



Annual report 2021

Navamedic ASA

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Highlights for 2021

- Increased revenues by 32.7% to NOK 278.4 million (NOK 209.9 million) with an EBITDA of NOK 18.2 million (negative NOK 1.3 million) driven by accelerated growth for specialty pharma products and strong performance for the antibiotics portfolio.
- Gross margin improved to 40.1% (33.5%) due to favorable product mix and successful initiatives related to reduction in cost of goods sold throughout 2021.
- Strengthened the company's portfolio and offering across product categories. Obesity patient support program launched in Norway and extended exclusive distribution rights for Mysimba® in the Nordics.
- Continued strong performance for specialty pharma product Mysimba® and consumer health products ThermaCare® and Alflorex®. Launched new products to strengthen the medical nutrition and consumer health categories, and the company will launch new products in at least one country in each launch window going forward.
- In 2021, Navamedic has also continued to strengthen the core by driving underlying growth in the existing portfolio and continued our push for growth of key products in our markets. This will be key as Navamedic embark 2022 and continue to launch new products and continue to grow its existing portfolio.
- Navamedic has also increased focus on products in the gastro category, a largely underdeveloped product area in the Nordics. The main product in this category has been Alflorex, but the company recently announced the launch of Smectago® and Forlax®, which will strengthen Navamedic's position in the gastro product category.
- Going forward, Navamedic is targeting 20% annual growth with a mid-term ambition of building a 500 MNOK company through organic growth with a gross margin of 40% and an EBITDA margin of 15%.

REVENUE
278 MNOK
 + 32.7% YoY

Key figures

(in NOK '1000)

	2021	2020
Total revenue	278,439	209,877
Gross profit *	111,744	70,339
Operating profit before Depreciation and Amortization (EBITDA)	18,171	-1,267
Operating profit (EBIT)	11,455	-4,926
Profit before tax continuing operations	2,358	-16,596
Net profit / loss (-) continuing operations	618	-16,460
Net profit / loss (-) Total operations	618	-16,460
Total assets	330,179	260,038
Total equity	151,237	129,486
Gross margin (%) *	40.1 %	33.5 %
EBITDA margin (%) *	6.5 %	-0.6 %
Equity ratio (%) *	45.8 %	49.8 %

* Alternative performance measures (APMs)

Comment from the CEO

2021 has been an eventful year for Navamedic. We have continued to build on our solid foundation and strengthened the core by driving underlying growth in the existing portfolio. We have launched several new products and will continue to launch new products in at least one country in each launch window going forward. We will push for continued growth of the key products in our markets. We target 20% annual growth and have a mid-term ambition of building a 500 MNOK company through organic growth, with strong gross margins and underlying profitability. Yes, 2021 was solid, but the journey has just begun!

During the year, we have strengthened our position in the Nordic healthcare market. We have an ambitious growth strategy with a high-potential pipeline and M&A capabilities. As a reliable supplier of high-quality consumer health, medical nutrition, specialty pharma and branded generics products, delivered to hospitals and through pharmacies, we have seen increased demand for our portfolio of products. We seek to build on this momentum as we embark on 2022.

Even though 2021 was a good year for Navamedic, the COVID-19 pandemic continued to impact our societies and markets. Navamedic has monitored the situation closely and worked to limit effects on supply and demand. Furthermore, maintaining a safe and healthy working environment is critical to us, and the well-being of our employees and their families is our first priority. I am proud to see the effort our employees have shown during these difficult circumstances.

**“Yes, 2021 was solid,
but the journey has
just begun!”**

Key growth drivers both in terms of revenue and profits during 2021 continued to be specialty pharma, and the obesity product Mysimba® in particular. The specialty pharma portfolio grew 90% year-over-year. In 2021, Navamedic extended the exclusive distribution rights for Mysimba® in the Nordics, and we launched MyControl in Norway, an obesity patient support program over 16 weeks. The program was launched in Norway following a successful launch in Sweden in 2020.

At the same time, we continue to see good effect on our investments in the consumer health portfolio. We see gastro as an area of great future potential, and our product Alflorex® is a key growth driver. Nearly half of the population suffer from some gastro related problems each year, but only 20% of those suffering from such conditions seek treatment. Going forward, we aim to execute on our ambitious plans for new product launches in the Nordics, and early in 2022 we launched two new gastro related products, SmectaGO® and Forlax®.

Navamedic ended 2021 with a record-breaking fourth quarter. As we approach 2022, I am proud to say that we are following our strategy to build a leading Nordic pharma company. We have already launched new products, and we continue to expand our portfolio of quality products in growing key categories. We have a highly motivated and competent team, and we are executing on our pipeline of opportunities to increase and secure value through M&A. We are also happy to have engaged and committed shareholders, joining us on the next stage of our journey. I am certainly looking forward to the road ahead, as we seek to drive our business to the next level.



**Kathrine Gamborg
Andreassen**
Chief Executive Officer

Navamedic – a Nordic pharma company with high growth ambitions

As a Nordic pharma company with a footprint in Northern Europe, Navamedic is a reliable supplier of high-quality consumer health, medical nutrition, specialty pharma and branded generics products, delivered to hospitals and through pharmacies. The product portfolio consists of prescription and non-prescription pharmaceuticals, as well as other healthcare registered products.

The company has 30 highly qualified employees with strong competence in regulatory affairs, quality assurance, reimbursement, marketing and sales. Thus, the company is a full-service provider securing market access through its local competence and hence is a preferred Nordic partner for many international players. Navamedic’s headquarter is located in Oslo, Norway, and the company has been listed on the Oslo Stock Exchange (ticker: NAVA) since 2006.

The ambition of becoming a leading Nordic pharma company will be achieved through three main pillars: Navamedic seeks to **strengthen the core** by untapping the potential within existing products and territories. Furthermore, the company will secure and increase the value through **ownership and develop new brands**. Third, Navamedic plan to **grow through M&A**, building on existing M&A capabilities and track record to broaden the categories or geographical territory.

Financial targets:

- 20% annual growth
- Building a 500 MNOK revenue company organically mid term
- Gross margin 40%
- EBITDA margin 15%

MEDICAL NUTRITION
 FY 2021 revenue (YoY growth): **51.9 (2%)**



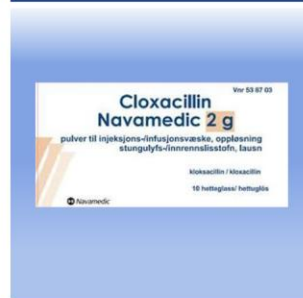
Medical nutrition products for treatment of IEM

CONSUMER HEALTH
 FY 2021 revenue (YoY growth): **43.7 (31%)**



Gastro, pain, urology, other

BRANDED GENERICS
 FY 2021 revenue (YoY growth): **70.6 (6%)**



Antibiotics, cardiology, generics

SPECIALTY PHARMA
 FY 2021 revenue (YoY growth): **112.3 (90%)**



Obesity & urology

Directors' report 2021



Group's result for the year

In 2021, the Group reported revenues of NOK 278.4 million, up from NOK 209.9 million in 2020, representing an increase of 32.7%, mainly driven by growth in the specialty pharma and consumer health product categories.

The EBITDA in 2021 was NOK 18.2 million, compared to negative NOK 1.3 million in 2020. The EBITDA development is mainly driven by successful growth initiatives and reduction in cost of goods sold.

The operating result (EBIT) in 2021 was NOK 11.5 million, compared to negative NOK 4.9 million in 2020. Net financials were negative NOK 5.9 million in 2021, compared to negative NOK 7.1 million last year. The result before tax was NOK 2.4 million in 2021, up from negative NOK 16.6 million in 2020.

The result after tax was NOK 0.6 million in 2021, compared to negative NOK 16.5 million last year.

The total comprehensive income was NOK 1.0 million in 2021, compared to negative NOK 7.6 million in 2020.

Group's cash flow 2021

The Group had a net cash flow from operating activities in 2021 of negative NOK 1.3 million, compared to negative NOK 3.2 million in 2020. Changes in inventory contributed negatively this period, while changes in other current items contributed positively. Net cash from investing activities ended at negative NOK 0.7 million in 2021, compared to negative NOK 23.1 million in 2020. The net cash flow from financing activities was NOK 15.9 million in 2021, compared to NOK 51.8 million in 2020. The positive cash flow from financing activities in 2021 was mainly due to an increase in bank loans. The cash and cash equivalents were NOK 52.6 million at 31 December 2021, compared to NOK 39.6 million at 31 December 2020.

The company's financial position as of 31 December 2021

The Group's consolidated total assets were NOK 330.2 million at 31 December 2021, up from NOK 260.0 million at year-end 2020. Non-current assets were NOK 124.7 million, down from NOK 142.2 million. Current assets increased to NOK 205.5 million from NOK 117.8 million at 31 December 2020. The decrease in non-current assets is mainly related to loans to associated company (Observe Medical ASA) in 2020, while the increase in current assets is related to the increased inventory, cash in hand and current loans to associated companies.

Non-current liabilities are NOK 53.0 million per 31 December 2021, an increase from NOK 25.1 million at 31 December 2020. At the end of 2021, Navamedic had an equity of NOK 151.2 million, compared to NOK 129.5 million per 31 December 2020, representing an equity ratio of 45.8%. The increased equity is mainly due to share premium from ACS share issue (antibiotics portfolio acquisition) in Q1 2021.



The Group had current liabilities of NOK 126.0 million compared to NOK 105.5 million at 31 December 2020. The increase is mainly related to trade payables being up from last year.



Sustainability and corporate responsibility

Environmental, Social and Governance (ESG) means to run the business in a responsible and sustainable manner over time, and in a way that contributes to a positive, trust-based relationship between Navamedic, Navamedic's stakeholders and society as a whole. Profitable and sustainable growth is part of Navamedic's DNA. Our existing and future customers and stakeholders expect Navamedic to operate with high ethical standards.

The company's code of conduct (the "Code") sets the standard for what is expected in terms of business and personal conduct from each of the employees of Navamedic. The Code sets our expectations, commitments, and requirements for ethical conduct. The Code applies to everyone working for or representing the company in any form, irrespective of the nature of the contract the relation is based on. This includes, but is not limited to, employees, the management, board of directors, or any hired contractors. The Code has been approved by

Business ethics and anti-corruption

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 recognized principles and guidelines for human and labor rights. All employees and board members shall refrain from corruption and bribery in all forms, as described in the company's Code.

Navamedic refuses to tolerate any form of corruption in its day-to-day work or in relation to business contacts. The company has guidelines for all employees on accepting gifts, benefits, or other tokens of appreciation. All employees are responsible for understanding and identifying possible conflicts of interest, and they have been informed about their responsibilities in such cases. Navamedic's CEO bears the ultimate responsibility for the enforcement of the guidelines of the company regarding business ethics.

Navamedic's board of directors and covers key topics such as business ethics and anti-corruption, working environment, and environment and climate.

Navamedic is following the European Federation of Pharmaceutical Industries and Associations (EFPIA) Disclosure Code. Collaboration between the industry, patient organizations, healthcare professionals, and governments is critical to shape the future of research and development, inform regulatory decision-making and optimize the use of medicines in the patient pathway. Transparency is critical to these relationships, and EFPIA and its member companies have continued to drive greater transparency through support for the mandatory registration of lobbying organizations on the EU transparency register. Furthermore, the members work with the implementation of the disclosure provisions in the EFPIA Code, which require public disclosure of financial support to patient organizations across Europe.

Furthermore, Navamedic places great emphasis on cooperating with business partners that promote high standards of good business practice. Before signing contracts with partners and suppliers, Navamedic carries out evaluations on issues relating to anti-corruption and business ethics. The company actively communicates with business partners and suppliers about anti-corruption policies and procedures.

Based on an assessment of the company's size, nature of its business, and available management resources, the company deems the established policies, procedures and guidelines appropriate for 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 additional guidelines will be assessed on an ongoing basis as the company grows and develops.

All employees are encouraged to report internally if they are concerned about the group's integrity or identify breaches of laws and regulations.

Whistleblowing 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.

Working environment

All employees shall contribute to achieving Navamedic's vision of minimizing harm to people, the environment and society, as defined in the Code. Navamedic's employees are key stakeholders that are directly affected by the company's operations and business success. Maintaining a safe and healthy working environment is a key priority for Navamedic, and the ability to attract and retain skilled workers is critical to the company. Navamedic can impact the working environment through the guidelines, and by dialogue with the employees. The company seeks to have an open-door policy, meaning all employees should have short access to the management of Navamedic. The working environment is generally satisfactory, and all employees are encouraged to actively contribute with their opinions on how the working environment can be improved.

Equal employment opportunities and diversity are topics with increasing expectations for transparency and corporate action. Navamedic strives to continue

Environmental impact

With local presence in the Nordics, the Baltics, the Netherlands and Greece, Navamedic takes pride in the company's great relationship with the national authorities, healthcare professionals, hospital purchasing organizations and pharmacy chains.

Despite many similarities across the northern European region, the various nations have distinctly different local market conditions and dynamics. Our strength is the detailed knowledge and experience of the key to success in each country.

There incidents of corruption were uncovered in 2021. Navamedic and our employees have not taken part in any legal cases regarding corruption in the reporting period.

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 2021 consisted of six members, two of whom are women. The board of directors consisted of five members during 2021, two of whom are women.

Navamedic's policies regarding health and safety are outlined in the company's Code. Navamedic continuously seek to improve the health and safety at the offices in which it operates. There were no serious incidents that resulted in personal injuries or absences in 2021. Nor was there any damage to property or equipment reported. The sick leave rate was 5.5% in 2021, compared with 1.8% in 2020. The group continuously aim to protect and improve health and safety in its operations.

The Code states that Navamedic shall seek to reduce the company's environmental impact. Reducing both Navamedic's and the customers' impact on the environment is an important focus for the company and the board, and it will become even more important in the future. Navamedic has taken significant steps to ensure continuous improvement of the company's environmental focus. Through implementing a new Environmental Management System program, the company has become ISO 14001 certified during 2021. The company maintains a continuous focus on minimizing 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. The board considers Navamedic's operations to have an overall positive effect on the global environment.

As the world is facing great environmental challenges, we take our impact on the environment seriously. We see it as our responsibility to help the ongoing negative course to change. Navamedic will

comply with all applicable environmental laws and regulations as we work to limit emissions and consumption of energy from our operations. As a reliable supplier of high-quality products, delivered to hospitals and through pharmacies, Navamedic's main sources of environmental and climate emissions are emissions from employee business travel and indirect emissions from our leased offices such as electricity and waste handling.



Going concern

The annual financial statements have been prepared on the assumption that the company is a going concern. 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 2022, and the company's financial liabilities. Due consideration has also been given to possible negative future impacts of the Covid-19 pandemic and the world's geopolitical situation in the assessment supporting the going concern assumption.

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, interest rate 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 at favorable terms.

There is a risk that some of the company's products may face competition from new products as well as generic products. 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 2021, 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 may affect the group's borrowings and deposits. Thus far, the group has not entered into any types of hedging arrangements in order to reduce interest rate risks. The company's interest rates on bank deposits and short-term liquidity investments are floating. Interest rates on external loans as well as loans to associated company is fixed.

In 2021, 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 results have shown over the last two years with Covid 19 that it is less vulnerable to severe negative effects of Covid 19 than most other companies and industries.

The war in Ukraine does not directly affect Navamedic as the company has no suppliers, customers or other business relations in Ukraine nor Russia. However, the imbalances and instability in global markets may pose a risk to our business in case our supply chains, our production partners or logistics providers are disturbed. Consequences may be delayed transport and increased freight cost.

Organization

The group had 30 employees at the end of 2021, compared to 30 at the end of 2020.

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.

Navamedic ASA has taken out board liability insurance for the group's Board of Directors and CEO. The insurance covers financial claims against the Board members or CEO that may arise as a result of actions taken by the Board or CEO. The insurance policy is with a reputable firm and it applies to Navamedic ASA as well as all of its subsidiaries.

Corporate governance

Navamedic generally complies with the Norwegian Code of Practice for Corporate Governance (NUES), which was last revised on 14 October 2021. Please 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 2021, the company had 16.345.660 outstanding shares, each with a nominal value of NOK 0.74 per share, and 876 shareholders.

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 realized. 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 45.3 million in 2021, compared to 30.8 million in 2020. Total operating expenses increased to NOK 52.0 million in 2021 from NOK 39.6 million in 2020.

Net financial items amounted to NOK 3.5 million in 2021, compared to negative NOK 8.5 million in 2020. The change mainly relates to currency translation differences.

Equity amounted to NOK 145.7 million, an increase from 128.2 in 2020.

Disposal of net result for the year and dividends

The parent company's result after tax for 2021 was negative NOK 3.3 million. 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 2021.

Subsequent events

On 16 February 2022, Navamedic announced the launch of SmectaGO® for sale through pharmacies in Norway, Sweden, Finland and Denmark this spring. SmectaGO® is a unique product developed to treat acute and chronic diarrhea in adults and children above 8 years. The launch is part of a long-term agreement with the well-known French pharmaceutical corporation Ipsen Consumer HealthCare wherein Navamedic has been appointed the exclusive partner in the Nordics.

Navamedic was as of 31.12.2021 one of the largest shareholders in Observe Medical ASA with an ownership share of 21.54%. As publicly announced by Observe Medical ASA on January 14, 2022, the company acquired Biim Ultrasound and performed a rights issue and a following share issue to fund the transaction. Navamedic opted not to participate in the issue, consequently Navamedic's ownership in Observe Medical ASA is of the publication of this report reduced to 7.89%.

Outlook

Navamedic has the goal of becoming a leading pharmaceutical company in Northern Europe. Growth shall be achieved through 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 2022 and show solid growth in the coming years. Navamedic's financial targets are 20% annual growth with a mid-term ambition of building a 500 MNOK company through organic growth with a gross margin of 40% and an EBITDA margin of 15%.

Responsibility Statement

We confirm, to the best of our knowledge, that the condensed set of interim consolidated financial statements for 2021, give a true and fair view of the company's assets, liabilities, financial position, and results of operation, and that the report provides a fair overview of the information specified in Section 5-6, fourth paragraph of the Norwegian Securities Trading Act.

The Board of Directors and CEO of Navamedic ASA

Oslo, 28 April 2022



Terje Bakken (sign.)

Chairman



Jostein Davidsen (sign.)

Board member



Inger Johanne Solhaug (sign.)

Board member



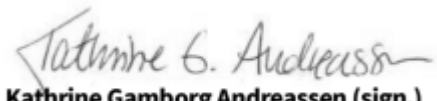
Narve Reiten (sign.)

Board member

Annika Kollén

Annika Kollén (sign.)

Board member



Kathrine Gamborg Andreassen (sign.)

CEO

The Management Team and Board

Management Team



Kathrine Gamborg Andreassen CEO

Kathrine was appointed CEO of Navamedic in January 2019 and has extensive experience from sales, marketing, and management of healthcare products. Before she was appointed CEO, Kathrine was elected as Chair of the Board in June 2018. Kathrine 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's 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 Group AS (Chairman of the Board) and Tivian Inc. (Chairman of the Board).



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.



Inger Johanne Solhaug Board Member

Inger Johanne has extensive experience from the FMCG 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 Business Development Director at Insula AS.



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.



Annika Kollén Board Member

Annika has 20 years of experience in the Pharma industry in various Supply Chain Management positions such as Nordic lead at Novartis and Global head of Supply Chain at Sobi. At Inceptua she holds the position as EVP Global Supply Chain and Operations and is part of the management team.

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 companies in the Navamedic Group. The guidelines clarify the ethical values and standards for corporate social responsibility upon 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 12,095,788 divided into 16,345,660 shares, each with a nominal value of NOK 0.74. As at 31 December 2021, equity amounted to NOK 151,237 million, which results in an equity ratio of 45.8%.

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 optimal value creation for the company's shareholders.

The board has presented a proposal not to pay a dividend for 2021.

Board authorisations

In an extraordinary general meeting held on 11 March 2020 the board of directors was granted an authorization 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 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 on 3 June 2021 gave an authorization to the board to increase the share capital with up to NOK 1,000,000 (equaling to approximately 8% of the company's share capital at the time) related to the company's long-term share incentive program as approved by the annual general meeting on 3 June 2020. This authorization replaced the previous authorization to increase the share capital by NOK 850,000 and it is effective until the annual meeting in 2023 but not longer than 3 June 2023.

In the annual general meeting, the board was also granted authorization to increase the company share capital by up to NOK 2,420,000, replacing the previous authorization of up to NOK 2,200,000 granted in the general meeting on 3 June 2020.

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 2021.

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 the loyalty to Navamedic. Pursuant to the guidelines, questions concerning board members' and executive personnel's board positions 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.

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 its annual general meeting on 3 June 2021.

The notice was sent prior to 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 proxy.

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 chairman of the board attended the annual general meeting in 2021. The company's external auditor was also present at the meeting. The extraordinary general meeting in 2021 was chaired by Terje Bakken.

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

Nomination committee

The company established a nomination committee at the annual general meeting on 8 June 2015. The nomination committee consists of chairman Bernt Olav Røttingsnes, members Bård Brath Ingerø and Grete Hogstad. At the annual general meeting on 3 June 2021, all members of the nomination committee were re-elected with term ending on the annual general meeting 2022.

The board, composition and independence

The board of Navamedic has five ordinary members, all of whom are elected by the shareholders. The board members and chairman of the board 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 have any special interests that prevent them from acting independently.

The company's annual report contains information about the board members' 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 both in Norwegian and internationally in both 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 in relation to the business Navamedic operates.

In the opinion of the board, it is desirable for board members to own shares in the company, but no formalized encouragement to own shares in the company exists. Chairman of the board Terje Bakken and board member Narve Reiten have significant ownership in Ingerø Reiten Investment Company, Navamedic's largest shareholder.

No Navamedic executive personnel sits on the company's board of directors.

The work of the board of directors

The board bears overarching responsibility for the management of the company and supervision of 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 chairman 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 chairman 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.

16 formal board meetings were held in 2021, 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 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 which corresponds 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 in 2021 the company implemented a new ERP system and processes which have resulted in improved internal control.

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 increases.

As part of its auditing services, the external auditor assesses whether there are any material weaknesses in the internal control for financial reporting. The auditor takes part in the audit committee meetings as well as board meetings in connection with the annual accounts.

The management team emphasizes establishing good control routines in those areas that are of material importance for financial reporting. The control routines are based on an authorization 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 analyzed immediately, and the auditor is 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 2021 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 2021, 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 2021.

Procedures and authorizations 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 2021 was approved by the board and information about the remuneration of the CEO and other executive personnel in 2021 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.

As of 2021 there are new requirements for reporting remuneration of executive personnel. This report can be found on the company's web page [Navamedic.com](https://www.navamedic.com).

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 published 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 2022, 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 2021.

Auditor

The company's external auditor is EY. The auditor attends board meetings in connection with the annual financial statements and most audit committee meetings. At least one meeting a year is held between the auditor and board without the CEO or other member of the company's executive management 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 2021

Navamedic ASA

Consolidated statement of comprehensive income

<i>(in NOK '1000)</i>	Note	2021	2020
Operating revenues	5	278 439	209 877
Total revenue		278 439	209 877
Cost of materials		166 695	139 538
Payroll expenses	16	44 455	32 574
Other operating expenses	15	49 118	39 031
Operating profit before Depreciation and Amortization (EBITDA)		18 171	-1 267
Depreciation	7, 9	2 169	1 551
Amortization	8	4 547	2 108
Operating profit (EBIT)		11 455	-4 926
Income from associated companies	18	-3 185	-4 528
Financial income		4 035	2 846
Financial expenses		4 424	3 844
Net currency gain/losses		-5 523	-6 144
Net financial income and expenses	17	-5 912	-7 142
Profit before tax		2 358	-16 596
Income taxes	26	1 740	-136
Net profit / loss (-)		618	-16 460
<i>Other comprehensive income that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		348	8 867
Total other comprehensive income		348	8 867
Total comprehensive income		967	-7 593
<i>Attributable to:</i>			
Shareholders in the parent company		967	-7 593
Earnings per share basic (NOK)	24	0.04	-1.14
Earnings per share diluted (NOK)	24	0.04	-1.14

Consolidated statement of financial position

(in NOK '1000)

	Note	31.12.2021	31.12.2020
Assets			
Non-current assets			
Intangible non-current assets			
Goodwill	8	61 031	64 472
Deferred tax assets	24	9 168	9 168
Other intangible assets	8	27 342	9 689
Total intangible non-current assets		97 541	83 330
Other non-current assets			
Property, plant & equipment	7	745	174
Right of use assets	9	7 567	1 903
Shares in associated companies	18	18 837	22 022
Non-current loans to associated companies	18	0	34 821
Total other non-current assets		27 149	58 919
Total non-current assets		124 690	142 249
Current assets			
Tax receivables	26	15 652	7 614
Inventories	11	61 882	41 945
Trade and other receivables	10	37 730	28 646
Current loans to associated companies	18	37 606	0
Cash and cash equivalents	19	52 620	39 584
Total current assets		205 489	117 789
Total assets		330 179	260 038

Consolidated statement of financial position (cont.)

<i>(in NOK '1000)</i>	Note	31.12.2021	31.12.2020
Equity			
<i>Paid in equity</i>			
Share capital		12 096	11 316
Share premium reserve		165 830	147 610
Total paid in equity	13	177 926	158 926
<i>Retained earnings</i>			
Retained earnings		-26 689	-29 441
Total retained earnings		-26 689	-29 441
Total equity		151 237	129 486
Liabilities			
<i>Non-current liabilities</i>			
Non-current license liabilities	21	8 171	3 343
Non-current liabilities to financial institutions	20	29 235	20 870
Non-current right of use liabilities	9	5 824	842
Total non-current liabilities		43 231	25 055
<i>Current liabilities</i>			
Trade account payables	14	70 532	66 956
Current liabilities to financial institutions	20	9 745	0
Current right of use liabilities	9	1 839	1 078
Current license liabilities	21	13 158	16 500
Taxes payable	26	10 713	2 795
Other current liabilities	14	29 724	18 168
Total current liabilities		135 712	105 497
Total liabilities		178 943	130 552
Total equity and liabilities		330 179	260 038

The Board of Directors and CEO of Navamedic ASA

Oslo, 28 April 2022



Terje Bakken (sign.)

Chairman



Jostein Davidsen (sign.)

Board member



Inger Johanne Solhaug (sign.)

Board member



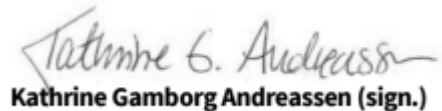
Narve Reiten (sign.)

Board member

Annika Kollén

Annika Kollén (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 2020	8 782	66 037	4 411	79 231
Correction opening balance		23 659	-23 659	0
Net profit / loss (-)			-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
Balance as at 1 January 2021	11 316	147 610	-29 441	129 486
Net profit / loss (-)			618	618
Currency translations differences			348	348
Capital increase	780	18 220		19 000
Share options			1 784	1 784
Balance as at 31 December 2021	12 096	165 830	-26 689	151 237

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	2021	2020
Cash flow from operating activities			
Profit before tax continuing operations		2 358	-16 596
Taxes paid		-2 700	-287
Depreciation, amortization and impairment	7, 8, 9	6 716	3 659
Financial income / expenses without cash flow effect		1 353	1 379
Other income/expenses without cash effect		1 784	0
Income from associated companies		3 185	4 528
Payment of license liabilities		-110	-117
Changes in inventory		-19 937	-9 962
Changes in trade and other receivables		-9 084	-8 674
Changes in trade and other payables		3 577	24 818
Changes in other current items		11 556	-1 928
Net cash flow from operating activities		-1 300	-3 180
Cash flow from investing activities			
Acquisition of tangible and intangible assets	7, 8	-728	-4 994
Loans granted to associated companies	18	0	-9 902
Loans repaid from associated companies	18	0	3 000
Interest received		2	9
Purchase of shares in other companies		0	-11 250
Net cash flow from investing activities		-727	-23 137
Cash flow from financing activities			
Loans received		19 500	0
Payment of loans		0	-5 251
Interest paid		-1 469	-1 844
Share issues		0	60 447
Payment of lease liabilities		-2 100	-1 594
Net cash flow from financing activities		15 931	51 759
Changes in currency		-868	2 703
Net change in cash		13 036	28 145
Cash and cash equivalents start period		39 584	11 439
Cash and cash equivalents end period	19	52 620	39 584

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 at Solli Plass in Oslo. Its postal address is Henrik Ibsens gate 100, 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 2020.

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 recognized at their fair value on the acquisition date.

Acquisitions-related costs linked business combinations are recognized 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 recognized 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 capitalized as goodwill. If the sum is lower than the company's net assets, the difference is recognized through profit or loss.

Intra-group revenue, expenses, and balances are eliminated. The gain and loss elements in a capitalized 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 organization 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. 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. Realized 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 recognized 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 recognized 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 recognized 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 authorizations

Navamedic holds rights to market and sell specific products in defined geographical areas. Investments related to such licenses are amortized 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 authorizations are amortized 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 amortization of the cost of acquisition commences upon launch and is amortized over the period of the agreement.

b) Other intangible assets

Navamedic invests in information technology assets intended to products and marketing. Furthermore, investments in licenses and marketing authorizations 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 recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment is recognized 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 amortization, if no impairment had been recognized.

2.7 Inventories

Inventories are measured at the lowest of acquisition cost and net realizable value. Acquisition cost is calculated using the first-in, first-out method (FIFO). Net realizable 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 amortized 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 recognizes 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 recognized in profit or loss except to the extent that it relates to a business combination, or items recognized 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 recognized 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 recognized 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 recognized 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 recognize 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 realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized 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 recognized as payroll expenses as incurred, see note 15.

b) Severance pay

Severance payments are recognized 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 recognizes 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 recognized 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 recognized through profit or loss proportionally over time in accordance with the effective interest rate method.

c) Revenue from dividends

Dividend revenues are recognized 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 recognizes 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 recognizes 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 recognized, 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 is also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes 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 recognized 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 minimizing 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 like Covid-19. 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.

Navamedic is exposed to risk related to outbreak of war, like the current war in Ukraine. Navamedic has no direct business relation with neither Ukraine nor Russia, however, if the war has negative effect on prices of raw material or transportation costs, this would likely have an effect on Navamedic, although it is difficult to assess to what extent.

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 2021 shows that a weakening of NOK against SEK would result in a reduction in pre-tax profit of NOK 0,7 mill. A weakening of NOK against EUR would result in a decrease in pre-tax profit of NOK 1,5 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 0.5 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 2021 is considered to be satisfactory. As at 31 December 2021, the group had NOK 52.6 million in cash and cash equivalents (NOK 39.6 million as at 31 December 2020). The group has a loan of SEK 40 million. 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 2021

(in NOK '1000)	Note	Carrying	Undiscounted	Year 1	Expected cash flows			Total
					Year 2	Year 3	Year 3-5	
License liabilities	21	21 329	22 883	13 292	2 643	6 948		22 883
Liabilities to financial institutions	20	38 980	38 980	9 745	9 745	9 745	9 745	38 980
Interest on liabilities to financial institutions	20		5 360	2 144	1 608	1 072	536	5 360
Right of use liabilities	9	7 664	8 432	2 142	4 193	2 097		8 432
Trade account payables	13	70 532	70 532	70 532				70 532
Taxes payable	26	10 713	10 713	10 713				10 713
Other current liabilities	14	29 724	29 724	29 724				29 724
Total		178 943	186 624	138 293	18 189	19 861	10 281	186 624

Maturity structure of liabilities 2020

(in NOK '1000)	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

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 55,4 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 loan of SEK 40 million with a fixed interest rate of 5.5% p.a. For the loan agreement there is a covenant that net interest-bearing debt should not exceed 2 x consolidated EBITDA.

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 7. The management uses estimates and assumptions in the determination of the accounting depreciation period and impairment assessments of intangible assets.

Capitalization 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 recognizable involves a significant degree of judgment in determining the likelihood of utilization against future taxable results within the various tax jurisdictions in which the group operates.

The capitalized 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 2022 and the business plan for 2022-2024, which includes predictable income from group internal management fee and royalty fee. The group has further assessed that the fact that Navamedic ASA reported taxable profits in 2021 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 realized.

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.

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.

Navamedic classifies its products into four product categories:

- **Medical nutrition**, including a broad portfolio of medical nutrition products. Navamedic is a Nordic distributor of products purchased from the UK based company Vitaflo International Ltd, a subsidiary of

Nestlé. 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) and Nitrolingual (treatment for angina pectoris).
- **Specialty pharma**, including obesity and urology products such as Mysimba[®] (prescription pharmaceutical for treatment of obesity) and Gepan[®] (a product for the treatment of painful bladder syndrome).

Operating revenues by major markets*

<i>(in NOK '1000)</i>	2021	2020
Sweden	59 876	54 179
Norway	138 050	64 324
Denmark	27 610	33 888
Finland	13 846	16 344
Other countries	39 057	41 142
Total revenue	278 439	209 877

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

Operating revenues by product categories

<i>(in NOK '1000)</i>	2021	2020
Branded generics	70 605	68 254
Specialty pharma	112 254	57 091
Medical nutrition	51 929	50 923
Consumer health	43 181	32 901
Other	470	708
Total revenue	278 439	209 877

Non-current assets by country *

<i>(in NOK '1000)</i>	2021	2020
Sweden	50 612	56 436
Norway	64 910	19 289
Total	115 522	75 725

* Other than financial instruments and deferred tax assets.

No single external customer amounts to 10% or more of the Group's revenues.

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 2020	240	240
Additions	172	172
Currency translation differences	20	20
Accumulated cost at 31 December 2020	432	432
Balance at 1 January 2021	432	432
Additions	718	718
Currency translation differences	-15	-15
Accumulated cost at 31 December 2021	1 135	1 135
Accumulated depreciation		
Balance at 1 January 2020	-185	-185
Depreciation	-55	-55
Currency translation differences	-18	-18
Balance as at 31 December 2020	-258	-258
Balance at 1 January 2021	-258	-258
Depreciation	-146	-146
Currency translation differences	13	13
Balance as at 31 December 2021	-390	-390
Expected useful economic life	3-5 years	
Carrying amounts		
At 1 January 2020	55	55
At 31 December 2020	174	174
At 31 December 2021	745	745

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 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
Balance at 1 January 2021	64 472	31 552	5 243	36 795
Reclassification		-863	-963	-1 827
Additions		22 358	10	22 368
Currency translation differences	-3 441	-483		-483
Accumulated cost at 31 December 2021	61 031	52 563	4 289	56 853
Accumulated amortization				
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
Balance at 1 January 2021	0	-27 041	-65	-27 106
Reclassification		1 827		1 827
Amortization	0	-4 010	-537	-4 547
Currency translation differences	0	316		316
Balance as at 31 December 2021	0	-28 909	-602	-29 511
Expected useful economic life		5-10 years	5-10 years	
Carrying amounts				
At 31 December 2020	64 472	4 511	5 178	9 689
At 31 December 2021	61 031	23 654	3 688	27 342

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 31.12.2021 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 2022-2026 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 2022 to 15% in 2025. The estimated value of the CGU exceeded the book value at 31.12.2021, 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>	2021	2020
Right of use assets	7 567	1 903
Total Right of use assets	7 567	1 903

<i>(in NOK '1000)</i>	Land and buildings	Motor vehicles	Office equipment	Total
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
Balance at 1 January 2021	766	1 121	15	1 903
Depreciation	-1 596	-409	-18	-2 023
Additions	8 100	32	25	8 158
Adjustments	0	-373	0	-373
Currency translation differences	-52	-46	0	-98
Balance at 31 December 2021	7 219	326	23	7 567

Right of use liabilities

<i>(in NOK '1000)</i>	2021	2020
Non-current right of use liabilities	5 824	842
Current right of use liabilities	1 839	1 078
Total right of use liabilities	7 664	1 920

Maturity analysis contractual undiscounted cash flows

<i>(in NOK '1000)</i>	2021	2020
Less than one year	2 142	1 153
Between one and five years	6 290	874
More than five years	0	0
Total undiscounted lease liabilities at 31 December	8 432	2 028

Changes in right of use liabilities

<i>(in NOK '1000)</i>	2021	2020
At 1 January	1 920	1 931
Cash flow	-2 100	-1 594
Non-cash changes	7 844	1 583
At 31 December	7 664	1 920

Amounts recognised in profit or loss

<i>(in NOK '1000)</i>	2021	2020
Interest on lease liabilities	157	85
Depreciation right of use assets	2 023	1 496

Other information

<i>(in NOK '1000)</i>	2021	2020
Lease payments for short-term leases and low value assets	412	0

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>	2021	2020
Trade receivables	31 355	22 790
Other receivables and prepaid expenses	6 374	5 855
Total trade and other receivables	37 730	28 646

<i>(in NOK '1000)</i>	2021	2020
Gross trade receivables	31 801	22 833
Provision for loss on trade receivables	-446	-42
Total trade receivables	31 355	22 790

<i>(in NOK '1000)</i>	2021	2020
Provision for loss on trade receivables at 1 January	-42	-17
Reversal of previous years provision for loss on trade receivables	42	
This years provision for loss on trade receivables	-446	-38
Loss on trade receivables		13
Total provision for loss on trade receivables at 31 December	-488	-42

Due date profile trade receivables

<i>(in NOK '1000)</i>	2021	2020
Not due	25 896	14 581
0-3 months	4 653	6 856
> 3 months	1 252	1 354
Total trade receivables	31 801	22 790

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>	2021	2020
Inventory	61 933	42 062
Provisions for inventory obsolescence	-51	-117
Total inventory	61 882	41 945

Note 12 – Financial assets and liabilities

<i>(in NOK '1000)</i>	Carrying amount as at 31.12.2021	Fair value as at 31.12.2021	Carrying amount as at 31.12.2020	Fair value as at 31.12.2020
Non-current financial assets				
Non-current loans to associated companies	0	0	34 821	34 821
Total non-current financial assets	0	0	34 821	34 821
Current financial assets				
Tax receivables	15 652	15 652	7 614	7 614
Trade and other receivables	37 730	37 730	28 646	28 646
Current loans to associated companies	37 606	37 606	0	0
Cash and cash equivalents	52 620	52 620	39 584	39 584
Total current financial assets	143 608	143 608	75 844	75 844
Total financial assets	143 608	143 608	110 665	110 665
Non-current financial liabilities				
Non-current license liabilities	8 171	8 171	3 343	3 343
Non-current liabilities to financial institutions	29 235	29 235	20 870	20 870
Total non-current financial liabilities	37 406	37 406	24 213	24 213
Current financial liabilities				
Trade and other payables	70 532	70 532	66 956	66 956
Current liabilities to financial institutions	9 745	9 745	0	0
Current license liabilities	13 158	13 158	16 500	16 500
Total current financial liabilities	93 435	93 435	83 456	83 456
Total financial liabilities	130 842	130 842	107 669	107 669

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 2021, 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 2021, and as such the carrying amount is considered not to be significantly different from the fair value.

See notes 9 and 20 for information regarding non-cash transactions related to financial liabilities.

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 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
As of 1 January 2021	15 291 885	11 316	147 610	158 926
Share capital issues	1 053 775	780	18 220	19 000
As of 31 December 2021	16 345 660	12 096	165 830	177 926

Each share has a nominal value of NOK 0,74 kr.

Largest shareholders as of 31 December 2021

Shareholder	Number of shares	Share of capital	Share of votes
INGERØ REITEN INVESTMENT COMPANY A	3 563 042	21,8 %	21,8 %
UBS Switzerland AG	2 472 497	15,1 %	15,1 %
J.P. MORGAN BANK LUXEMBOURG S.A.	2 185 532	13,4 %	13,4 %
SOLEGLAD INVEST AS	666 668	4,1 %	4,1 %
Carnegie Investment Bank AB	597 757	3,7 %	3,7 %
TRANBERGKOLLEN INVEST AS	525 000	3,2 %	3,2 %
LEIKERANE AS	500 000	3,1 %	3,1 %
SVENSKA HANDELSBANKEN AB	423 715	2,6 %	2,6 %
ARTAL AS	314 800	1,9 %	1,9 %
BJØRNTEVEDT	265 000	1,6 %	1,6 %
GINKO AS	250 000	1,5 %	1,5 %
State Street Bank and Trust Comp	245 000	1,5 %	1,5 %
KRAEBER Verwaltung GMBH	214 850	1,3 %	1,3 %
CAM AS	212 785	1,3 %	1,3 %
BECK ASSET MANAGEMENT AS	200 000	1,2 %	1,2 %
LARS HJARRAND	185 882	1,1 %	1,1 %
HARDING INVEST AS	172 188	1,1 %	1,1 %
Nordnet Bank AB	168 255	1,0 %	1,0 %
Total	16 345 660	79 %	79 %

Ingerø Reiten Inv. Company AS is represented on the Board by Terje Bakken and Narve Reiten. Topridghe Pharma LTD was represented on the Board by Cheng Lu until June 2021. Navamedic distributes the pharmaceutical product Imdur for Topridghe Pharma.

Shares owned by the board and executive personnel in Navamedic ASA as at 31 December 2021

Name	Role	Number of shares	Comment
Terje Bakken	Chairman	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	
Alexander Lidmejer	Commercial Director Specialty Pharma	2 400	
Bernt Olav Rottingsnes	Chairman of the Nomination Committee	50 000	
Grete Hogstad	Member of the Nomination Committee	1 493	

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	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	
Alexander Lidmejer	Commercial Director Specialty Pharma	2 400	
Bernt Olav Rottingsnes	Chairman of the Nomination Committee	90 358	
Grete Hogstad	Member of the Nomination Committee	1 493	

Note 14 – Trade accounts payable and other current liabilities

Due date profile trade accounts payable

<i>(in NOK '1000)</i>	2021	2020
Not due	29 332	20 690
0-3 months	31 916	8 921
> 3 months	9 284	37 348
Total trade accounts payable	70 532	66 960

Other current liabilities

<i>(in NOK '1000)</i>	2021	2020
Accrued salaries and public duties	25 824	13 882
Accrued expenses and other current liabilities	3 900	3 968
Total other current liabilities	29 724	17 850

Note 15 – Other operating expenses

<i>(in NOK '1000)</i>	2021	2020
Consulting, legal and audit fees	9 695	12 991
Travel expenses	1 010	1 572
Insurance	580	547
IR expenses	1 201	1 811
Marketing, freight, and commissions	26 031	15 065
Other expenses (incl. control and regulatory fees)	10 601	7 045
Total other operating expenses	49 118	39 031

Auditor expense recognised

<i>(in NOK '1000)</i>	2021	2020
Statutory audit	1 014	2 072
Other assurance services	24	779
Total auditor expense recognised	1 038	2 851

Auditor expense amounts are excl. VAT.

Note 16 – Payroll expenses

<i>(in NOK '1000)</i>	2021	2020
Salaries	30 447	21 676
Employer's National insurance contributions	5 761	4 137
Share options for employees	1 784	2 166
Pension expenses – defined-contribution scheme	2 670	2 714
Other payroll expenses	3 792	1 870
Total payroll expenses	44 455	32 563
Number of FTEs	28	26

Remuneration executive personell 2021

<i>(in NOK '1000)</i>	Salary	Bonus	Pension expenses	Other remuneration	Total
Kathrine Gamborg Andreassen, CEO	2 452	1 082	112	273	3 919
Lars Hjarrand, CFO	1 791	175	112	101	2 179
Total remuneration executive personell 2021	4 243	1 257	224	374	6 098

Remuneration executive personell 2020

<i>(in NOK '1000)</i>	Salary	Bonus	Pension expenses	Other remuneration	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	5 991

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 2021 or 2020.

Board fees paid

<i>(in NOK '1000)</i>	2021	2020
Terje Bakken	400	400
Narve Reiten	205	205
Jostein Davidsen	175	175
Inger Johanne Solhaug	195	205
Cheng Lu (01.01.2021 - 03.06.2021)	175	175
Annika Maria Kollen (03.06.2021 -)		
Total board fees paid	1 150	1 160

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 31.12.2021	Quantity at 31.12.2020
Kathrine Gamborg Andreassen, CEO	105 000	105 000
Lars Hjarrand, CFO	150 000	150 000
Total	255 000	255 000

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 75% 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 23

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>	2021	2020
Interest income	-2 787	2 518
Other financial income	-1 248	328
Total financial income	-4 035	2 846

Financial expenses

<i>(in NOK '1000)</i>	2021	2020
Interest expenses	2 501	2 705
Other financial expenses	1 923	1 139
Total financial expenses	4 424	3 844

Net currency gain/losses

<i>(in NOK '1000)</i>	2021	2020
Currency gains	26 497	20 142
Currency losses	-32 020	-26 287
Total net currency gain/losses	-5 523	-6 144

Note 18 – Shares in associated companies

<i>(in NOK '1000)</i>	Observe Medical ASA
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
Carrying amount as of 1 January 2021	22 022
Share of net income (loss)	-3 185
Carrying amount as of 31 December 2021	18 837

At 31 December 2021 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 2021 the observed share price of the listed company Observe Medical ASA was NOK 15.77, indicating a value of NOK 66,6 mill for Navamedic ASA's investment in the company.

Observe Medical ASA financials

<i>(in NOK '1000)</i>	2021	2020
Operating revenue	24 042	2 961
Gross result	9 519	986
Operating expenses	-37 981	-25 910
Depreciation and amortization	-3 463	-3 163
Operating result (EBIT)	-36 543	-28 087
Net financial items	10 223	-8 782
Tax expense	0	0
Total comprehensive income (loss)	-36 868	-35 737
Total non-current assets	56 579	57 936
Total current assets	15 158	29 797
Total assets	71 737	87 733
Total equity	-14 122	20 349
Total non-current liabilities	13 581	57 449
Total current liabilities	72 278	9 935
Total liabilities	85 860	67 384
Total equity and liabilities	71 737	87 733

Loan to Observe Medical ASA

The group has an outstanding loan of TNOK 37 606 at 31 December 2021 (TNOK 34 821 at 31 December 2020).

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

<i>(in NOK '1000)</i>	2021	2020
Cash and cash equivalents	51 698	38 797
Restricted funds	922	788
Total cash	52 620	39 584

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

	2021	2020
Total non current interest-bearing liabilities, nominal value (TNOK)	29 235	20 870
Average interest rate, including margin	5,5 %	6,5 %
Average remaining duration	2,39 years	1,75 years

Non-current interest-bearing liabilities consisted of one loan with Avida Finance AB in SEK both in 2020 and 2021. The loan was refinanced and increased by SEK 20 mill during 2021. The 2020 loan had a covenant that the outstanding balance should not exceed 50% of the inventory. The 2021 loan had a covenant that net interest-bearing debt should not exceed 2 x consolidated EBITDA. Net interest-bearing debt is defined as interest-bearing debt adjusted for cash.

Current interest-bearing liabilities to financial institutions

	2021	2020
Total non current interest-bearing liabilities, nominal value (TNOK)	9 745	0
Average interest rate, including margin	5,5 %	N/A
Average remaining duration	1,00	0,00

Current interest-bearing liabilities consisted of the part of the loan with Avida Finance AB that falls due within 12 months.

Changes in total interest-bearing liabilities to financial institutions

<i>(in NOK '1000)</i>	2021	2020
At 1 January	20 870	23 605
Cash flow	19 500	-5 251
Non-cash changes	-	1 390
At 31 December	38 980	20 870

Note 21 – License liabilities

<i>(in NOK '1000)</i>	2021	2020
Total carrying amount non-current license liabilities	8 171	3 343
Total carrying amount current license liabilities	13 158	16 500
Total carrying amount license liabilities	21 329	19 844
Total undiscounted amount non-current license liabilities	22 883	25 087
Average discount rate amortized cost calculation	3,0 %	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>	2021	2020
Year 1	13 292	16 690
Year 2	2 643	2 869
Year 3-5	6 948	5 528
After year 5	0	0
Total expected undiscounted cash flows from license liabilities	22 883	25 087

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 an outstanding contingent liability of NOK 15,6 mill related to a license agreement. The liability is not recognized, as it is a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Navamedic. Correspondingly, a contingent asset (intangible asset) of the same amount is not recognized. The amount NOK 15,6 mill is undiscounted. Upon recognition, the amount recognized as both asset and liability would be the discounted amount of the remaining payments at the time of recognition.

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>	2021	2020
Total option cost	1 784	2 166
Total social security provision	1 007	-318
Total costs related to options	2 791	1 847

Reconciliation outstanding options

	Number of instruments	Weighted average strike price
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
Outstanding options 1 January 2021	585 000	18,42
Total outstanding options 31 December 2021	585 000	18,42

Granted options

	2021	2020
Number of options granted	510 000	510 000
Weighted average strike price	19,00	19,00
Weighted average share price at grant time	18,89	18,89
Estimated weighted average fair value at grant time	7,72	7,72
Simulation model	Monte carlo	Monte carlo
Estimated volatility	62,8 %	63 %
Interest rate	0,265 %	0,3 %
Expected dividend	0	0

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	

Outstanding options 31 December 2021

	Number of options	Of which vested	Weighted Average remaining contractual life (years)
Strike price 14,46	75 000	50 000	1,50
Strike price 19,00	510 000	170 000	2,46
Total outstanding options 31 December 2021	585 000	220 000	

All outstanding options vest 1/3 every 12 months after the grant date. 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. 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

<i>(in NOK '1000)</i>	2021	2020
Net profit / loss (-)	618	-16 460
Weighted average shares issued	16 296 580	14 461 612
Dilutive potential ordinary shares	133 910	
Basic earnings per share	0,04	-1,14
Diluted earnings per share	0,04	-1,14

Diluted earnings per share

Diluted earnings per share equals ordinary earnings per share in 2020, since net profit/loss is negative, and additional issue of shares would increase earnings per share.

Note 25 – Transactions with related parties

TopRidge Pharma Limited, which owns 1 420 522 shares in Navamedic ASA, is also a supplier to Navamedic. The Group purchased goods from TopRidge worth TSEK 57 634 in 2021 and TSEK 41 847 in 2020. ACS Dobfar S.p.A.,

which owns 3 424 212 shares in Navamedic ASA, is also a supplier to Navamedic. The group purchased goods from ACS Dobfar worth TEUR 638 in 2021. ACS Dobfar became a shareholder in Navamedic in 2021.

Note 26 – Tax expense and deferred tax

(in NOK '1000)

	2021	2020
Profit before tax continuing operations	2 358	-16 596
Tax expense		
Tax payable	1 740	455
Reversed tax provision		-665
Change in deferred tax		74
Total tax expense	1 740	-136
Effective tax rate	73,77 %	0,82 %

The effective tax rate in 2021 is higher than the corporate tax rates in the markets where the Group operates (20% - 22%). This is primarily due to some extent, non-capitalised deferred tax assets in the parent entity.

Tax payable 2020

	Navamedic AB					Total
	Norwegian entities	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 / Currency exchange 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 2021

	Navamedic AB					Total
	Norwegian entities	Norwegian branch	Swedish entity	Danish branch	Finnish branch	
Profit before tax (not consolidated)	-3 306	40 223	8 449	302	-2 028	43 640
Permanent differences / Currency exchange differences	544		-320			224
Changes in temporary differences	4 314					4 314
Deficit carried forward applied	-1 575					-1 575
Total basis for tax payable	-23	40 223	8 129	302	-2 028	46 603
Tax payable Norway, 22%		8 849				8 849
Tax payable Sweden, 21.4%			1 740			1 740
Tax payable branches reclaimable Sweden			-8 916			-8 916
Tax payable Denmark, 22%				66		66
Tax payable Finland, 20%						
Total tax payable	0	8 849	-7 176	66	0	1 740

Deferred tax 2020	Navamedic AB					Total
	Norwegian entities	Norwegian branch	Swedish entity	Danish branch	Finnish branch	
Property, plant & equipment	-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 2021	Navamedic AB					Total
	Norwegian entities	Norwegian branch	Swedish entity	Danish branch	Finnish branch	
Property, plant & equipment	-64					-64
Outstanding receivables	0					0
Provisions for liabilities	20 816					20 816
Tax losses carried forward	49 122					49 122
Total temporary differences	69 873					69 873
Temporary differences not capitalised	-28 199					-28 199
Total net temporary differences	41 674					41 674
Tax rate	22 %					
Net deferred tax assets (-)/ deferred tax (+)	9 168					9 168

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 2021 are related to its Norwegian entities.

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

Tax payable

(in NOK '1000)	2021	2020
Carrying amount tax payable 1 January	2 795	1 092
Reversed tax provision tax provision	0	-665
Tax payable excl. Reclaimable tax	10 655	2 680
Taxes paid during the period	-2 700	-287
Translation differences	-38	-25
Carrying amount tax payable 31 December	10 713	2 795

In addition, tax receivables related to prepaid taxes and reclaimable tax within Navamedic AB amounting to TNOK 15 652 (TNOK 7 614) is recognized on the balance sheet.

Note 27 – Subsequent events

On 16 February 2022, Navamedic announced the launch of SmectaGO® for sale through pharmacies in Norway, Sweden, Finland and Denmark this spring. SmectaGO® is a unique product developed to treat acute and chronic diarrhea in adults and children above 8 years. The launch is part of a long-term agreement with the well-known French pharmaceutical corporation Ipsen Consumer HealthCare wherein Navamedic has been appointed the exclusive partner in the Nordics.

Navamedic was as of 31.12.2021 one of the largest shareholders in Observe Medical ASA with an ownership share of 21.54%. As publicly announced by Observe Medical ASA on January 14, 2022, the company acquired Biim Ultrasound and performed a rights issue and a following share issue to fund the transaction. Navamedic opted not to participate in the issue, consequently Navamedic's ownership in Observe Medical ASA is as of the publication of this report reduced to 7.89%.

Parent Company Navamedic ASA, annual financial statements 2021



Income statement

<i>(in NOK '1000)</i>	Note	2021	2020
Operating revenues	9	45 261	30 788
Total revenue		45 261	30 788
Payroll expenses	7	30 730	18 891
Depreciation and impairment	3	3 428	637
Other operating expenses	7	17 875	20 083
Total operating expenses		52 034	39 611
Operating profit		-6 772	-8 822
Financial income	13	2 786	2 843
Financial expenses	13	3 856	4 880
Impairment of non-current financial assets		540	
Net currency gain/losses		5 099	-6 424
Net financial income and expenses		3 489	-8 461
Profit before tax		-3 283	-17 283
Tax expense	6	0	0
Net profit after tax		-3 283	-17 283
Net profit after tax is covered by:			
Other equity	1	-3 283	-17 283

Balance sheet

<i>(in NOK '1000)</i>	Note	31.12.2021	31.12.2020
Assets			
Fixed assets			
Non-current assets			
Intangible assets			
Intangible assets	3	25 787	6 710
Deferred tax asset	6	9 168	9 168
Total intangible assets		34 955	15 878
Tangible assets			
Property, plant & equipment	3	733	152
Total tangible assets		733	152
Financial assets			
Investments in group companies	2	102 364	102 904
Investments in associated companies	2	27 250	27 250
Non-current loans to associated companies		0	34 821
Total financial assets		129 614	164 975
Total non-current assets		165 303	181 005
Current assets			
Receivables			
Trade receivables		138	291
Other short-term loans group companies		9 052	29 764
Other receivables	4	1 777	1 998
Current loans to associated companies		37 606	0
Total receivables		48 574	32 053
Bank deposits	5	2 765	5 566
Total current assets		51 338	37 619
Total assets		216 641	218 624

<i>(in NOK '1000)</i>	Note	31.12.2021	31.12.2020
Equity			
<i>Paid in equity</i>			
Share capital	1, 8	12 096	11 316
Share premium reserve	1	165 830	147 610
Total paid in equity		177 926	158 926
<i>Retained earnings</i>			
Retained earnings		-32 199	-30 700
Total retained earnings		-32 199	-30 700
Total equity		145 728	128 226
Liabilities			
<i>Non-current liabilities</i>			
Liabilities to group companies		36 429	63 458
Non-current licensing liabilities		7 765	1 955
Total non-current liabilities		44 194	65 413
<i>Current liabilities</i>			
Trade account payables		1 235	2 214
Unpaid public dues		2 387	1 166
Current licensing liabilities		13 051	15 935
Other current liabilities		10 047	5 671
Total current liabilities		26 720	24 985
Total liabilities		70 913	90 399
Total equity and liabilities		216 641	218 624

Statement of cash flows

<i>(in NOK '1000)</i>	2021	2020
<i>Cash flow from operating activities</i>		
Profit before tax	-3 283	-17 283
Depreciation and impairment	3 428	637
Changes in options	1 784	2 599
Interest and contingent consideration with no cash effect	-3 924	829
Change in trade receivables	-21 399	191
Change trade account payables	-979	-1 255
Changes other current liabilities and receivables	6 303	-5 198
Net cash flow from operating activities	-18 070	-19 479
<i>Cash flow from investing activities</i>		
Purchase of tangible and intangible assets	-728	-4 980
Investments in shares	0	-11 650
Net cash flow from investing activities	-728	-16 630
<i>Cash flow from financing activities</i>		
Loans received	16 000	0
Share issues	0	57 848
Interest paid	-3	0
Loans issued	0	-17 901
Net cash flow from financing activities	15 997	39 947
Net change in cash	-2 801	3 838
Cash and cash equivalents start period	5 566	1 728
Cash and cash equivalents end period	2 765	5 566

The Board of Directors and CEO of Navamedic ASA

Oslo, 28 April 2022



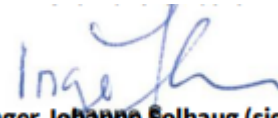
Terje Bakken (sign.)

Chairman



Jostein Davidsen (sign.)

Board member



Inger Johanne Solhaug (sign.)

Board member



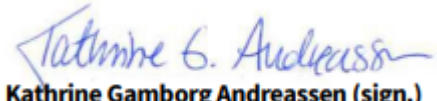
Narve Reiten (sign.)

Board member

Annika Kollén

Annika Kollén (sign.)

Board member



Kathrine Gamborg Andreassen (sign.)

CEO

Explanatory notes to the annual financial statements 2021



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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 authorizations

Navamedic holds rights to market and sell specific products in defined geographical areas. Investments related to such licenses are amortized 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 authorizations are amortized 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 amortization of the cost of acquisition commences upon launch and is amortized over the period of the agreement.

Other intangible assets

Navamedic invests in information technology assets intended to products and marketing. Furthermore, investments in licenses and marketing authorizations 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 recognized 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 recognized 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 2021 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 2021	11 316	147 610	-30 700	128 226
Share issues	780	18 221		19 001
Options			1 784	1 784
Net profit for the year			-3 283	-3 283
Balance as at 31 December 2021	12 096	165 831	-32 199	145 728

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	
Novicus Pharma AS	12 900	
Navamedic AB	89 464	
Total investments in group companies	102 364	

Note 3 – Intangible assets and tangible assets

<i>(in NOK '1000)</i>	Licenses	Other intangible assets	Total
Accumulated cost			
Balance at 1 January 2020	34 061	420	34 481
Additions	0	4 822	4 822
Accumulated cost 31 Dec 2020	34 061	5 243	39 303
Balance at 1 January 2021	34 061	5 243	39 303
Reclassification	-15 924	-963	-16 887
Additions	22 358	10	22 368
Accumulated cost 31 Dec 2021	40 494	4 289	44 784
Accumulated amortisation			
Balance at 1 January 2020	-31 997	0	-31 997
Amortization	-532	-65	-597
Accumulated depreciation 31 Dec 2020	-32 529	-65	-32 594
Balance at 1 January 2021	-32 529	-65	-32 594
Reclassification	16 887		16 887
Amortization	-2 754	-537	-3 290
Accumulated depreciation 31 Dec 2021	-18 395	-602	-18 997
Expected useful economic life	5-10 years	5-10 years	
Carrying amounts			
At 31 December 2020	1 532	5 178	6 710
At 31 December 2021	22 099	3 688	25 787

(in NOK '1000)

	Tangible assets	Total
Accumulated cost		
Balance at 1 January 2020	136	136
Additions	158	0
Accumulated cost 31 Dec 2020	294	294
Balance at 1 January 2021	294	294
Reclassification	0	0
Additions	635	635
Accumulated cost 31 Dec 2021	929	929
Accumulated amortisation		
Balance at 1 January 2020	-101	-101
Depreciation	-41	-41
Accumulated depreciation 31 Dec 2020	-141	-141
Balance at 1 January 2021	-141	-141
Reclassification	83	83
Depreciation	-138	-138
Accumulated depreciation 31 Dec 2021	-196	-196
Expected useful economic life	3 years	
Carrying amounts		
At 31 December 2020	152	152
At 31 December 2021	733	733

Note 4 – Other receivables

<i>(in NOK '1000)</i>	2021	2020
VAT etc	0	705
Other receivables	1 777	1 293
Total	1 777	1 998

Note 5 – Bank deposits, overdrafts etc.

<i>(in NOK '1000)</i>	2021	2020
Bank deposits	1 843	4 784
Restricted funds	922	782
Total	2 765	5 566

Note 6 – Income tax

<i>(in NOK '1000)</i>	2021	2020
Total tax expense is divided into;		
Changes in deferred tax assets	0	0
Total taxes	0	0

<i>(in NOK '1000)</i>	2021	2020
Calculation of this year's tax base;		
Net profit for the year	-3 283	-17 283
Permanent differences	544	23
Changes in temporary differences	4 314	-839
Deficit carried forward	-1 575	0
This year's tax base	0	-18 099

Tax payable, 22%	0	0
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<i>(in NOK '1000)</i>	2021	2020
Overview of temporary differences;		
Tangible assets	64	205
Outstanding receivables	0	0
Allowances for liabilities	-20 816	-17 890
Deficit carried forward	-48 518	-50 093
Total temporary differences	-69 269	-67 778
Capitalised deferred tax asset (22% / 22%)	-15 239	-14 911
Deferred tax not capitalised	6 071	5 743
Deferred tax asset	-9 168	-9 168

The company expects to be able to utilize this tax asset in the future.

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>	2021	2020
Salaries	22 974	11 538
Remuneration of board members	1 150	1 230
Employer's NI contributions	3 789	2 786
Pension expenses	1 245	1 271
Other payroll expenses*	1 572	2 066
Total	30 730	18 891
Number of FTEs	18	13

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 all employees and an annual premium is expensed with NOK 1 245 030.

Remuneration for auditor specified as follows:

<i>(in NOK '1000)</i>	2021	2020
Statutory audit	584	2 045
Tax advice	0	0
Certification services	24	38
Assistance other than auditing	0	0
Due Dilligence	0	0
Total	608	2 083

Note 8 – Share capital and shareholder information

Share capital

	Quantity	Nominal	Book value
A-shares	16 345 660	0,74	12 095 789

Overview of the largest shareholders as of 31.12.2021 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>	2021	2020
Nordic countries	44 942	32 391
Other EU/EEC	319	0
Total	45 261	32 391

Note 10 – Other operating expenses

Other operating expenses consist of:

<i>(in NOK '1000)</i>	2021	2020
Rent, etc.	1 743	1 111
Other cost of premises, vehicles, office equipment etc	181	183
Misc. fees	5 521	11 126
Travel expenses	421	797
Insurance	580	523
IR expenses	1 201	848
Regulatory	4 724	788
Other expenses	3 505	4 707
Total other operating expenses	17 875	20 083

Note 11 – Claims and contingent liabilities

Navamedic ASA is not a party to any ongoing legal proceedings or disputes. See note 22 in the consolidated financial statements regarding 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:	2021	2020
Navamedic ASA	Sales from parent to subsidiary	Royalty	7 019	4 104
Navamedic ASA	Sales from parent to subsidiary	Service fee	37 937	25 660
Navamedic ASA	Other	Adm.expenses	1	156
Navamedic AB	Sales from subsidiary to parent company	Interest cost	3 022	4 034

Note 13 – Financial items

Financial income

<i>(in NOK '1000)</i>	2021	2020
Interest income	2 786	2 515
Other financial income	0	328
Total financial income	2 786	2 843

Financial expenses

<i>(in NOK '1000)</i>	2021	2020
Interest expenses	3 827	4 848
Other financial expenses	29	32
Total financial expenses	3 856	4 880

Note 14 – Subsequent events

On 16 February 2022, Navamedic announced the launch of SmectaGO® for sale through pharmacies in Norway, Sweden, Finland and Denmark this spring. SmectaGO® is a unique product developed to treat acute and chronic diarrhea in adults and children above 8 years. The launch is part of a long-term agreement with the well-known French pharmaceutical corporation Ipsen Consumer HealthCare wherein Navamedic has been appointed the exclusive partner in the Nordics.

Navamedic was as of 31.12.2021 one of the largest shareholders in Observe Medical ASA with an ownership share of 21.54%. As publicly announced by Observe Medical ASA on January 14, 2022, the company acquired Biim

Ultrasound and performed a rights issue and a following share issue to fund the transaction. Navamedic opted not to participate in the issue, consequently Navamedic's ownership in Observe Medical ASA is as of the publication of this report reduced to 7.89%.

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 2021. 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 2021 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 2021 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 2021.

That the director's 2021 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 2022



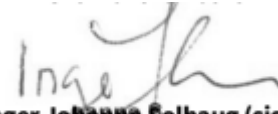
Terje Bakken (sign.)

Chair



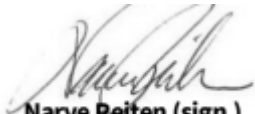
Jostein Davidsen (sign.)

Board member



Inger Johanne Solhaug (sign.)

Board member



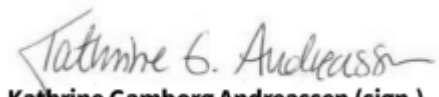
Narve Reiten (sign.)

Board member

Annika Kollén

Annika Kollén (sign.)

Board member



Kathrine Gamborg Andreassen (sign.)

CEO

Auditor's report





Statsautoriserte revisorer
Ernst & Young AS

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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 (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2021 and the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the statement of financial position as at 31 December 2021, statement of comprehensive income, statement of cash flows and statement of 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 comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We have been the auditor of the Company for 2 years from the election by the general meeting of the shareholders on 3 June 2020 for the accounting year 2020.

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 2021. 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

Basis for the key audit matter

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.

Our audit response

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

Basis for the key audit matter

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.

Our audit response

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 information

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

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

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

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirement

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

Opinion

As part of our audit of the financial statements of Navamedic ASA we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name NavamedicASA-2021-12-31-en, has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

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



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Management's responsibilities

Management is responsible for the preparation of an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

Auditor's responsibilities

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

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 28 April 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Anja Maan
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** is gross profit less operating expenses, or Earnings Before Interest, Taxes, Depreciation and Amortization
- **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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