

OBSERVE MEDICAL ASA: NOTICE OF EXTRAORDINARY GENERAL MEETING - FULLY UNDERWRITTEN RIGHTS ISSUE

NOT FOR DISTRIBUTION OR RELEASE, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, CANADA, AUSTRALIA, THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA OR JAPAN OR ANY OTHER JURISDICTION IN WHICH THE DISTRIBUTION OR RELEASE WOULD BE UNLAWFUL. OTHER RESTRICTIONS ARE APPLICABLE. PLEASE SEE THE IMPORTANT NOTICE AT THE END OF THIS STOCK EXCHANGE

The board of directors of Observe Medical ASA ("Observe Medical" or the "Company") has resolved to propose that the Company carries out a share capital increase, by way of a fully underwritten rights issue, to raise gross proceeds of NOK 45 million (the "Rights Issue"). The proceeds from the Rights Issue will be used for general corporate purposes with focus on execution of the Company's commercial strategy.

The proposed Rights Issue is subject to a shareholder approval at an extraordinary general meeting of the Company (the "EGM") to be held on 16 June 2020 at 14:00 hours (Oslo time) at Felix Konferansesenter, Bryggetorget 3, 0250 Oslo, Norway. The notice and agenda with appendices is attached hereto and available on www.observemedical.com.

Sparebank 1 Markets AS has been engaged as manager for the Rights Issue (the "Manager"). Advokatfirmaet Thommessen AS is acting as legal advisor to the Company in connection with the Rights Issue.

The Rights Issue is underwritten by certain existing shareholders of the Company (the "Underwriters"), in accordance with an underwriting agreement dated 25 May 2020. Pursuant to, and subject to, the terms and conditions set out in the underwriting agreement, the Underwriters have undertaken to vote their shares in favour of the Rights Issue and to guarantee on a pro-rata basis (not jointly) to subscribe for the shares offered in the Rights Issue, with a total underwritten amount of NOK 45 million. The shares in the Rights Issue which are not subscribed upon expiration of the subscription period (if any), will thus be subscribed by and allocated to the Underwriters. The Underwriters are entitled to a guarantee fee of 3.5% of their respective underwriting obligation.

The subscription price for the new shares to be issued in the Rights Issue, and thus the exact number of new shares and the exact amount of the share capital increase, will be determined by the board of directors, based on a recommendation from the Manager, the day prior to the EGM. The board of directors' resolution in this respect will be announced through a stock exchange announcement prior to the EGM, and no later than the day before the EGM, and then be reflected in the final proposed resolution to the EGM. Pursuant to the underwriting agreement, the subscription price in the Rights Issue shall be based on the theoretical ex rights price (TERP) of the shares in the Company less a discount of at least 25%.

In connection with the Right Issue a prospectus will be prepared which is subject to the approval by the Norwegian Financial Supervisory Authority. The prospectus will be published prior to the commencement of the subscription period and will form the basis for subscriptions in the Right Issue. Provided that the prospectus is approved by the Norwegian Financial Supervisory Authority in time, the subscription period for the Rights Issue will commence on 19 June 2020 and expire on 3 July 2020 at 16:30 hours (Oslo time). In the event that the prospectus is not approved in time to uphold this subscription period, the subscription period will commence on the second trading day on the Oslo Stock Exchange following the approval and expire at 16:30 hours (Oslo time) two weeks thereafter.

Pursuant to section 10-4 of the Norwegian Public Limited Companies Act, the shareholders of the Company at the date of the EGM will be granted a preferential right to subscribe for and be allocated the new shares in proportion to the number of shares in the Company they own as of that date, and will according to the board's proposal receive subscription rights proportionate to their existing shareholding as registered in the Company's shareholder register in the Norwegian Central Securities Depository (the VPS) at the expiry of 18 June 2020. Provided that a purchase of shares is made with ordinary T+2 settlement, shares purchased up to and including 16 June 2020 will give the right to receive subscription rights, whereas shares purchased from and including 17 June 2020, will not give the right to receive subscription rights. The subscription rights will be tradable and listed on Oslo Axess from and including the first day of the subscription period and until 16:30 (Oslo time) two trading days prior to the expiry of the subscription period. Over-subscription will be permitted. Subscription without subscription rights will not be permitted.

A further description of the Rights Issue and of other circumstances that must be considered upon subscription of shares in the Rights Issue will be included in the prospectus for the Rights Issue, which will be published no later than at the commencement of the subscription period and that will constitute the subscription material for the offering.

Included below is an indicative timeline for the Rights Issue:

- 16 June 2020: EGM
- 16 June 2020: Last day of trading in the shares including subscription rights
- 17 June 2020: First day of trading in the shares excluding subscription rights
- 18 June 2020: Record date for determination of the right to receive subscription rights
- On or around 18 June 2020: Publication of the prospectus
- On or around 19 June 2020: Commencement of the subscription period and first day of trading in the subscription rights
- On or around 1 July 2020: Last day of trading in the subscription rights
- On or around 3 July 2020: Last day of the subscription period
- On or around 6 July 2020: Allocation of the offer shares
- On or around 8 July 2020: Payment of the offer shares
- On or around 13 July 2020: Registration of the share capital increase with the Norwegian Register of Business Enterprises

For further information about the Company, please contact:
Björn Larsson, CEO of Observe Medical
Mobile: +46 76 620 17 25
E-mail: bjorn.larsson@observemedical.com

Per Arne Nygård, CFO of Observe Medical,
Mobile: +47 411 04 345
E-mail: perarne.nygard@observemedical.com

For information about the Rights Issue please contact the Manager:
SpareBank 1 Market AS, tel +47 24 14 74 70

About Observe Medical

Observe Medical develops and markets innovative hospital products that contribute to increased patient safety and a more efficient care system. The company's headquarter is in Oslo and its operations are based out of Sweden. Observe Medical's initial product was Sippi®, the only automated digital urine meter with wireless data transfer to the hospital patient data management systems, and also prevents bacterial migration that can lead to urinary infections (Sippcoat®). Sippi® is CE marked and is currently being launched at selected hospitals in Europe.

IMPORTANT INFORMATION

These materials do not constitute an offer of securities for sale or a solicitation of an offer to purchase securities of the Company in the United States or any other jurisdiction. The securities of the Company may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"). The securities of the Company have not been, and will not be, registered under the U.S. Securities Act. Any sale in the United States of the securities mentioned in this communication will be made solely to "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act. No public offering of the securities will be made in the United States.

In any EEA Member State, this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Regulation, i.e., only to investors who can receive the offer without an approved prospectus in such EEA Member State. The expression "Prospectus Regulation" means Regulation (EU) 2017/1129 (together with any applicable implementing measures in any Member State).

In the United Kingdom, this communication is only addressed to and is only directed at Qualified Investors who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order") or (ii) are persons falling within Article 49(2)(a) to (d) of the Order (high net worth companies, unincorporated associations, etc.) (all such persons together being referred to as "Relevant Persons"). These materials are directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this announcement relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Persons distributing this communication must satisfy themselves that it is lawful to do so.

Matters discussed in this announcement may constitute forward-looking statements. Forward-looking statements are statements that are not historical facts and may be identified by words such as "anticipate", "believe", "continue", "estimate", "expect", "intends", "may", "should", "will" and similar expressions. The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. The information, opinions and forward-looking statements contained in this announcement speak only as at its date, and are subject to change without notice.

This announcement is made by and, and is the responsibility of, the Company. The Manager is acting exclusively for the Company and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, or for advice in relation to the contents of this announcement or any of the matters referred to herein.

Neither the Manager nor any of its respective affiliates makes any representation as to the accuracy or completeness of this announcement and none of them accepts any responsibility for the contents of this announcement or any matters referred to herein.

This announcement is for information purposes only and is not to be relied upon in substitution for the exercise of independent judgment. It is not intended as investment advice and under no circumstances is it to be used or considered as an offer to sell, or a solicitation of an offer to buy any securities or a recommendation to buy or sell any securities of the Company. Neither the Manager nor any of its respective affiliates accepts any liability arising from the use of this announcement.

Any offering of the securities referred to in this announcement will be made by means of a prospectus. This announcement is an advertisement and is not a prospectus for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (as amended) as implemented in any Member State. Investors should not subscribe for any securities referred to in this announcement except on the basis of information contained in the aforementioned prospectus, if a prospectus is published. Copies of any such prospectus will, following publication, be available from the Company's registered office and, subject to certain exceptions, on the websites of SpareBank 1 Markets (<https://www.sb1markets.no/>).

Each of the Company, the Manager and their respective affiliates expressly disclaims any obligation or undertaking to update, review or revise any statement contained in this announcement whether as a result of new information, future developments or otherwise.

The distribution of this announcement and other information may be restricted by law in certain jurisdictions. Persons into whose possession this announcement or such other information should come are required to inform themselves about and to observe any such restrictions.

This information is subject of the disclosure requirements pursuant to section 5-12 of the Norwegian Securities Trading Act.