



Q4 2019

CEO Björn Larsson & CFO Per Arne Nygård

OSLO, 25 FEBRUARY 2020

Building the medtech platform for growth – with Sippi Sales in Focus

Corporate

Successful demerger and separate listing

- New CEO and CFO onboard
- Commercially focused organization
- Internal infrastructure and processes established
- Successful MDD recertification by notified body Intertek

Operations

Execution of the strategy – with Sippi sales and customer relations in focus

- High customer interest in new connected Sippi
- Three tenders won in December
- International Advisory board in development

Finance

Limited revenues in Q4 pre-launch phase, and one-off listing costs

- Q4 2019 EBITDA NOK –3.6 million
- Loan agreement with Navamedic supports the operations

OBSERVE MEDICAL AT A GLANCE

Global Medtech Company Built for Growth

- With Sippi as First Product



Demerged from Navamedic on 31 October 2019 – listed on Oslo Axess 4 November 2019

Headquartered in Oslo, Norway, with operations in Gothenburg, Sweden.

Global Medtech company – a platform for building a Medtech portfolio through M&A as well as for organic growth, with Sippi system as the first product



Developed Sippi® system for ICUs, wards and home care. Wide and global patent and trademark coverage. Manufacturing and assembly in place at well-established contractors

Second generation of Sippi® system for ICUs with wireless connectivity to patient data monitoring systems launched in H2 2019 and MDD-certified.

HIGHLIGHTS IN Q4 2019

New Leadership Onboard



Björn Larsson
Chief executive officer

Broad experience from marketing and business development within medtech, pharmaceuticals and biotech, i.a. from ABIGO Medical, Dentsply, Medtronic, Mentice, AstraZeneca and Novo Nordisk.



Per Arne Nygård
Chief financial officer

Broad experience from finance functions in various industries. The last 12 years in listed companies as Veidekke and Multiconsult. Joined Navamedic as consultant in August 2019 and participated in the listing of Observe Medical.

OBSERVE MEDICAL AT A GLANCE

Strong Team Competence in Launching Medtech Products to the Market



**Regulatory
authorities**



Hospitals



**Geographies/
regions**



Partners



Commercialising Sippi

- Automated Digital Urine System
with Bacteria Control

Addressing three major problems within the healthcare industry



Hospital acquired infections

2.5 million hospital acquired infections in EU – and 200.000 dies

Catheter Acquired Urinary Tract Infections (CAUTI) is the #1 hospital acquired infection

Infections requiring antibiotics – adding to antibiotic resistance

Treatment of infections – **major burden on hospital budgets**



Stressed out personnel

Personnel in the ICUs are stretched to the limit – with major budget impact

Hourly manual urine measurement and recording is time consuming

Improved overview of vital signs will benefit critical decision making – **with budget impact**



Quality assurance of data

Urine volume is an important parameter when monitoring the condition of an ICU patient

Urine – only parameter measured and recorded manually and subjectively – which may **lead to wrong clinical decisions and cause treatment errors**

Elimination of potential for human error is an important goal in intensive care

Base unit

**Disposable
unit**



SippLink™

Wireless data transfer

SippSense®

Alert for biofilm
– replace bag



SippCoat®
Biofilm prevention



Sippi® Market Opportunity

Current offering: Sippi® System



Automated urine meter for ICUs¹⁾, ORs²⁾ and wards
Potential: 0.5m base units and 20m disposable units p.a.
> NOK 4bn market globally³⁾

Launch rollout

2020	2021	2022
NORDICS, GERMANY, ITALY, UK..	US, CANADA	ASIA, ROW

Coming launch: SippBag®



Urine bags for hospitals, care centers and home care

Potential: 500m bags p.a.
> NOK 20bn market globally³⁾

Launch rollout

SippBag launch rollout & timing will be decided based on learnings from the ongoing Sippi system launch

Source: | Note: 1) Intensive Care Unit; 2) Operating Room;
3) Preliminary company estimate

Steady Progress

- Sales Focus and High Activity Level

Sales execution

Sippi BLE – great response – addressing challenges of time, data accuracy and Infection control

Stressed out ICU clinics > robust stakeholder approach & implementation required

- Karolinska Thoracic ICU implementation start in March – other ICUs in region will follow.
- Three tenders won in December

- Execute with improved stakeholder approach
- Distributors visits and trainings – focus Germany and Italy

Commercial support

Clinical & Health economic evidence will enable value based pricing

Engaging in Life science organisations and clusters – driving Sippi awareness and footprint

- Bacterial study abstract published – full article in review
- Scientific advisory board agreed

- Active in Norway HealthTech, Sweden Medtech and other



”We have published two studies showing that Sippi is superior to analogue systems in accuracy, nurses’ workload and satisfaction. Our latest study, to be published soon, will show Sippcoat’s effectiveness in hindering the most common bacteria stems growth.”

JAN VAN DER LINDEN, PROFESSOR
KAROLINSKA UNIVERSITY HOSPITAL,
STOCKHOLM

COMMERICAL UPDATE

Building Clinical Evidence and Opinion Leader Support

- Studies include inhibition of biofilm and reduction of common bacteria stems
- The clinic will implement Sippi® BLE on all beds
- Engaged in forming Observe Medical clinical advisory board

RECENTLY PUBLISHED ABSTRACT

Silicone Oil Reduces Uropathogenic Bacterial Biofilm Formation, Martin Slettengren Jan van der Linden et al

- 40–50% of CAUTI is retrograde migration from the urinary bag
- SippCoat reduces the formation of bacterial biofilm – including multi-resistant stems
- These findings suggests that Sippi® can form a new strategy to reduce the risk of CAUTI



”We have published two studies showing that Sippi is superior to analogue systems in accuracy, nurses’ workload and satisfaction. Our latest study, to be published soon, will show Sippcoat’s effectiveness in hindering the most common bacteria stems growth.”

JAN VAN DER LINDEN, PROFESSOR
KAROLINSKA UNIVERSITY HOSPITAL,
STOCKHOLM

Financial review

CFO, PER ARNE NYGÅRD

Key Figures Profit and Loss Statement

<i>Amounts in NOK thousand</i>	Q4 2019	Q4 2018	FY 2019	FY 2018
Operating revenues	94	31	177	106
Gross result	70	557	-460	581
Operating expenses	3 631	1 780	11 041	8 404
EBITDA	-3 561	-1 223	-11 501	-7 823
EBIT	-4 644	-2 173	-15 787	-11 724
<i>Net finance</i>	121	16 884	-1 131	13 998
Result before tax	-4 524	14 711	-16 917	2 274
Income tax expenses	0	0	0	0
Result	-4 524	14 711	-16 917	2 274

Increased revenue in Q4 Y-o-Y, but still at a low level

Gross profit impacted by write-downs of inventories in FY 2019 and reversed write-downs in Q4 2018

Increased operating expenses due to demerger and listing expenses (MNOK 1.7 FY 2019) and expenses to strengthen the organization in Q4 2019

Net finance income in Q4 2019 and Q4 2018 due to decreased contingent consideration liabilities that more than offset interest expenses on interest bearing liabilities

Balance Sheet - Assets

<i>Amounts in NOK thousand</i>	At 31 December 2019	At 31 December 2018
ASSETS		
Non-current assets		
Goodwill	30 333	31 166
Intangible assets	20 997	23 508
Tangible assets	339	57
Total non-current assets	51 670	54 731
Current assets		
Trade receivables	66	32
Inventories	2 504	2 399
Other receivables and prepaid expenses	609	1 047
Bank deposits	485	621
Total current assets	3 663	4 100
Total assets	55 333	58 831

Goodwill from acquisition of
Observe Medical in 2015

Intangible assets consists of patent
and development of Sippi.

Tangible assets include IFRS 16 (Lease –
right of use assets) from 1th January 2019

Balance Sheet - Equity and Liabilities

<i>Amounts in NOK thousand</i>	At 31 December 2019	At 31 December 2018
EQUITY AND LIABILITIES		
Total equity	14 542	16 823
Non-current liabilities		
Non-current lease liabilities	78	0
Contingent consideration	12 398	12 177
Non-current interest bearing liabilities	25 413	25 032
Total non-current liabilities	37 889	37 209
Current liabilities		
Trade payables	1 338	3 684
VAT and other public taxes and duties payables	499	494
Current lease liabilities	201	0
Other current liabilities	864	620
Total current liabilities	2 902	4 798
Total liabilities	40 791	42 008
Total equity and liabilities	55 333	58 831

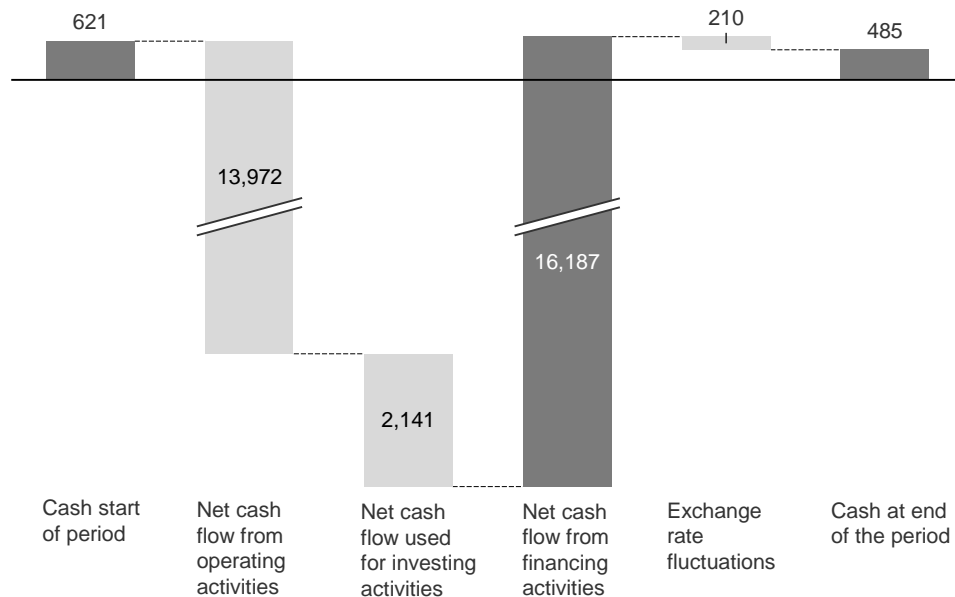
Equity and interest-bearing debt as of 31 December 2019 impacted by debt conversion of MNOK 16 in connection with the demerger from Navamedic ASA

Long term loan agreement with Navamedic includes accrued interest as at 31 December 2019

IFRS 16 «Lease liabilities» implemented from 1 January 2019

Cash Flow Statement

(Amounts in NOK thousand)



Negative cash flow from operations mainly due to negative EDITDA result of MNOK 11.5 and decreased trade payables.

Cash used in investing activities related to investments in Sippi

Positive cash flow from financing activities due to increased interest bearing debt and debt conversion

Summary and outlook

Summary and Outlook

Since the demerger and separate listing in November 2019

- Established leadership and efficient control
- Execution of the set strategy
- Sippi sales and customer relations in focus

Onwards

Sippi sales and customer relations in focus

- Nordic sales - secure Sippi implementation in Karolinska and beyond
- EU sales – high engagement with distributors – focus Germany and Italy

Prepare for US launch

- Partnerships, FDA clearance

Building evidence for value-based market access in key segments

- Scientific advisory board for clinical and commercial insights and advice
- Building clinical and health-economic support

Exploit M&A Opportunities

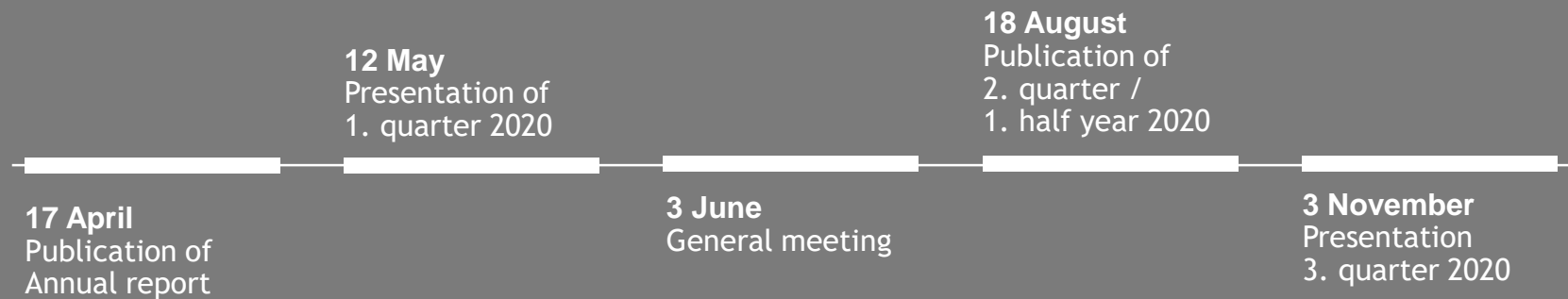
Q&A



Thank **you!**



Finance Calendar



Appendix



OBSERVE MEDICAL AT A GLANCE

Experienced Board and management team in place

Management team



Björn Larsson
Chief executive officer



Per Arne Nygård
Chief financial officer



Emil Karheiding
CTO



Magnus Emmoth
CCOO



Kristina Adlesic
QA/RA MGR

Board of directors



Terje Bakken
Chairman of the board



Kristin Nyberg
Board member



Kathrine Gamborg Andreassen
Board member



Thomas Grünfeld
Board member

(UNAUDITED FOR THE PERIOD ENDED 31 DECEMBER 2019)

Condensed Consolidated Statement of Comprehensive Income

<i>Amounts in NOK</i>	Q4 2019	Q4 2018	FY 2019	FY 2018
Operating revenues	94 389	30 819	176 650	106 185
Cost of goods	24 431	-526 005	636 781	-474 979
Gross result	69 958	556 824	-460 131	581 164
Employee benefit expenses	1 781 127	1 241 713	5 299 190	4 217 022
Other operating expenses	1 850 140	538 043	5 742 122	4 187 051
Operating expenses	3 631 266	1 779 756	11 041 311	8 404 073
Operating result before depreciation and amortisation (EBITDA)	-3 561 309	-1 222 932	-11 501 443	-7 822 909
Depreciation and amortisation	1 083 182	949 709	4 285 200	3 901 020
Operating result (EBIT)	-4 644 490	-2 172 641	-15 786 642	-11 723 929
Financial income and expenses				
Financial income	966 007	17 326 269	1 831 993	14 413 652
Financial expenses	845 129	442 256	2 962 651	416 071
Net financial items	120 878	16 884 013	(1 130 658)	13 997 581
Result before tax	-4 523 613	14 711 372	-16 917 301	2 273 652
Income tax expense	0	0	0	0
Result for the period	-4 523 613	14 711 372	-16 917 301	2 273 652
Other comprehensive income that may be reclassified subsequently to profit or loss				
Currency translations differences	862 450	1 837 605	-1 363 229	-2 459 220
Total comprehensive income/loss for the period	-3 661 163	16 584 770	-18 280 530	-185 568

(UNAUDITED FOR THE PERIOD ENDED 31 DECEMBER 2019)

Condensed Consolidated Balance Sheet

<i>Amounts in NOK</i>	At 31 December 2019	At 31 December 2018
ASSETS		
Non-current assets		
Goodwill	30 333 459	31 165 525
Intangible assets	20 997 241	23 507 880
Tangible assets	339 069	57 413
Total non-current assets	51 669 769	54 730 818
Current assets		
Trade receivables	65 625	32 222
Inventories	2 503 530	2 399 223
Other receivables and prepaid expenses	608 776	1 047 109
Bank deposits	485 207	621 144
Total current assets	3 663 138	4 099 698
Total assets	55 332 907	58 830 515

(UNAUDITED FOR THE PERIOD ENDED 31 DECEMBER 2019)

Condensed Consolidated Balance Sheet

<i>Amounts in NOK</i>	At 31 December 2019	At 31 December 2018
EQUITY AND LIABILITIES		
Total equity	14 541 734	16 822 851
Non-current liabilities		
Non-current lease liabilities	77 945	0
Contingent consideration	12 398 226	12 177 000
Non-current interest bearing liabilities	25 413 198	25 032 427
Total non-current liabilities	37 889 369	37 209 427
Current liabilities		
Trade payables	1 338 188	3 683 734
VAT and other public taxes and duties payables	499 466	494 089
Current lease liabilities	200 622	0
Other current liabilities	863 528	620 414
Total current liabilities	2 901 804	4 798 237
Total liabilities	40 791 173	42 007 664
Total equity and liabilities	55 332 907	58 830 515

(UNAUDITED FOR THE PERIOD ENDED 31 DECEMBER 2019)

Cash Flow Statement

	2019	2 018
Cash flow from operating activities		
Result before tax	-16 917 301	2 273 653
Depreciation and impairment	4 285 200	3 901 020
Change in FV contingent consideration	221 226	-14 009 000
Change in inventories	-172 980	-968 213
Change in trade receivables and other receivables	404 930	-706 779
Change trade account payables and other current liabilities	-2 300 546	2 131 810
Changes in other current items	507 400	-986 282
Net cash flow from operating activities	-13 972 072	-8 363 792
Cash flow from investing activities		
Purchase / disposal of tangible and intangible assets	-2 140 695	-1 949 429
Net cash flow used for investing activities	-2 140 695	-1 949 429
Cash flow from financing activities		
Change in net interest bearing debt	380 771	3 943 626
Equity contribution	16 000 000	5 614 400
Payments of lease liabilities	-194 066	
Net cash flow from financing activities	16 186 705	9 558 026
Exchange rate fluctuations	-209 876	-682 601
Change in cash	-135 938	-1 437 796
Bank deposits start of period	621 144	2 058 940
Bank deposits end of period	485 207	621 144

Top 20 Shareholders - as of February 19, 2020

Rank	Name	No. of shares	% of top 20	% of total	Country
1	NAVAMEDIC ASA	3 200 000	25,21 %	21,24 %	Norway
2	INGERØ REITEN INV. COMPANY AS	2 916 667	22,98 %	19,36 %	Norway
3	UBS SWITZERLAND AG	1 420 522	11,19 %	9,43 %	Switzerland
4	RO, LARS	1 320 231	10,40 %	8,76 %	Norway
5	ALPINE CAPITAL AS	550 000	4,33 %	3,65 %	Norway
6	ARTAL AS	417 374	3,29 %	2,77 %	Norway
7	SOLEGLAD INVEST AS	416 668	3,28 %	2,77 %	Norway
8	LEIKERANE AS	416 666	3,28 %	2,77 %	Norway
8	TRANBERGKOLLEN INVEST AS	416 666	3,28 %	2,77 %	Norway
10	LAPAS AS	266 000	2,10 %	1,77 %	Norway
11	LID, OLAV TARJEI HIORTH	250 000	1,97 %	1,66 %	Norway
12	KRAEBER VERWALTUNG GMBH	214 850	1,69 %	1,43 %	Germany
13	BUKKEVIK INVESTERING AS	204 100	1,61 %	1,35 %	Norway
14	HARDING INVEST AS	172 392	1,36 %	1,14 %	Norway
15	NOBELSYSTEM SCANDINAVIA AS	124 333	0,98 %	0,83 %	Norway
16	MP PENSJON PK	100 025	0,79 %	0,66 %	Norway
17	EILERAAS, KARL ANSKAR	86 491	0,68 %	0,57 %	Norway
18	BATJAK AS	74 800	0,59 %	0,50 %	Norway
19	GRAFISK PAPIR AS	65 000	0,51 %	0,43 %	Norway
20	BJØRNTVEDT, EIVIND	60 076	0,47 %	0,40 %	Norway
Number of shares owned by top 20		12 692 861	100,00 %	84,24 %	
Total number of shares		15 067 673			

Exercised share options as at 24. January not included

Basis for Preparation

This presentation provides financial highlights for the quarter and full year for Observe Medical Group. The financial information is not reported according to the requirements in IAS 34 (Interim Financial Reporting) and the figures are not audited. The same measurement principles as presented in the carve-out Annual Report 2016-2018 have been used preparing this presentation, with the exception of accounting for lease contracts (IFRS 16 implemented 1 January 2019 by use of the modified retrospective approach).

Definitions of Alternative Performance Measures (APM)

The APMs are regularly reviewed by management and their aim is to enhance stakeholders' understanding of the company's performance. APMs presented may be determined or calculated differently by other companies.

Gross result is equal to total revenues minus cost of materials.

Gross result is a sub-total in the condensed consolidated statement of income.

EBIT is equal to earnings before interest and tax. EBIT is a

sub-total in the condensed consolidated statement of comprehensive income.

EBITDA is equal to earnings before interest, tax, depreciation and amortization. EBITDA is a sub-total in the condensed consolidated statement of comprehensive income.

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