



OBSERVE MEDICAL

Q3 2020

CEO Björn Larsson / CFO Per Arne Nygård

Oslo, November 3, 2020

Overview



Solid medtech platform for growth

Strong financial position supported by NOK
45 million rights issue in Q3



Sippi®

Automated and wireless connected digital urine meter for ICUs and wards

Strong market opportunity
– accelerated by Covid-19



Current focus:
Nordics and Europe



Overview



Solid medtech platform for growth

Strong financial position supported by NOK
45 million rights issue in Q3



Sippi®

Automated and wireless connected digital urine meter for ICUs and wards

Strong market opportunity
– accelerated by Covid-19



Current focus:
Nordics and Europe



- Enabling accelerated execution of Sippi® commercial strategy
- M&A to support Sippi® go-to-market execution





Hourly urine monitoring of patients is the last remaining manual monitoring 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®

Sippi® addresses the clinical challenges

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



Hindering hospital acquired infections



Improved quality of patient data for clinical decisions



Reduced time spent by staff – improving clinical capacity



SIPPI®

Significant market opportunity for Sippi® – outlook remains

CURRENT MARKET POTENTIAL

ICU CAPABILITIES VOLUME GROWTH

SIPPI® SHARE OF MARKET VALUE

Sippi® market opportunity

~0.5M

Sippi® base
units

+30M

Sippi® disposable
units/bags per year

+20-30%

Market volume

+100%

Stepwise go-to-market plan execution

Current focus:

Accelerating clinical use
– in Nordics and selected
European markets

Broader EU launch

Global launch



Current focus: Accelerating clinical use - in Nordics and selected European markets

+30

Sippi® systems
brought to clinical
use during the last
two months

Examples of impact:

NORDICS

Infection clinic/ward

Nya Karolinska hospital, Sweden

- Sippi® in use, in non-ICU setting
- Feedback on clinical use
- Reference for other departments

EUROPE

Distributor Sim Italia s.r.l.

- Two new ICUs implement Sippi®
- Strengthened relation with existing SIM customers
- Academic studies with local key opinion leaders in pipeline

ENABLER FOR CONTINUED ACCELERATION:

Strengthened access to Sippi® target customers

Competent sales team with
established product portfolio
relevant to Sippi®

Integration with Sylak immediately strengthens Sippi® market access

**Strengthened access to
Sippi® target customers**

Competent sales team with
established product portfolio
relevant to Sippi®



Direct sales Nordics

Established Nordic sales operations with
team and portfolio relevant to Sippi®
target customers

Distributors Europe

Internationally experienced sales team

Integration with Sylak immediately strengthens Sippi® market access

**Strengthened access to
Sippi® target customers**

Direct sales Nordics
Established Nordic sales operations with
team and portfolio relevant to Sippi®
target customers

Distributors Europe
Internationally experienced sales team



Sylak at a glance

Sylak AB

Swedish medtech company representing well-established suppliers in medtech

Total revenues of MSEK 13.4 and gross margin at 38% in 2019

The Sylak logo is a stylized, cursive script of the word "Sylak" enclosed within an oval border. Below the oval is a thick horizontal line.

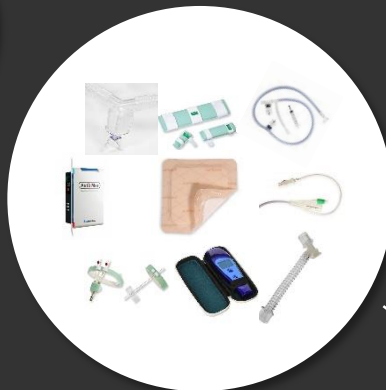
Transaction

Acquisition of 100% of shares at closing 30 October 2020

Enterprise value of 6 MSEK on cash and debt free basis

Team
Internationally experienced sales team, all anaesthesia and intensive care nurses:

Anders Nachtwij (General Manager),
Maria Fogelström (Tender Manager),
and Klas Eriksson (KAM).



Product portfolio & customers

Broad product line within intensive care, anaesthesia and surgical

Customers include several of largest hospitals in Sweden - with opportunity to extend to Nordics & beyond

FINANCIAL REVIEW

CFO Per Arne Nygård

Financial review comments



Covid-19 impact

- Customer access and relationship-building difficult due to travel restrictions and hospital constraints, thus temporarily slowing down sales processes and delaying revenue growth
- The Group has maintained close to full operations during the quarter and year to date
- Increased awareness of patient monitoring and need for increased efficiency, enhances commercial opportunity for Sippi®
- Sylak continued sales growth in 2020 due to strong customer relations and recurring sales



Rights issue of NOK 45 million

- Completed in July
- Strengthened bank deposits and equity, deducted for cost related to the rights issue



Acquisition of Sylak AB

- The transaction was closed at 30 October and is not part of the Q3 figures

Key Figures

Profit and Loss Statement

Amounts in NOK thousand
(excl. earnings per share)

	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Operating revenues	9	22	41	82	177
Gross result	4	-46	-85	-530	-460
Operating expenses	4 764	2 388	15 341	7 410	11 041
EBITDA	-4 760	-2 434	-15 426	-7 940	-11 501
EBIT	-5 548	-3 497	-17 810	-11 142	-15 787
<i>Net finance</i>	<i>-308</i>	<i>-421</i>	<i>1 387</i>	<i>-1 252</i>	<i>-1 131</i>
Result before tax	-5 856	-3 917	-16 423	-12 394	-16 917
Income tax expenses	0	0	0	0	0
Result	-5 856	-3 917	-16 423	-12 394	-16 917
Currency translations differences	-272	-90	685	-2 226	-1 363
Total comprehensive result for the period	-6 128	-4 008	-15 738	-14 619	-18 281
Earnings per share (NOK per share)	-0.36	-0.33	-1.06	-1.04	-1.36

The increased Gross result in third quarter 2020 compare to same quarter last year mainly related to

Increased **operating expenses** in the third quarter 2020 compare to same quarter last year mainly related to

- higher headcount
- consultancy costs
- higher cost as a standalone listed company

Decreased **net finance expenses** compared to same quarter last year, due to currency gain more than offset increased interest on interest bearing debt and finance expenses related to contingent consideration.

Result at negative TNOK 5,856 compared to negative TNOK 3,917 in third quarter 2019

Statement of Financial Positions

Assets

<i>Amounts in TNOK</i>	At 30 September 2020	At 30 September 2019	At 31 December 2019
ASSETS			
Non-current assets			
Goodwill	33 736	29 723	30 333
Intangible assets	21 670	20 892	20 997
Tangible assets	48	404	339
Total non-current assets	55 454	51 019	51 670
Current assets			
Trade receivables	0	0	66
Inventories	5 006	2 462	2 504
Other receivables and prepaid expenses	602	460	609
Bank deposits	31 430	270	485
Total current assets	37 038	3 192	3 663
Total assets	92 491	54 210	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 increase related to purchase of materials to Sippi base units in the quarter

Increased bank deposits due to completion of rights issue in July.

Statement of Financial Positions

Equity and Liabilities

<i>Amounts in TNOK</i>	At 30 September 2020	At 30 September 2019	At 31 December 2019
EQUITY AND LIABILITIES			
Total equity	40 372	2 203	14 542
Non-current liabilities			
Non-current lease liabilities	9	126	78
Contingent consideration	14 099	13 848	12 398
Non-current interest bearing liabilities	34 174	0	25 413
Total non-current liabilities	48 282	13 974	37 889
Current liabilities			
Trade payables	1 489	914	1 338
VAT and other public taxes and duties payables	1 377	0	499
Interest bearing current liabilities	0	35 953	0
Current lease liabilities	0	194	201
Other current liabilities	971	971	864
Total current liabilities	3 837	38 032	2 902
Total liabilities	52 119	52 007	40 791
Total equity and liabilities	92 491	54 210	55 333

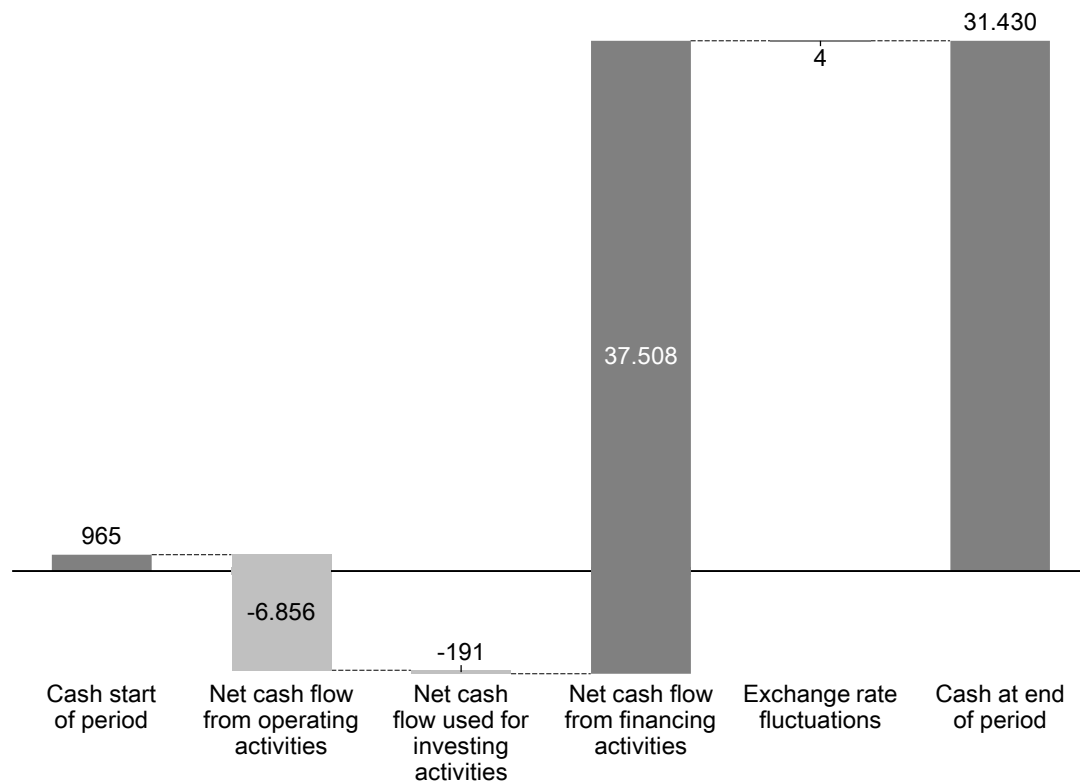
Equity as of 30 September at MNOK 40.4 mainly affected by the completed rights issue in the quarter deducted the negative result in the quarter.

Non-current interest bearing loan increased due to accrued not paid interest.

Public tax liabilities includes postponed payments of public taxes due to Covid-19 measures in Sweden and Norway.

Cash Flow Statement third quarter 2020

(Amounts in TNOK)



Negative cash flow from operations mainly due to negative result before tax and decreased short term liabilities.

Positive cash flow from financing activities mainly due to completed rights issue. As part of the rights issue Observe Medical repaid TNOK 3,000 of interest bearing debt.

The Group has cash balance at TNOK 31,430 as of 30 September 2020.

SUMMARY AND OUTLOOK

CEO Björn Larsson

Summary and outlook

Summary

+30 Sippi® systems brought to clinical use during the last two months

Completed acquisition of Sylak AB – strengthened access to Sippi® target customers

Further strengthened the commercial organization

Outlook

Continued focus on the Nordics and Europe

Continuous roll-out of Sippi® systems for clinical use

Onboarding Sylak

Strengthening the distributor network

Q&A



Thank you!



Finance Calendar

23 February
Presentation of
Q4 2020

30 April
Publication of
Annual report
2020

12 May
Presentation of
Q1 2021

21 May
Annual General
Meeting

20 August
Presentation of
Q2 and first half
year 2021

Appendix



OBSERVE MEDICAL AT A GLANCE

Experienced management team and board

Management team



Björn Larsson
Chief executive officer



Per Arne Nygård
Chief financial officer



Mikael Löfgren
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 SEPTEMBER 2020)

Condensed Consolidated Statement of Comprehensive Income

(Amounts in NOK)	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Operating revenues	9 112	21 828	41 332	82 261	176 650
Cost of materials	5 203	67 617	126 468	612 350	636 781
Gross result	3 909	-45 789	-85 136	-530 089	-460 131
Employee benefit expenses	2 076 099	1 053 888	7 854 249	3 518 063	5 299 190
Other operating expenses	2 688 008	1 333 906	7 486 256	3 891 982	5 742 122
Operating expenses	4 764 107	2 387 794	15 340 506	7 410 045	11 041 311
Operating result before depreciation and amortisation (EBITDA)	-4 760 198	-2 433 583	-15 425 641	-7 940 134	-11 501 443
Depreciation and amortisation	787 370	1 063 051	2 384 245	3 202 018	4 285 200
Operating result (EBIT)	-5 547 568	-3 496 634	-17 809 886	-11 142 152	-15 786 642
Financial income and expenses					
Financial income	833 048	289 523	3 490 657	865 986	365 329
Financial expenses	1 141 184	710 203	2 103 509	2 117 522	1 495 987
Net financial items	-308 137	-420 680	1 387 148	-1 251 536	-1 130 658
Result before tax	-5 855 705	-3 917 314	-16 422 739	-12 393 688	-16 917 301
Income tax expense					
Result for the period	-5 855 705	-3 917 314	-16 422 739	-12 393 688	-16 917 301
Other comprehensive income that may be reclassified subsequently to profit or loss					
Currency translations differences	-227 163	-90 392	730 111	-2 225 679	-1 363 229
Total comprehensive income/loss for the period	-6 082 868	-4 007 706	-15 692 627	-14 619 367	-18 280 530

(UNAUDITED FOR THE PERIOD ENDED 30 SEPTEMBER 2020)

Condensed Consolidated Statement of Financial Positions

<i>(Amounts in NOK)</i>	At 30 September 2020	At 30 September 2019	At 31 December 2019
ASSETS			
Non-current assets			
Goodwill	33 735 612	29 723 063	30 333 459
Intangible assets	21 669 797	20 891 957	20 997 241
Tangible assets	48 394	403 506	339 069
Total non-current assets	55 453 804	51 018 526	51 669 769
Current assets			
Trade receivables	0	0	65 625
Inventories	5 005 794	2 461 786	2 503 530
Other receivables and prepaid expenses	602 116	460 303	608 776
Bank deposits	31 429 768	269 614	485 207
Total current assets	37 037 679	3 191 703	3 663 138
Total assets	92 491 483	54 210 229	55 332 907

(UNAUDITED FOR THE PERIOD ENDED 30 SEPTEMBER 2020)

Condensed Consolidated Statement of Financial Positions

<i>(Amounts in NOK)</i>	At 30 September 2020	At 30 September 2019	At 31 December 2019
EQUITY AND LIABILITIES			
Total equity	40 372 000	2 203 484	14 541 734
Non-current liabilities			
Non-current lease liabilities	8 782	126 300	77 945
Contingent consideration	14 099 226	13 848 002	12 398 226
Non-current interest bearing liabilities	34 174 341	0	25 413 198
Total non-current liabilities	48 282 348	13 974 302	37 889 369
Current liabilities			
Trade payables	1 489 215	914 017	1 338 188
VAT and other public taxes and duties payables	1 376 667		499 466
Interest bearing current liabilities	0	35 952 615	0
Current lease liabilities	0	194 400	200 622
Other current liabilities	971 252	971 411	863 528
Total current liabilities	3 837 135	38 032 443	2 901 804
Total liabilities	52 119 483	52 006 745	40 791 173
Total equity and liabilities	92 491 483	54 210 229	55 332 907

Cash Flow Statement

(UNAUDITED FOR THE PERIOD ENDED 30 SEPTEMBER 2020)

<i>(Amounts in NOK)</i>	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Cash flow from operating activities					
Result before tax	-5 855 705	-3 917 314	-16 422 739	-12 393 688	-16 917 301
Depreciation and impairment	787 370	1 063 051	2 384 245	3 202 018	4 285 200
Change in net finance, no cash effect	448 416	137 532	-1 555 466	1 251 536	221 226
Change in inventories	-750 301	-1 319 639	-2 221 472	-62 563	-172 980
Change in trade receivables and other receivables	105 606	-171 519	120 347	619 028	404 930
Change trade account payables and other current liabilities	-1 591 661	-459 554	992 634	-2 373 808	-2 300 546
Changes in other current items	0	0	0	0	507 400
Net cash flow from operating activities	-6 856 275	-4 667 443	-16 702 452	-9 757 477	-13 972 072
Cash flow from investing activities					
Purchase / disposal of tangible and intangible assets	-191 439	-911 079	-565 499	-932 188	-2 140 695
Net cash flow used for investing activities	-191 439	-911 079	-565 499	-932 188	-2 140 695
Cash flow from financing activities					
Change in net interest bearing debt to Navamedic ASA	-3 000 000	4 893 070	6 901 271	10 473 668	16 380 771
Net proceeds from share issue	40 534 194	0	41 392 194	0	1 000 000
Repayment share capital	0	0	0	0	-1 000 000
Payments of lease liabilities	-26 168	-48 113	-115 089	-140 200	-194 066
Net cash flow from financing activities	37 508 026	4 844 957	48 178 375	10 333 468	16 186 705
Exchange rate fluctuations	4 039	-261 275	34 137	4 667	-209 876
Change in cash	30 464 351	-994 840	30 944 561	-351 530	-135 938
Bank deposits start of period	965 419	1 264 454	485 207	621 144	621 144
Bank deposits end of period	31 429 769	269 614	31 429 768	269 614	485 207

Top 20 Shareholders - as of October 30, 2020

Rank	Name	Number of shares	% of top 20	% of total	Country
1	NAVAMEDIC ASA	4,222,727	25.84%	21.54%	NORWAY
2	INGERØ REITEN INV. COMPANY AS	3,939,394	24.10%	20.09%	NORWAY
3	RO, LARS	1,450,000	8.87%	7.40%	NORWAY
4	UBS SWITZERLAND AG	1,420,522	8.69%	7.25%	SWITZERLAND
5	ARTAL AS	897,407	5.49%	4.58%	NORWAY
6	ALPINE CAPITAL AS	650,000	3.98%	3.32%	NORWAY
7	SOLEGLAD INVEST AS	586,668	3.59%	2.99%	NORWAY
8	NORDA ASA	516,570	3.16%	2.63%	NORWAY
9	TRANBERGKOLLEN INVEST AS	500,000	3.06%	2.55%	NORWAY
10	LEIKERANE AS	466,666	2.86%	2.38%	NORWAY
11	LAPAS AS	336,924	2.06%	1.72%	NORWAY
12	MP PENSJON PK	262,025	1.60%	1.34%	NORWAY
13	KRAEBER VERWALTUNG GMBH	214,850	1.31%	1.10%	GERMANY
14	BUKKEVIK INVESTERING AS	140,160	0.86%	0.71%	NORWAY
15	BJØRNTVEDT, VEGARD	136,358	0.83%	0.70%	NORWAY
16	GINNY INVEST AS	128,984	0.79%	0.66%	NORWAY
17	BJØRNTVEDT, EIVIND	127,000	0.78%	0.65%	NORWAY
18	NORDNET BANK AB	122,528	0.75%	0.62%	SWEDEN
19	ABC INVEST AS	120,000	0.73%	0.61%	NORWAY
20	EILERAAS, KARL ANSKAR	104,490	0.64%	0.53%	NORWAY
TOTAL NUMBER OWNED BY TOP 20		16,343,273	100.00%	83.36%	
TOTAL NUMBER OF SHARES		19,605,457			

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.

Earnings per share: Result after tax divided at average number of outstanding shares over the period

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