<i>Retained earnings</i>			
Retained earnings		-30 700	-10 817
Total retained earnings		-30 700	-10 817
Total equity		128 226	87 661
Liabilities			
<i>Non-current liabilities</i>			
Loan to group companies	4	63 458	46 425
Non-current licensing liabilities	16	1 955	8 154
Total non-current liabilities		65 413	54 579
<i>Current liabilities</i>			
Trade account payables	4	2 214	3 469
Unpaid public dues		1 166	1 082
Other short-term loans group companies	4	0	0
Current licensing liabilities	16	15 935	8 831
Other current liabilities	4	5 671	8 626
Total current liabilities		24 985	22 008
Total liabilities		90 399	76 587
Total equity and liabilities		218 624	164 248

Statement of cash flows

(in NOK '1000)

	2020	2019
Cash flow from operating activities		
Profit before tax	-17 283	-9 936
Depreciation and impairment	637	782
Changes in options	2 599	880
Interest and contingent consideration with no cash effect	829	-138
Change in trade receivables	191	-399
Change trade account payables	-1 255	2 656
Changes other current liabilities and receivables	-5 198	5 143
Net cash flow from operating activities	-19 479	-1 011
Cash flow from investing activities		
Changes tangible- and intangible assets	-4 980	-473
Investments in shares	-11 650	0
Net cash flow from investing activities	-16 630	-473
Cash flow from financing activities		
New equity	57 848	0
Net change loans to group companies	-17 901	1 802
Net cash flow from financing activities	39 947	1 802
Net change in cash	3 838	317
Cash and cash equivalents start period	1 728	1 410
Cash and cash equivalents end period	5 566	1 728

The Board of Directors and CEO of Navamedic ASA

Oslo, 28 April 2021



Terje Bakken (sign.)
Chair of the Board



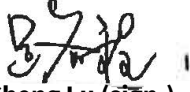
Jostein Davidsen (sign.)
Board member



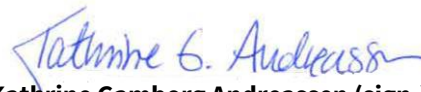
Inger Johanne Solhaug (sign.)
Board member



Narve Reiten (sign.)
Board member



Cheng Lu (sign.)
Board member



Kathrine Gamborg Andreassen (sign.)
CEO

Explanatory notes to the annual financial statements 2020



Summary of significant accounting policies

The annual financial statements have been prepared in accordance with the Accounting Act and good accounting practice.

Sales revenue

Revenue is measured at the fair value of the remuneration, net after deductions for discounts, returns, and VAT. Revenue is recognised through profit or loss when it can be reliably measured and it is likely that the financial benefits will flow to the company. Estimates related to revenue recognition are based on history and assessments of the type of customer and transaction, as well as the specific circumstances surrounding each transaction.

The company has an agreement on royalties from its subsidiary Navamedic AB. The company holds the rights to various products that are resold by the subsidiary and thereby earns royalties. The royalties are based on actual sales in Navamedic AB. The company also charges subsidiaries for services relating to sales management, marketing and regulatory management, as well as financial and accounting management.

Subsidiaries

In Navamedic ASA's annual financial statements, subsidiaries are measured using the cost method less any impairment.

Classification and measurement of balance sheet items

Current assets and current liabilities include balance sheet items that fall due for payment within one year of the balance sheet date and are associated with the with the daily business operations. Other items are classified as tangible and intangible fixed assets or non-current liabilities. Current assets are measured at the lower of acquisition cost and fair value. Current liabilities are recognised at nominal amount at the time of initial recognition. Fixed assets are measured at acquisition cost but are written down to fair value if the impairment is not expected to be temporary. Non-current liabilities are initially recognised at nominal amount.

Receivables

Trade receivables are recorded on the balance sheet at their nominal amount less deductions for provisions for expected losses. Provisions for expected losses are made on the basis of an individual assessment of each receivable

Other receivables are subject to a corresponding assessment.

Currency

Monetary items in foreign currency are measured using the exchange rate at the end of the accounting year.

Pension scheme

The company has a defined-contribution pension plan. The cost of the plan is recognised through profit or loss when the liability occurs.

Financial risk management

For further information about financial risk management please refer to note 3 to the consolidated financial statements.

Share-based remuneration

The company has the option of awarding share-based remuneration to some executive personnel. The total amount that must be recognised as an expense over the qualifying period is calculated on the basis of the fair value of the awarded options.

Intangible assets

Licenses (product rights) and marketing authorisations

Navamedic holds rights to market and sell specific products in defined geographical areas. Investments related to such licenses are amortised on a straight-line basis over their expected useful economic life, which typically range between five to ten years.

Navamedic further distributes a number of products through wholesalers on behalf of rights holders. Investments related to obtaining such marketing authorisations are amortised on a straight-line basis over their expected useful economic life, which typically range between five to ten years. For products that are under registration, the amortisation of the cost of acquisition commences upon launch and is amortised over the period of the agreement.

Other intangible assets

Navamedic invests in information technology assets intended to products and marketing. Furthermore, investments in licences and marketing authorisations where the products in question have not yet been launched due to regulatory or other reasons, are classified as other intangible assets until launch.

Contingent liabilities

Contingent liabilities are recognised if it is more than 50% likely that a settlement will be forthcoming. The value of the settlement is based on a best estimate. Contingent consideration linked to future settlement clauses in the Observe Medical acquisition is deemed to be an uncertain liability and not a conditional liability. The best estimate of the settlement amount is updated on each balance sheet date and the change is recognised through profit or loss.

Use of estimates

Preparing financial statements in accordance with good accounting practice requires the management team to produce estimates and assumptions that affect the recorded assets, liabilities, revenue and expenses, as well as explanatory notes concerning contingent assets and liabilities. The actual results may differ from these estimates and assumptions.

Tax

The parent company's tax expense for 2020 is calculated on the basis of 22%. The tax expense in the income statement covers both the period's tax payable and the change in deferred tax. Deferred tax is calculated on the basis of the temporary differences that exist between accounting values and tax values, as well as the tax loss carried forward at the end of the accounting year. Tax increasing and tax reducing temporary differences that are

reversed or may be reversed in the same period are offset and recorded net. The deferred tax asset is recorded after taking into account future revenue in the company.

Cash flow statement

The cash flow statement is prepared using the indirect method. Cash and cash equivalents consist of bank deposits.

Note 1 – Equity

<i>(in NOK '1000)</i>	Share capital	Share premium reserve	Retained earnings	Total
Balance as at 1 January 2020	8 782	89 338	-10 459	87 661
Share issues	2 534	58 272		60 806
Options			-2 958	-2 958
Net profit for the year			-17 283	-17 283
Balance as at 31 December 2020	11 316	147 610	-30 700	128 226

Note 2 – Shares

Investments in group companies:	Acquired	Ownership/voting rights
Navamedic AS - Denmark	25.09.13	100 %
Navamedic AB - Sweden	04.10.07	100 %
Novicus Pharma AS - Norway	27.02.19	100 %
	Book value	
Navamedic AS	540	
Novicus Pharma AS	12 900	
Navamedic AB	89 464	
Total investments in group companies	102 904	

Note 3 – Intangible assets and tangible assets

<i>(in NOK '1000)</i>	Licenses	Trademarks	Other intangible assets	Total
Accumulated cost 1 Jan 2019	16 939	17 121	420	34 481
Year's additions	0	0	0	0
Accumulated cost 31 Dec 2019	16 939	17 121	420	34 481
Accumulated amortisation pr 01.01	-14 489	-16 743	0	-31 232
Year's depreciation and amortisation	-483	-282	0	-765
Accumulated amortisation pr 31.12	-14 972	-17 025	0	-31 997
Carrying value 31 Dec 2019	1 967	97	420	2 484
Accumulated cost 1 Jan 2020	16 939	17 121	420	34 481
Year's additions	0	0	4 822	4 822
Accumulated cost 31 Dec 2020	16 939	17 121	5 243	39 303
Accumulated amortisation pr 01.01	-14 972	-17 025	0	-31 997
Year's depreciation and amortisation	-483	-48	-65	-597
Accumulated amortisation pr 31.12	-15 455	-17 073	-65	-32 594
Carrying value 31 Dec 2020	1 484	48	5 178	6 710
Depreciation period	5-10 years	5-10 years	5-10 years	

<i>(in NOK '1000)</i>	Tangible assets	Total
Accumulated cost 1 Jan 2019	136	136
Year's additions	0	0
Accumulated cost 31 Dec 2019	136	136
Accumulated amortisation pr 01.01	-101	-101
Year's depreciation and amortisation	0	0
Accumulated amortisation pr 31.12	-101	-101
Carrying value 31 December 2019	35	35
Accumulated cost 1 Jan 2020	136	136
Year's additions	158	158
Accumulated cost 31 Dec 2020	294	294
Accumulated amortisation pr 01.01	-101	-101
Year's depreciation and amortisation	-41	-41
Accumulated amortisation pr 31.12	-141	-141
Carrying value 31 December 2020	152	152
Depreciation period	3 years	

Note 4 – Receivables, liabilities and intra-group balances

<i>(in NOK '1000)</i>	2020	2019
Debts to companies in the same group	63 458	46 425
Total	63 458	46 425

Loans between group companies interest-rate equivalent to 7% annual interest rate.

In 2019 and 2020 the companies have transactions related to invoicing of administrative costs, royalties and interest on loans. See note 13.

Short-term receivables consist of:

<i>(in NOK '1000)</i>	2020	2019
VAT etc	705	1 222
Trade receivables	291	482
Loan group companies	29 764	4 085
Other receivables	1 293	972
Total	32 053	6 762

Accounts payable:

<i>(in NOK '1000)</i>	2020	2019
Accounts payable	2 214	3 469
Total	2 214	3 469

Note 5 – Bank deposits, overdrafts etc.

<i>(in NOK '1000)</i>	2020	2019
Bank deposits	5 566	1 728
Total	5 566	1 728

Of the parent company's means of payment as at 31 December 2020, NOK 782 066 (NOK 745 812 as at 31 December 2019) was distributable tax withholdings for employees.

Note 6 – Income tax

(in NOK '1000)

	2020	2019
Total tax expense is divided into;		
Changes in deferred tax assets	0	0
Total taxes	0	0

(in NOK '1000)

	2020	2019
Calculation of this year's tax base;		
Net profit for the year	-17 283	-9 936
Permanent differences	23	39
Changes in temporary differences	-839	2 436
Deficit carried forward	0	1
This year's tax base	-18 099	-7 459
Tax payable, 22%	0	0

(in NOK '1000)

	2020	2019
Overview of temporary differences;		
Intangible assets	205	246
Outstanding receivables	0	0
Allowances for liabilities	-17 890	-19 185
Deficit carried forward	-50 093	-32 215
Total temporary differences	-67 778	-51 155
Capitalised deferred tax asset (22% / 22%)	-14 911	-11 254
Deferred tax that are not capitalised	5 743	2 086
Deferred tax asset	-9 168	-9 168

The deferred tax asset is NOK 9,168,341, as the parent company expects to be able to utilize this tax asset in the future.

(in NOK '1000)

	2020	2019
Explanation of why this year's tax expense does not constitute 22% of profit before tax:		
Tax on result for the year	-3 802	-2 186
Permanent differences	5	9
Effect deferred tax that are not capitalised	3 797	2 177
Effect on deferred tax due to changes in tax rate	0	0
Calculated tax	0	0

Note 7 – Employee benefits

The Managing Director and Board of Navamedic ASA correspond to the CEO and the corporate Executive committee. Information about remuneration for the board and executive personnel can be found in note 16 to the consolidated financial statements.

<i>(in NOK '1000)</i>	2020	2019
Salaries	11 538	11 136
Remuneration of board members	1 230	997
Employer's NI contributions	2 786	1 897
Pension expenses	1 271	423
Other payroll expenses*	2 066	6 443
Total	18 891	20 896
Number of FTEs	13	10

The company is obliged to have an occupational pension scheme for the company's employees. The company has established an occupational pension scheme that satisfies the requirements of the law. The scheme comprises 10 employees and an annual premium is expensed with NOK 1 271 043.

Remuneration for auditor specified as follows:

<i>(in NOK '1000)</i>	2020	2019
Statutory audit	2 045	1 048
Tax advice	0	105
Certification services	38	173
Assistance other than auditing	0	84
Due Dilligence	0	2 924
Total	2 083	4 334

Note 8 – Share capital and shareholder information

Share capital

	Quantity	Nominal	Book value
A-shares	15 291 885	0,74	11 315 995

Overview of the largest shareholders as of 31.12.2020 and shares owned by the Board of Directors and senior executives in Navamedic ASA see note 13 in the consolidated financial statements.

Note 9 – Sales revenue

Geographical distribution:

<i>(in NOK '1000)</i>	2020	2019
Nordic countries	32 391	24 465
Other EU/EEC	0	0
Total	32 391	24 465

Note 10 – Other operating expenses

Other operating expenses consist of:

<i>(in NOK '1000)</i>	2020	2019
Rent, etc.	1 111	799
Misc. rent/maintenance, etc.	183	347
Misc. fees	11 126	12 991
Travel expenses	797	1 664
Insurance	523	437
Oslo Stock Exchange	848	237
Regulatory	788	533
Other expenses	4 707	2 659
Losses on claims	0	0
Total other operating expenses	20 083	19 666

Note 11 – Claims and contingent liabilities

Navamedic ASA is not a party to any ongoing legal proceedings or disputes, and has no contingent liabilities.

Note 12 – Transactions with related parties

The following internal transactions between the parent company and subsidiaries took place in the accounting year (figures in NOK thousands):

Company:	Transaction:	Nature:	2020	2019
Navamedic ASA	Sales from parent to subsidiary	Royalty	4 104	2 770
Navamedic ASA	Sales from parent to subsidiary	Service fee	25 660	29 270
Navamedic ASA	Cost reduction from parent to subsidiary	Adm.expenses	156	55
Navamedic AB	Sales from subsidiary to parent company	Interest	4 034	507

Note 13 – Financial items

Financial income

<i>(in NOK '1000)</i>	2020	2019
Interest income – financial institutions	0	0
Other interest income	3	0
Other financial income	0	0
Changes contingent consideration	0	2
Foreign exchange gains	0	1
Total financial income	3	3

Financial expenses

<i>(in NOK '1000)</i>	2020	2019
IC interest expenses	4	1
Interest expenses	0	0
Other financial expenses	1	3
Foreign exchange losses	7	1
Total financial expenses	11	4

Note 14 – Other financial liabilities

Licensing agreements have been capitalised that give Navamedic exclusive rights to market a number of products within a defined geographical area for a number of years. The carrying value of intangible asset associated with these agreements can be found in note 3.

Note 15 – Subsequent events

On 4 January 2021, the board resolved to settle the first tranche of the acquisition of marketing authorizations for a series of antibiotics products from ACS Dobfar and InfoRLife. Reference is made to Navamedic ASA's stock exchange announcement published on 4 August 2020. This first tranche of the purchase price in the amount of NOK 19 million was settled by issuance of 1,053,775 new shares to InfoRLife. The resolution to issue the 1,053,775 new shares entailed an increase of the Company's share capital of NOK 779,793.50. The share capital increase was registered with the Norwegian Register of Business Enterprises (Nw. Foretaksregisteret), on January 18, 2021.

Statement from the board and CEO

The board and CEO have on this date considered and approved the director's report and financial statements for the Navamedic Group and its parent company Navamedic ASA for 2019. The board has based this statement on reports and statements from the chair of the board and CEO, the results of the group's operations and on other information that is material in assessing the group's position and was provided to the board of the parent company. To the best of our knowledge, confirm:

That the consolidated financial statements for 2020 have been prepared in compliance with the IFRS as established by the EU, with the requirements for additional disclosures stipulated in the Norwegian Accounting Act.

That the annual financial statements for the parent company for 2020 have been prepared in compliance with the Accounting Act and with good accounting practice in Norway.

The information in the financial statements provides a true and fair representation of the assets, liabilities, results and overall financial positions of the Navamedic Group and Navamedic ASA as at 31 December 2019.

That the director's 2020 report provides a true and fair overview of the performance, operating results and financial positions of the group and the company, as well as the key factors regarding risk and uncertainty currently facing the group and the company.

The Board of Directors and CEO of Navamedic ASA

Oslo, 28 April 2021



Terje Bakken (sign.)
Chair of the Board



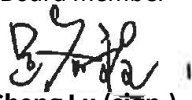
Jostein Davidsen (sign.)
Board member



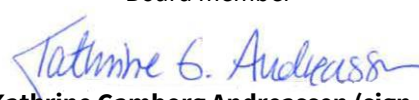
Inger Johanne Solhaug (sign.)
Board member



Narve Reiten (sign.)
Board member



Cheng Lu (sign.)
Board member



Kathrine Gamborg Andreassen (sign.)
CEO

Auditor's report





Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Navamedic ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Navamedic ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the income statement, statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the statement of financial position as at 31 December 2020, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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



Impairment assessment of goodwill

At 31 December 2020, goodwill amounted to NOK 64,4 million.

To test goodwill for impairment, management compares the carrying value of the relevant identifiable cash-generating unit ("CGU") to which goodwill has been allocated, with the recoverable amount based on estimated discounted cash flow forecasts. Estimating the value in use requires management judgement, including estimates of futures sales, growth rates, gross margin, working capital, capital expenditures and discount rates. Management's assessment of the valuation of goodwill is a key audit matter because the size of the goodwill and the significant judgement involved in estimates used.

We tested management's assumptions used in the value in use calculations, this included comparing projected revenues, gross margin, working capital and capital expenditures to budgets, sales forecasts and contracts approved by the board. We discussed the current market situation and expectations about future growth with management. We assessed the historical accuracy by a comparison of previous years estimates versus actual results and we tested the mathematical accuracy of the valuation model.

We refer to disclosures in notes 4 and note 8 in the consolidated financial statements.

Assessment of recoverability of deferred tax assets

As of 31 December 2020, the group recognized NOK 9,1 million in deferred tax assets (NOK 9.1 million in parent company).

The value of deferred tax assets is related to tax loss carry-forward and long term provisions, and is depending on future profits generated from royalties on distribution rights and management fees of business service costs from Navamedic ASA to its subsidiary Navamedic International AB in Sweden. Recoverability of deferred tax assets is assessed based on estimates of future taxable profits and involves judgments. The recoverability of deferred tax assets is considered a key audit matter due to the high degree of judgments and estimates involved in evaluating convincing evidence that sufficient taxable profit will be available against which the unused tax losses and credits can be utilized by Navamedic.

We discussed with management and tested management assumptions for recognizing the deferred tax assets towards budgets, sales forecasts and contracts approved by the board. We evaluated the accuracy of forecasting by a comparison of previous years estimates versus actual results.

We refer to the Group's disclosures in notes 4 and 26 in the consolidated financial statements.

Other matters

The financial statements for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 April 2020.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial



Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation



precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 28 April 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Finn Espen Sellæg
State Authorised Public Accountant (Norway)

Alternative Performance Measures (APMs)

The following alternative performance measures are used in this report:

Gross profit is equal to operating revenues minus cost of materials.

Gross margin is gross profit as a percentage of operating revenue.

EBITDA margin is EBITDA as a percentage of operating revenue.

Equity ratio is the total equity as a percentage of total assets.



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