



Q1 2020

CEO Björn Larsson & CFO Per Arne Nygård

OSLO, 12 MAY 2020

TODAY'S SITUATION

COVID-19 severely impacts the healthcare system



Quality assurance
of data



Stressed out
healthcare staff



Hospital acquired
infections

OBSERVE MEDICAL AT A GLANCE

A global medtech company building portfolio through M&A as well as organic growth

Sippi® is a unique automated digital urine meter for ICUs, wards and home care.

- Wide and global patent and trademark coverage
- Second generation of Sippi® for ICUs, with wireless connectivity to patient data monitoring systems (launched in Q4 2019 & MDD-certified)





Σ



280 $\frac{\text{ml}}{\text{h}}$

4225 ml



118 ml

sippi



Sippi® addresses three major challenges within the healthcare industry



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



Stressed out healthcare staff

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**



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**

Observe Medical driven research confirms current market potential for Sippi® and indicates +100% market value growth post COVID-19

Drivers

Current market		Post COVID-19 market assumptions	
Sippi® current market potential		ICU volume growth	Sippi® market value growth
~0,5 M Sippi® Base Units +30M Sippi® Disposable Units/Bags per year		Sippi® Base Units +10-20% Sippi® Disposable Units +10-20%	+ 100%
<ul style="list-style-type: none"> ~400.000 ICU beds 24M annually admitted patients to ICU 		<ul style="list-style-type: none"> 10-15% expected increase in number of ICU beds and annual patient admissions Expected significant increase of contingency capacity 	<ul style="list-style-type: none"> Automation of manual processes due to shortage of staff Electronic patient data to avoid human errors Remote patient monitoring to reduce staff exposure Infection control for patients in long-term hospitalization

Data covering 67% of global populations(*) in North America and key countries on Europe, Asia & Oceania, RoW. * USA and Canada, Europe (32 European nations), Asia & Oceania (10 nations), Rest of the World (8 nations). The data is a combination of scientific publications, medical journals and assumption-based calculations.

Readiness for post COVID-19 market opportunity

Sales	Customers prospects delayed, but strengthened commitment to use Sippi® and to resume implementation
	Simplifying for new customers to start using Sippi®
Commercial support	Advisory board now operational with exceptional competence in supporting Sippi® commercial and clinical roadmap
	Market research providing insights to Sippi® market segments and how to address them
	Engaging in life sciences organizations and clusters – driving Sippi® awareness and footprint



COMMERCIAL UPDATE

Advisory Board fully operational



Prof. Jan van Der Linden*

Karolinska Sjukhuset.
Department of Thoracic
intensive care



Dr. Anders Ternhag

Karolinska Sjukhuset.
Infection diseases specialist

*Will commence Advisory Board
on September 1, 2020



Focus areas for Advisory Board

**Sippi® clinical and commercial
roadmap** – which segments and
how to address them

**Development of evidence plan
for Sippi®** – including clinical
studies, to support Sippi
differentiation and claims

Financial review

CFO, PER ARNE NYGÅRD

Financial review comments



Limited COVID-19 impact

- No significant Covid-19 impact on revenues in Q1 2020, though sales processes have temporarily slowed down
- The Group has maintained close to full operations during the quarter



Significant effects from exchange rate fluctuation

- The Norwegian krone (NOK) significantly weakened against Swedish krone (SEK) and Danish krone (DKK) during Q1 2020
 - Significant currency gain mainly due to internal loans in SEK and DKK
 - Affects the statement of financial positions, due to consolidation of the Swedish and Danish entities

Key Figures Profit and Loss Statement

<i>Amounts in TNOK</i>	Q1 2020	Q1 2019	FY 2019
Operating revenues	32	27	177
Gross result	-27	-11	-460
Operating expenses	4 383	2 730	11 041
EBITDA	-4 410	-2 741	-11 501
EBIT	-5 189	-3 784	-15 787
<i>Net finance</i>	4 765	-307	-1 131
Result before tax	-424	-4 091	-16 917
Income tax expenses	0	0	0
Result	-424	-4 091	-16 917

Revenues still at a low level and gross profit affected by shipping cost

Increased **operating expenses** mainly due to:

- higher headcount
- build-up of functions as a standalone company

Net finance income due to currency gain, that more than offset interest expenses and finance expenses related to contingent consideration

Statement of Financial Positions

Assets

<i>Amounts in TNOK</i>	At 31 March 2020	At 31 March 2019	At 31 December 2019
ASSETS			
Non-current assets			
Goodwill	33 430	29 842	30 333
Intangible assets	22 642	21 683	20 997
Tangible assets	252	42	339
Total non-current assets	56 325	51 567	51 670
Current assets			
Trade receivables	0	0	66
Inventories	3 862	1 659	2 504
Other receivables and prepaid expenses	596	221	609
Bank deposits	460	1 264	485
Total current assets	4 918	3 145	3 663
Total assets	61 243	54 712	55 333

Goodwill (denominated in SEK) from acquisition of Observe Medical International AB in 2015

Intangible assets consists of patent and development of Sippi®

Inventories increased in-line with plans and to secure supplies onwards

Statement of Financial Positions

Equity and Liabilities

<i>Amounts in TNOK</i>	At 31 March 2020	At 31 March 2019	At 31 December 2019
EQUITY AND LIABILITIES			
Total equity	14 641	11 497	14 542
Non-current liabilities			
Non-current lease liabilities	45	0	78
Contingent consideration	12 965	12 734	12 398
Non-current interest bearing liabilities	29 353	0	25 413
Total non-current liabilities	42 363	12 734	37 889 369
Current liabilities			
Trade payables	2 624	654	1 338
VAT and other public taxes and duties payables	472	200	499
Interest bearing current liabilities	0	28 750	0
Current lease liabilities	152	0	201
Other current liabilities	992	876	864
Total current liabilities	4 239	30 481	2 902
Total liabilities	46 602	43 215	40 791
Total equity and liabilities	61 243	54 712	55 333

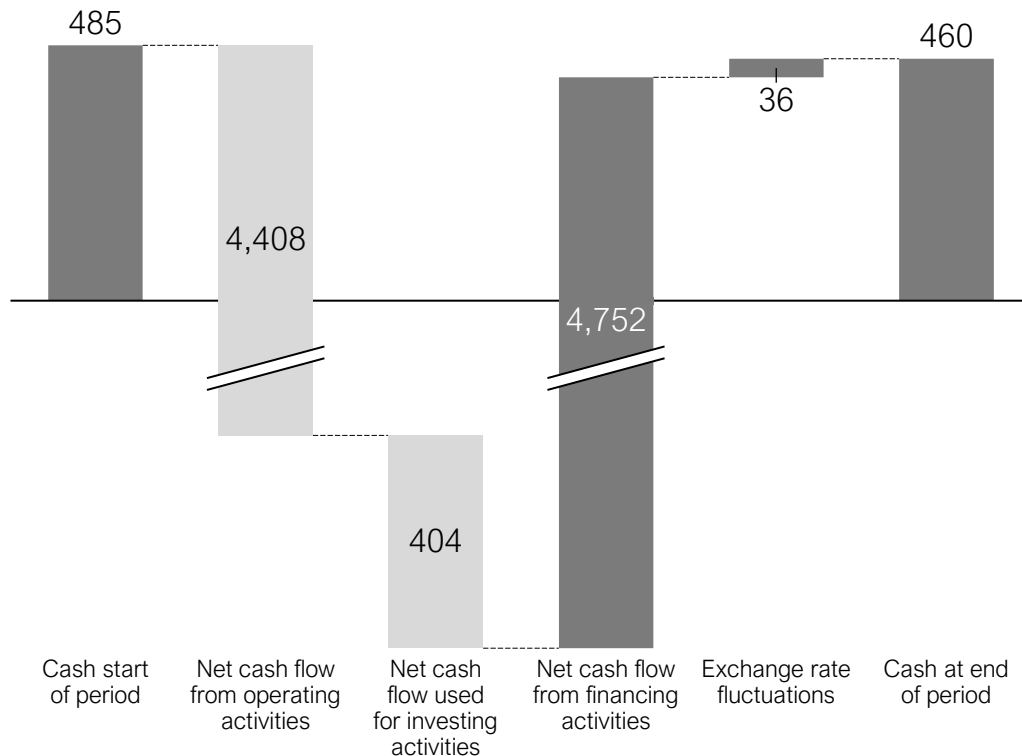
Equity as of 31 March at MNOK 14.6 affected by share issue related to exercise of share options that more than offset the negative result in the quarter

Non-current interest bearing loan increased according to plan

Increased trade payables mainly due to purchase of materials for sale and increased other operating expenses

Cash Flow Statement

(Amounts in TNOK)



Negative cash flow from operations due the negative EDITDA

Cash used in investing activities related to investments in the Sippi® system

Positive cash flow from financing activities mainly due to increased interest bearing debt and share issue in connection with exercise of share options

The Group has cash balance at TNOK 460 as of 31 March 2020

Summary and outlook

Summary and outlook

Market value potential for Sippi® set to double post COVID-19

- Observe Medical and Sippi® well positioned to grasp the opportunity
- Long-term revenue ambition increased accordingly to 500 MNOK

Onwards

- Building Sippi® commercial readiness for post COVID-19 opportunity

Q&A



Thank **you!**



Finance Calendar

12 May

Presentation of 1.
quarter 2020

18 August

Publication of
2. quarter /
1. half year 2020

30 June *

General meeting

3 November

Presentation
3. quarter 2020

* General meeting postponed from 3 June to 30 June

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
COO



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 MARCH 2020)

Condensed Consolidated Statement of Comprehensive Income

<i>Amounts in NOK</i>	Q1 2020	Q1 2019	FY 2019
Operating revenues	32 220	27 293	176 650
Cost of materials	59 320	38 135	636 781
Gross result	-27 100	-10 842	-460 131
Employee benefit expenses	2 244 393	1 278 246	5 299 190
Other operating expenses	2 138 753	1 451 652	5 742 122
Operating expenses	4 383 146	2 729 898	11 041 311
Operating result before depreciation and amortisation (EBITDA)	-4 410 246	-2 740 740	-11 501 443
Depreciation and amortisation	778 578	1 043 355	4 285 200
Operating result (EBIT)	-5 188 824	-3 784 095	-15 786 642
Financial income and expenses			
Financial income	5 872 752	254 819	365 329
Financial expenses	1 107 872	561 352	1 495 987
Net financial items	4 764 880	-306 533	(1 130 658)
Result before tax	-423 943	-4 090 628	-16 917 301
Income tax expense	0	0	0
Result for the period	-423 943	-4 090 628	-16 917 301

(UNAUDITED FOR THE PERIOD ENDED 31 MARCH 2020)

Condensed Consolidated Statement of Financial Positions

<i>Amounts in NOK</i>	At 31 March 2020	At 31 March 2019	At 31 December 2019
ASSETS			
Non-current assets			
Goodwill	33 430 414	29 841 930	30 333 459
Intangible assets	22 641 708	21 683 005	20 997 241
Tangible assets	252 440	42 376	339 069
Total non-current assets	56 324 563	51 567 311	51 669 769
Current assets			
Trade receivables	0	0	65 625
Inventories	3 861 879	1 659 351	2 503 530
Other receivables and prepaid expenses	596 181	220 985	608 776
Bank deposits	459 967	1 264 454	485 207
Total current assets	4 918 027	3 144 790	3 663 138
Total assets	61 242 590	54 712 101	55 332 907

(UNAUDITED FOR THE PERIOD ENDED 31 MARCH 2020)

Condensed Consolidated Statement of Financial Positions

<i>Amounts in NOK</i>	At 31 March 2020	At 31 March 2019	At 31 December 2019
EQUITY AND LIABILITIES			
Total equity	14 640 759	11 497 359	14 541 734
Non-current liabilities			
Non-current lease liabilities	44 928		77 945
Contingent consideration	12 965 226	12 734 006	12 398 226
Non-current interest bearing liabilities	29 352 855		25 413 198
Total non-current liabilities	42 363 009	12 734 006	37 889 369
Current liabilities			
Trade payables	2 623 641	654 290	1 338 188
VAT and other public taxes and duties payables	471 896		499 466
Interest bearing current liabilities		28 749 979	
Current lease liabilities	151 521		200 622
Other current liabilities	991 765	1 076 467	863 528
Total current liabilities	4 238 823	30 480 736	2 901 804
Total liabilities	46 601 832	43 214 742	40 791 173
Total equity and liabilities	61 242 591	54 712 101	55 332 907

Cash Flow Statement

(UNAUDITED FOR THE PERIOD ENDED 31 MARCH 2020)

(Amounts in NOK)

	Q1 2020	Q1 2019	FY 2019
Cash flow from operating activities			
Result before tax	-423 943	-4 090 629	-16 917 301
Depreciation and impairment	778 578	1 043 355	4 285 200
Net finance, non cash effect	-5 047 036	39 163	221 226
Change in inventories	-1 102 746	637 977	-172 980
Change in trade receivables and other receivables	123 187	814 080	404 930
Change trade account payables and other current liabilities	1 263 483	-2 947 411	-2 300 546
Changes in other current items			507 400
Net cash flow from operating activities	-4 408 477	-4 503 464	-13 972 071
Cash flow from investing activities			
Purchase of tangible and intangible assets	-404 442	645 097	-2 140 695
Net cash flow used for investing activities	-404 442	645 097	-2 140 695
Cash flow from financing activities			
Change in net interest bearing debt to Navamedic ASA	3 939 657	4 524 332	16 380 771
Paid in new capital	858 000		1 000 000
Repayment share capital			-1 000 000
Payments of lease liabilities	-45 778		-194 066
Net cash flow from financing activities	4 751 880	4 524 332	16 186 705
Exchange rate fluctuations	35 799	-22 655	-209 876
Change in cash	-25 241	643 310	-135 937
Bank deposits start of period	485 208	621 144	621 144
Bank deposits end of period	459 967	1 264 454	485 208

Top 20 Shareholders – as of May 4, 2020

Rank	Name	Number of shares	% of top 20	% of total	Country
1	NAVAMEDIC ASA	3 200 000	24.60 %	20.86 %	Norway
2	INGERØ REITEN INV. COMPANY AS	2 916 667	22.42 %	19.01 %	Norway
3	UBS SWITZERLAND AG	1 420 522	10.92 %	9.26 %	Switzerland
4	RO, LARS	1 300 000	9.99 %	8.47 %	Norway
5	ALPINE CAPITAL AS	745 000	5.73 %	4.86 %	Norway
6	SOLEGLAD INVEST AS	541 668	4.16 %	3.53 %	Norway
7	ARTAL AS	525 467	4.04 %	3.42 %	Norway
8	LEIKERANE AS	416 666	3.20 %	2.72 %	Norway
9	TRANBERGKOLLEN INVEST AS ¹	416 666	3.20 %	2.72 %	Norway
10	NORDA ASA	272 621	2.10 %	1.78 %	Norway
11	LAPAS AS	266 000	2.04 %	1.73 %	Norway
12	KRAEBER VERWALTUNG GMBH	214 850	1.65 %	1.40 %	Germany
13	BUKKEVIK INVESTERING AS	182 222	1.40 %	1.19 %	Norway
14	LID, OLAV TARJEI HIORTH	120 000	0.92 %	0.78 %	Norway
15	MP PENSJON PK	100 025	0.77 %	0.65 %	Norway
16	EILERAAS, KARL ANSKAR	86 491	0.66 %	0.56 %	Norway
17	BRATVEDT, ASTRID JOHANNE TORGENSEN ¹	77 000	0.59 %	0.50 %	Norway
18	BJØRNTVEDT, EIVIND	71 076	0.55 %	0.46 %	Norway
19	BJØRNTVEDT, VEGARD	68 446	0.53 %	0.45 %	Norway
20	HARDING INVEST AS	67 519	0.52 %	0.44 %	Norway
Total number owned by top 20		13 008 906	100.00 %	84.79 %	
Total number of shares		15 342 673			

¹⁾Tranborgkollen Invest AS is owned 100% of Astrid Johanne Torgersen Bratvedt



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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