



# OBSERVE MEDICAL

**Q2 and first half year 2020**

CEO Björn Larsson / CFO Per Arne Nygård

Oslo, August 18, 2020

## Overview



Solid medtech platform  
for growth

# Sippi®

Automated and wireless  
connected digital urine meter  
for ICUs and wards

Addressing major clinical  
challenges:

- ⊕ Hospital acquired infections
- ✓ Quality assurance of data
- 👤 Stressed out healthcare staff



Strong market  
opportunity  
accelerated by  
Covid-19

Exploit market  
potential  
in the  
Nordics  
and Europe



Fully underwritten  
rights issue of

# NOK 45 million

enabling full speed ahead  
capturing market opportunities





**Hourly urine monitoring of patients is the last remaining manual procedure in the ICU**

**with significant clinical implications**



**Risk of infections**



**Inaccurate patient data for clinical decisions**



**Time-consuming for staff, reducing clinical capacity**

## Sippi®

is the only **automated, digital urine meter** with **wireless** data transfer (Siplink®) to the hospital patient data management system and which **detects** (Sippsense®) and **hinders** (Sippcoat®) **bacterial biofilm formation** – that can lead to urinary infections





## Sippi® addresses major clinical challenges for ICUs



### Clinical challenges



Risk of infections



Inaccurate patient data for clinical decisions



Time-consuming for staff, reducing clinical capacity

### Sippi® clinical impact

Hindering hospital acquired infections

Improved quality of patient data for clinical decisions

Reduced time spent by staff-improving clinical capacity



## Significant market opportunity with value growth accelerated by Covid-19

Post Covid-19 outbreak market assumptions		
CURRENT MARKET POTENTIAL	ICU CAPABILITIES VOLUME GROWTH	SIPPI® SHARE OF MARKET VALUE
Sippi® market opportunity		
<p><b>~0.5M</b> Sippi® base units</p> <p><b>+30M</b> Sippi® disposable units/bags per year</p> <p><b>Drivers</b> ~400.000 ICU beds 24M annually admitted patients</p>	<p><b>+20-30%</b> Market volume</p> <p><b>Drivers</b> Increase in number of ICU beds and patient admissions Increase of contingency capacity Increased monitoring in intermediary wards</p>	<p><b>+100%</b></p> <p><b>Drivers</b> Infection control and prevention Remote patient monitoring to reduce staff exposure Digital patient data monitoring to avoid human errors Automation to meet ICU demand due to shortage of staff</p>

**Key focus: Exploit the market opportunity in the Nordics and Europe**

Estimated up to 3x value growth in Europe for Sippi® post Covid-19 outbreak



**Strengthening the global commercial resources and team**



**Nordics – direct sales**  
Recruiting direct sales team



**Rest of Europe – distributors**  
Strengthening and expanding distributor network  
  
Screening, evaluating and selecting distribution partners continuously





## Strengthened partnership for Sippi® launch in Italy

**Updated distribution agreement** signed in August with SIM Italia S.r.l. for launch and distribution of Sippi® in the Italian market

– comprehensive collaboration with both short- and long-term initiatives

### SIM Italia S.r.l.

Main office in Bologna, northern Italy

Good reach and well connected with Italian opinion leaders within ICU and urine monitoring

### Market size<sup>1</sup>

~7 500 ICU beds

~450 000 admissions annually

Disposable bag market ~500 000

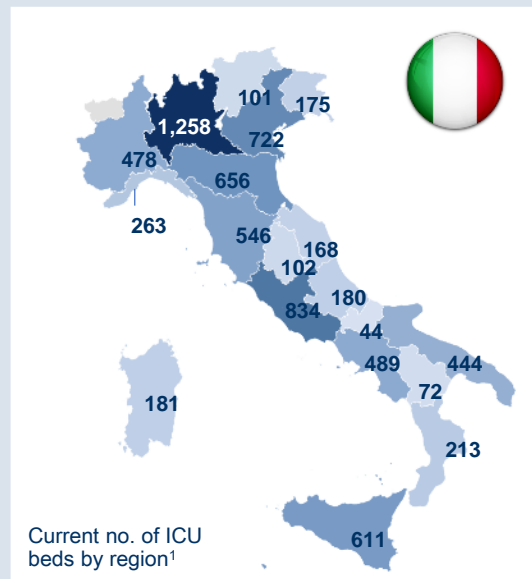
Significant market growth expected post Covid-19, (~7 500-12 500 beds)

### Market characteristics<sup>1</sup>

Northern regions -strong clinical and influential hub

Relatively long stays per patient admitted to ICU

Personal relations-oriented



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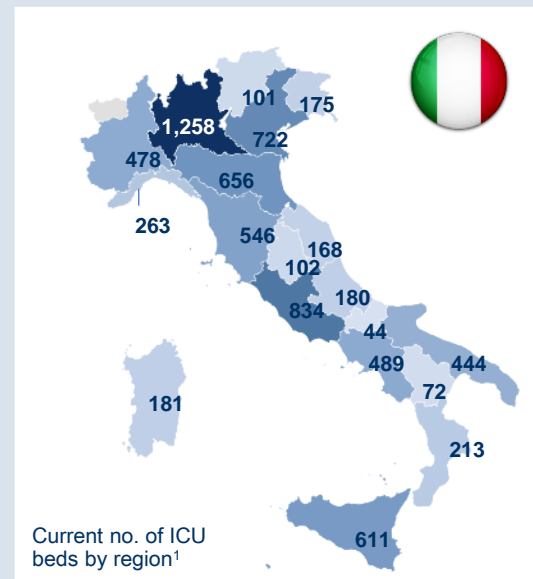
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## Newly published scientific article provides evidence of Sippi® technology reducing microbial biofilm formation – a risk factor for patient infection

Slettengren M. et al, : “Making medical devices safer: impact of plastic and silicone oil on microbial biofilm formation” Journal of Hospital Infection, 2020, issue 106, page 155-162

### Findings/conclusion

Silicone oil (a patented SippCoat® technology) significantly reduces biofilm formation – a risk factor for both patient infection and device malfunction, from a series of bacteria, including several multi-resistant strains, and from fungi.

This suggests a new strategy to decrease hospital acquired infections and reduce the risk of device malfunction.



# FINANCIAL REVIEW

CFO Per Arne Nygård

## Key Figures

### Profit and Loss Statement

Amounts in TNOK (excl. earnings per share)	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Operating revenues	0	33	32	60	177
<b>Gross result</b>	-62	-473	-89	-484	-460
Operating expenses	6 193	2 292	10 576	5 022	11 041
<b>EBITDA</b>	-6 255	-2 766	-10 665	-5 507	-11 501
<b>EBIT</b>	-7 073	-3 861	-12 262	-7 646	-15 787
Net finance	-3 070	-524	1 695	-831	-1 131
<b>Result before tax</b>	-10 143	-4 386	-10 567	-8 476	-16 917
Income tax expenses	0	0	0	0	0
<b>Result</b>	-10 143	-4 386	-10 567	-8 476	-16 917
Currency translations differences	-416	-1 235	957	-2 135	-1 363
<b>Total comprehensive income/loss</b>	-10 560	-5 621	-9 610	-10 612	-18 281
<b>Earnings per share (NOK per share)</b>	-0.66	-0.47	-0.69	-0.71	-1.36

The sales activities slowed down in the second quarter and resulted in no **revenues** compared to TNOK 33 in same quarter last year.

The increased Gross result in both the second quarter and the first half year is due to write-down of inventories in the second quarter 2019.

Increased **operating expenses** both in the second quarter 2020 and first half year 2020 mainly due to:

- higher headcount
- Consultancy costs
- build-up of systems and functions as a standalone company

Increased **Net finance expenses** in the second quarter 2020 compared to same quarter last year, due to currency loss and increased interest expenses related to interest bearing debt.

**Net finance income** in first half year 2020 compared to net finance expenses same quarter last year due to currency gain that more than offset increased interest expenses related to interest bearing debt.

# Statement of Financial Positions

## Assets

<i>Amounts in TNOK</i>	<b>At 30 June 2020</b>	<b>At 30 June 2019</b>	<b>At 31 December 2019</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	33 405	29 482	30 333
Intangible assets	21 976	21 317	20 997
Tangible assets	82	409	339
<b>Total non-current assets</b>	<b>55 463</b>	<b>51 209</b>	<b>51 670</b>
<b>Current assets</b>			
Trade receivables	0	27	66
Inventories	4 228	1 142	2 504
Other receivables and prepaid expenses	703	335	609
Bank deposits	965	632	485
<b>Total current assets</b>	<b>5 896</b>	<b>2 136</b>	<b>3 663</b>
<b>Total assets</b>	<b>61 360</b>	<b>53 345</b>	<b>55 333</b>

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>	<b>At 30 June 2020</b>	<b>At 30 June 2019</b>	<b>At 31 December 2019</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>5 899</b>	<b>6 203</b>	<b>14 542</b>
<b>Non-current liabilities</b>			
Non-current lease liabilities	34	365	78
Contingent consideration	13 532	13 291	12 398
Non-current interest bearing liabilities	33 509	0	25 413
<b>Total non-current liabilities</b>	<b>47 075</b>	<b>13 656</b>	<b>37 889</b>
<b>Current liabilities</b>			
Trade payables	1 484	1 769	1 338
VAT and other public taxes and duties payables	1 843	192	499
Interest bearing current liabilities	3 000	30 613	0
Current lease liabilities	0	0	201
Other current liabilities	2 059	912	864
<b>Total current liabilities</b>	<b>8 386</b>	<b>33 486</b>	<b>2 902</b>
<b>Total liabilities</b>	<b>55 461</b>	<b>47 142</b>	<b>40 791</b>
<b>Total equity and liabilities</b>	<b>61 360</b>	<b>53 345</b>	<b>55 333</b>

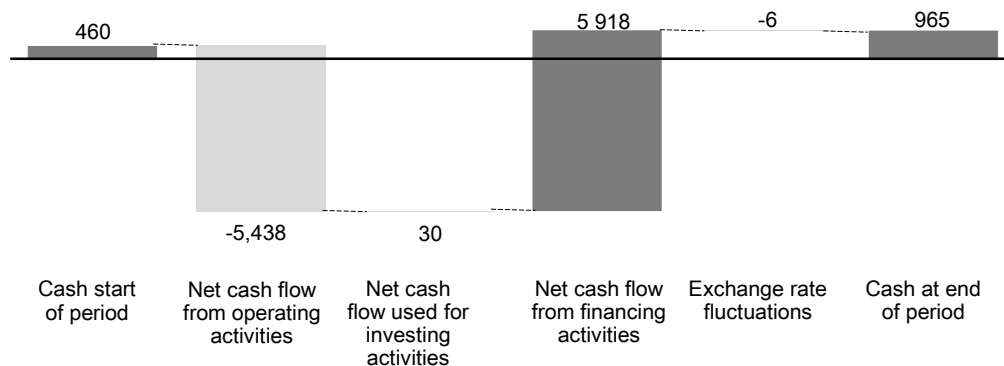
Equity as of 30 June at MNOK 5.9 affected by negative result in the period and the share issue related to exercise of share options in the first quarter.

Non-current interest bearing loan increased according to plan  
 - MNOK 3 reclassified to interest bearing current liabilities and repaid in July

Increased public taxes mainly due to:  
 - Postponed payments of public taxes due to Covid-19 measures in Sweden and Norway  
 - Increased headcount



## Cash Flow Statement second quarter 2020 (Amounts in TNOK)



Negative cash flow from operations due to negative EDITDA

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

The Group has cash balance at TNOK 965 as of 30 June 2020

# SUMMARY AND OUTLOOK

CEO Björn Larsson

## Summary and outlook

### Summary

Rights issue of NOK 45 million completed

Unchanged estimate of Sippi® market value potential

Near-time focus on Nordics and Europe

Italy distributor agreement in place

Strong scientific evidence for Sippi® in newly published article

### Outlook

Executing go-to-market strategy

Strengthening commercial organization and distributor network

Strengthen clinical and health economics evidence program

Value creating M&A and business development

Commercially driven R&D

Q&A



Thank you!



# Finance Calendar

**3 November**  
Presentation of  
3. quarter 2020

**23 February**  
Presentation of  
4. quarter 2020

**30 April**  
Publication of  
Annual report  
2020

**12 May**  
Presentation of  
1. quarter 2021

**21 May**  
Annual General  
Meeting

# 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



**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 30 JUNE 2020)

# Condensed Consolidated Statement of Comprehensive Income

<i>Amounts in NOK</i>	<b>Q2 2020</b>	<b>Q2 2019</b>	<b>H1 2020</b>	<b>H1 2019</b>	<b>FY 2019</b>
Operating revenues	0	33 140	32 220	60 433	176 650
Cost of materials	61 945	506 598	121 265	544 733	636 781
<b>Gross result</b>	<b>-61 945</b>	<b>-473 458</b>	<b>-89 045</b>	<b>-484 300</b>	<b>-460 131</b>
Employee benefit expenses	3 533 757	1 185 929	5 778 150	2 464 175	5 299 190
Other operating expenses	2 659 495	1 106 424	4 798 248	2 558 076	5 742 122
<b>Operating expenses</b>	<b>6 193 253</b>	<b>2 292 353</b>	<b>10 576 399</b>	<b>5 022 251</b>	<b>11 041 311</b>
<b>Operating result before depreciation and amortisation (EBITDA)</b>	<b>-6 255 198</b>	<b>-2 765 811</b>	<b>-10 665 444</b>	<b>-5 506 551</b>	<b>-11 501 443</b>
Depreciation and amortisation	818 297	1 095 612	1 596 875	2 138 967	4 285 200
<b>Operating result (EBIT)</b>	<b>-7 073 494</b>	<b>-3 861 423</b>	<b>-12 262 318</b>	<b>-7 645 518</b>	<b>-15 786 642</b>
<b>Financial income and expenses</b>					
Financial income		321 644	4 280 772	576 463	365 329
Financial expenses	3 069 597	845 967	2 585 488	1 407 319	1 495 987
<b>Net financial items</b>	<b>-3 069 597</b>	<b>-524 323</b>	<b>1 695 284</b>	<b>-830 856</b>	<b>-1 130 658</b>
<b>Result before tax</b>	<b>-10 143 091</b>	<b>-4 385 746</b>	<b>-10 567 034</b>	<b>-8 476 374</b>	<b>-16 917 301</b>
Income tax expense					
<b>Result for the period</b>	<b>-10 143 091</b>	<b>-4 385 746</b>	<b>-10 567 034</b>	<b>-8 476 374</b>	<b>-16 917 301</b>
<b>Other comprehensive income that may be reclassified subsequently to profit or loss</b>					
Currency translations differences	-416 465	-1 234 864	957 274	-2 135 287	-1 363 229
<b>Total comprehensive income/loss for the period</b>	<b>-10 559 556</b>	<b>-5 620 610</b>	<b>-9 609 760</b>	<b>-10 611 661</b>	<b>-18 280 530</b>

(UNAUDITED FOR THE PERIOD ENDED 30 JUNE 2020)

## Condensed Consolidated Statement of Financial Positions

<i>Amounts in NOK</i>	<b>At 30 June 2020</b>	<b>At 30 June 2019</b>	<b>At 31 December 2019</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	33 404 714	29 482 117	30 333 459
Intangible assets	21 976 325	21 317 436	20 997 241
Tangible assets	82 339	409 208	339 069
<b>Total non-current assets</b>	<b>55 463 377</b>	<b>51 208 761</b>	<b>51 669 769</b>
<b>Current assets</b>			
Trade receivables	0	26 561	65 625
Inventories	4 228 183	1 142 147	2 503 530
Other receivables and prepaid expenses	702 863	335 185	608 776
Bank deposits	965 418	632 104	485 207
<b>Total current assets</b>	<b>5 896 464</b>	<b>2 135 997</b>	<b>3 663 138</b>
<b>Total assets</b>	<b>61 359 841</b>	<b>53 344 759</b>	<b>55 332 907</b>

(UNAUDITED FOR THE PERIOD ENDED 30 JUNE 2020)

# Condensed Consolidated Statement of Financial Positions

Amounts in NOK

At 30 June 2020 At 30 June 2019 At 31 December 2019

## EQUITY AND LIABILITIES

<b>Total equity</b>	<b>5 898 913</b>	<b>6 202 858</b>	<b>14 541 734</b>
<b>Non-current liabilities</b>			
Non-current lease liabilities	34 394	365 006	77 945
Contingent consideration	13 532 226	13 291 004	12 398 226
Non-current interest bearing liabilities	33 508 709	0	25 413 198
<b>Total non-current liabilities</b>	<b>47 075 329</b>	<b>13 656 010</b>	<b>37 889 369</b>
<b>Current liabilities</b>			
Trade payables	1 483 694	1 769 479	1 338 188
VAT and other public taxes and duties payables	1 842 546	191 799	499 466
Interest bearing current liabilities	3 000 000	30 613 025	0
Current lease liabilities	0	0	200 622
Other current liabilities	2 059 359	911 587	863 528
<b>Total current liabilities</b>	<b>8 385 599</b>	<b>33 485 890</b>	<b>2 901 804</b>
<b>Total liabilities</b>	<b>55 460 928</b>	<b>47 141 900</b>	<b>40 791 173</b>
<b>Total equity and liabilities</b>	<b>61 359 841</b>	<b>53 344 758</b>	<b>55 332 907</b>

# Cash Flow Statement

(UNAUDITED FOR THE PERIOD ENDED 30 JUNE 2020)

(Amounts in NOK)

	H1 2020	H1 2019	Q2 2020	Q2 2019	FY 2019
<b>Cash flow from operating activities</b>					
Result before tax	-10 567 034	-8 476 374	-10 143 091	-4 385 745	-16 917 301
Depreciation and impairment	1 596 875	2 138 967	818 297	1 095 612	4 285 200
Change in net finance, no cash effect	-2 003 883	1 114 004	3 043 153	1 074 841	221 226
Change in inventories	-1 471 171	1 257 076	-368 425	619 099	-172 980
Change in trade receivables and other receivables	14 741	790 547	-108 446	-23 533	404 930
Change trade account payables and other current liabilities	2 584 295	-1 914 254	1 320 812	1 033 157	-2 300 546
Changes in other current items	0	-11 117	0	-11 117	507 400
<b>Net cash flow from operating activities</b>	<b>-9 846 177</b>	<b>-5 101 152</b>	<b>-5 437 700</b>	<b>-597 686</b>	<b>-13 972 072</b>
<b>Cash flow from investing activities</b>					
Purchase / disposal of tangible and intangible assets	-374 060	-1 035 883	30 382	-1 680 980	-2 140 695
<b>Net cash flow used for investing activities</b>	<b>-374 060</b>	<b>-1 035 883</b>	<b>30 382</b>	<b>-1 680 980</b>	<b>-2 140 695</b>
<b>Cash flow from financing activities</b>					
Change in net interest bearing debt	9 901 270	5 580 598	5 961 613	1 056 266	16 380 771
Paid in new capital	858 000		0	0	1 000 000
Repayment share capital	0	0	0	0	-1 000 000
Payments of lease liabilities	-88 921	-92 087	-43 143	-92 087	-194 066
<b>Net cash flow from financing activities</b>	<b>10 670 349</b>	<b>5 488 511</b>	<b>5 918 470</b>	<b>964 179</b>	<b>16 186 705</b>
<b>Exchange rate fluctuations</b>	<b>30 099</b>	<b>659 483</b>	<b>-5 700</b>	<b>682 138</b>	<b>-209 876</b>
Change in cash	480 211	10 960	505 452	-632 349	-135 938
Bank deposits start of period	485 207	621 144	459 967	1 264 454	621 144
<b>Bank deposits end of period</b>	<b>965 418</b>	<b>632 104</b>	<b>965 418</b>	<b>632 104</b>	<b>485 207</b>

# Top 20 Shareholders - as of August 11, 2020

Rank	Name	Number of shares	% of top 20	% of total	Country
1	NAVAMEDIC ASA	4 222 727	26.12 %	21.73 %	Norway
2	INGERØ REITEN INV. COMPANY AS	3 939 394	24.37 %	20.27 %	Norway
3	RO, LARS	1 450 000	8.97 %	7.46 %	Norway
4	UBS SWITZERLAND AG	1 420 522	8.79 %	7.31 %	Switzerland
5	ARTAL AS	872 450	5.40 %	4.49 %	Norway
6	ALPINE CAPITAL AS	645 000	3.99 %	3.32 %	Norway
7	NORDA ASA	516 570	3.20 %	2.66 %	Norway
8	TRANBERGKOLLEN INVEST AS	500 000	3.09 %	2.57 %	Norway
9	LEIKERANE AS	466 666	2.89 %	2.40 %	Norway
10	SOLEGLAD INVEST AS	461 668	2.86 %	2.38 %	Norway
11	LAPAS AS	336 924	2.08 %	1.73 %	Norway
12	MP PENSJON PK	262 025	1.62 %	1.35 %	Norway
13	KRAEBER VERWALTUNG GMBH	214 850	1.33 %	1.11 %	Germany
14	BUKKEVIK INVESTERING AS	140 000	0.87 %	0.72 %	Norway
15	BJØRNTVEDT, VEGARD	134 358	0.83 %	0.69 %	Norway
16	GINNY INVEST AS	128 984	0.80 %	0.66 %	Norway
17	BJØRNTVEDT, EIVIND	127 000	0.79 %	0.65 %	Norway
18	NORDNET BANK AB	113 200	0.70 %	0.58 %	Sweden
19	ABC INVEST AS	110 000	0.68 %	0.57 %	Norway
20	EILERAAS, KARL ANSKAR	104 490	0.65 %	0.54 %	Norway
<b>Total number owned by top 20</b>		<b>16 166 828</b>	<b>100.00 %</b>	<b>83.19 %</b>	
<b>Total number of shares</b>		<b>19 433 582</b>			

# 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:** Operating revenues less direct cost of materials as cost price, transportation and warehouse cost of materials for sale. Gross result is a sub-total in the condensed consolidated statement of income.

**EBIT:** Earnings before net financial items, results from associates and joint ventures and income tax. EBIT is a sub-total in the condensed consolidated statement of income.

**EBITDA:** Earnings before interest, tax, depreciation and amortization. EBITDA is a sub-total in the condensed consolidated statement of comprehensive income.

**Operating expenses:** Employee benefit expenses plus other operating expenses.





# Basis of preparation and statements

This presentation provides financial highlights for the second quarter and first half year for Observe Medical Group. The financial information is 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 Annual Report 2019 have been used preparing this presentation.

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