



# OBSERVE MEDICAL

**Q1 2021**

CEO Björn Larsson / CFO Per Arne Nygård

Oslo, May 12, 2021

## Overview



### **Nordic based medtech company with global reach**

Solid platform for growth, commercializing innovative medtech products on a global market -by organic growth and targeted M&A.

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Nordic direct sales organization with strong customer and supplier relations, and an expanding distributor network in Europe.

### **Sippi®**

Automated and wireless connected digital urine meter for ICUs and wards

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Strong market opportunity - strengthened by Covid-19

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Current market focus: Nordics and Europe

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### **Broad product portfolio in the Nordic market**

Devices and disposables products within urine measurement, anesthesia/ICU and wound care

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Strong sales growth and market opportunities in the Nordics

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Highly synergistic products and customers to Sippi®, enabling Sippi® customer access in the Nordic

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## Covid-19 business impact

		<b>Q1 2021</b>	<b>Currently</b>	<b>Onwards</b>
<b>Sippi®</b>	Current focus is clinical rollout of Sippi® in Nordic region and selected countries in rest of Europe, to get systems in clinical use and to receive customer feedback	<p>Covid-19 policies in place and operations as normal, digital team interactions</p> <p>During the less severe period, Q4 2020-Q1 2021, several clinical sites initiated evaluation of Sippi®</p> <p>Customer interactions and feedback validates Sippi® as valuable innovation and generates inputs to our continuous improvements program</p>	<p>Pandemics is again in a phase with severe workload for hospitals, though varying between countries and hospitals</p> <p>Tougher restrictions on access to customers, - for Sippi® rollout as well as our Nordic portfolio sales.</p>	<p>Situation expected to improve over the summer, and to further ease during the second half 2021</p>
Nordic Direct Sales Operations	Strong sales growth, driving access to Nordic Sippi® target customers and supporting efforts with distributors.	Value of Nordic portfolio and sales team demonstrated, providing access to Sippi® customers and generating business value via portfolio sales		

## Overview



Solid medtech platform for growth

**Sippi®**

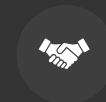
Automated and wireless connected digital urine meter for ICUs and wards

### **Broad product portfolio in the Nordic market**

Devices and disposable products within urine measurement, anesthesia/ICU and wound care

## The 2021 year to date journey

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Further strengthening of the sales organization in the Nordics



~15 new Sippi® systems delivered to clinical sites



Expanded and strengthened the global patent protection



Important customer feedback



New scientific evidence published



Significant orders of disposables to Nordic hospital region - total value of MSEK 10



Break-through order for delivery of blood warmer systems to three hospitals

## Sippi® - the first automated digital urine meter with biofilm control





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

**with significant clinical implications**



Inaccurate patient data for clinical decisions



Time-consuming for staff and compromised ergonomics - reducing clinical capacity



Risk of infections - risk for patient suffering and prolonged hospital stay

## ... and 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.

- ✓ Improved quality of patient data for clinical decisions
- 👤 Reduced time spent by staff and improved ease of use – enhancing clinical capacity
- ⊕ Hindering risk factors for hospital acquired infections



## New study with aim to broaden the clinical scope of Sippi®

**New study at Nya Karolinska Sjukhuset**, led by Professor Jan van der Linden, has in May 2021 submitted applications for ethical approval for new studies, with the aim of broadening the clinical scope of use for Sippi®

"The unique technology of the Sippi capacitance based digital urine volume measurement system, allows for identifying new clinical diagnostic parameters, **for example for acute kidney injury**, based on more detailed urine flow measurements"

Prof. Jan van Der Linden MD

**Recent doctoral dissertation** further demonstrates clinical benefits of Sippi®

"...staff consistently appraised the AU significantly higher than the MU in terms of user-friendliness, reliability, safety and efficacy"

From DEPARTMENT OF MOLECULAR MEDICINE AND SURGERY  
Karolinska Institutet, Stockholm, Sweden

EVALUATION OF AN AUTOMATIC URINOMETER INCLUDING USE OF SILICONE OIL TO DECREASE BIOFILM FORMATION DUE TO PROTEINURIA, HEMOGLOBINURIA AND BACTERIAL GROWTH

Martin Stenstrom



Stockholm 2021



**Advisory Board** supports Sippi® clinical and commercial opportunity





**Ass. Prof. Anders Ternhag MD**  
Karolinska Sjukhuset  
Infectious Diseases Specialist



**Prof. Jan van Der Linden MD**  
Karolinska Sjukhuset,  
Department of Thoracic  
Intensive Care



## Addressing a substantial market supported by key market drivers and COVID-related impact

Current market	Sippi® value and potential accentuated by market trends and pandemic	
<p><b>CURRENT MARKET POTENTIAL</b></p> <p><b>4 bn NOK</b></p> <p><b>~0,5M</b> <b>+30M</b> Sippi® base units Sippi® disposable units/bags per year</p> <ul style="list-style-type: none"> <li>~400.000 ICU beds</li> <li>24M annually admitted patients to ICU</li> </ul>	<p><b>ICU CAPABILITIES VOLUME GROWTH</b></p> <p> <b>+20-30%</b></p> <ul style="list-style-type: none"> <li>10-15% expected increase in number of ICU beds and annual patient admissions</li> <li>Expected significant increase of contingency capacity</li> <li>Expanded into intermediary wards – need for similar automation devices</li> </ul>	<p><b>SIPPI® VALUE FURTHER ACCENTUATED</b></p> <p></p> <ul style="list-style-type: none"> <li>Automation necessary to meet ICU demand due to shortage of staff</li> <li>Digital patient data monitoring to avoid human errors</li> <li>Remote patient monitoring to reduce staff exposure</li> <li>Infection control for patients in long-term hospitalization</li> </ul>



Current focus:

**Clinical roll-out**

- in Nordics and selected  
European markets

**Broader EU launch**

**Global launch**



Current focus:

### **Clinical roll-out**

- in Nordics and selected European markets

## **Accelerating Sippi® rollout when pandemics eases later in 2021**

Insights and learnings during the pandemic:

- On-site training is essential for successful Sippi® implementation
- Increased patient monitoring expanding outside ICUs  
- commercial opportunity for Sippi®
- Customer feedback from Sippi® evaluation sites  
- generating insights to our commercial improvement program
- Clinical research program drives value proposition, expanded clinical usage and building opinion leaders



**Use the insights to prepare  
- accelerating rollout of  
Sippi® when customer  
access regained**



Current focus:

**Clinical roll-out**

- in Nordics and selected  
European markets

**Broader EU launch**

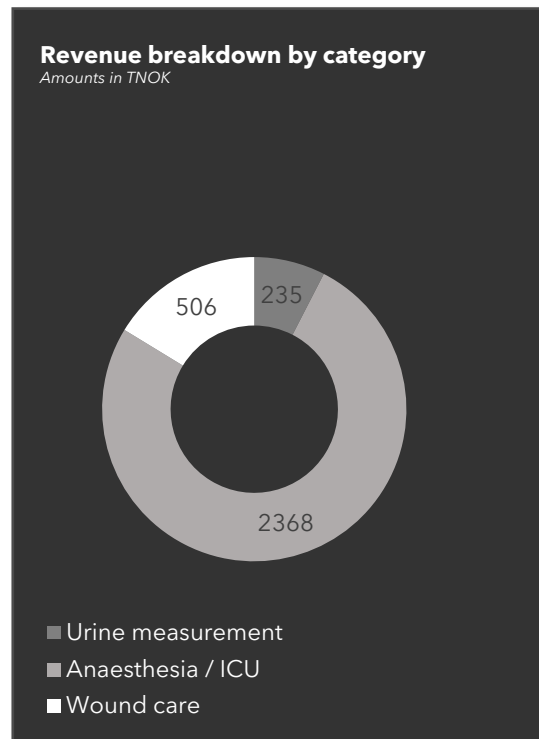
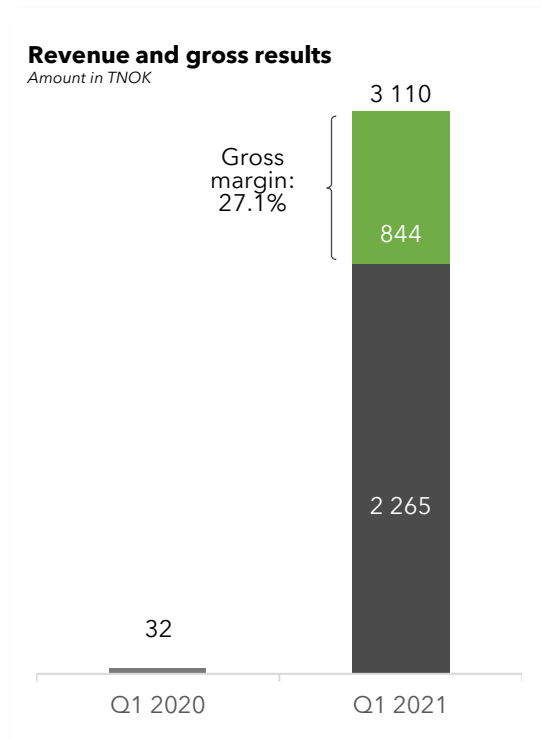
**Global launch**

- **Use the insights to prepare  
- accelerating rollout of Sippi®  
when customer access regained**

# FINANCIAL REVIEW

CFO Per Arne Nygård

## Revenue and Gross Results Q1 2021



### Revenues

- Total revenues at TNOK 3 110
- Extensive sales activities in the quarter, which will give revenue growth in Q2 and Q3

### Gross result

- Gross result at TNOK 844 in the quarter
- Gross margin at 27.1%

## Key Figures - Profit and Loss Statement

<i>Amount in TNOK (excl. earnings per share)</i>	<b>Q1 2021</b>	<b>Q1 2020</b>	<b>FY 2020</b>
<b>Gross result</b>	<b>844</b>	<b>-27</b>	<b>986</b>
Operating expenses	8 859	4 383	25 910
<b>EBITDA</b>	<b>-8 015</b>	<b>-4 410</b>	<b>-24 923</b>
Depreciation and amortisation	798	779	3 163
<b>EBIT</b>	<b>-8 813</b>	<b>-5 189</b>	<b>-28 087</b>
Net finance	3 994	4 765	-8 782
<b>Result</b>	<b>-4 819</b>	<b>-424</b>	<b>-36 868</b>
<b>Earnings per share (NOK per share)</b>	<b>-0.25</b>	<b>-0.03</b>	<b>-2.22</b>

### Operating expenses

- Increased headcount mainly due to acquisition of Sylak and new recruitments from January 1, 2021
- Increased other operating expenses due to consolidation of Sylak from November 2020 and increased consultancy expenses.

### Net finance

- Net finance income, related to currency gain that more than offset interest expenses on interest bearing debt

## Key Figures - Statement of Financial Position

(Amount in TNOK)

	At 31 March 2021	At 31 March 2020	At 31 December 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	33 933	33 430	36 268
Intangible assets and tangible assets	20 710	22 894	21 668
<b>Total non-current assets</b>	<b>54 643</b>	<b>56 325</b>	<b>57 936</b>
<b>Current assets</b>			
Receivables and inventories	11 480	4 458	10 851
Bank deposits	7 235	460	18 945
<b>Total current assets</b>	<b>18 715</b>	<b>4 918</b>	<b>29 797</b>
<b>Total assets</b>	<b>73 358</b>	<b>61 243</b>	<b>87 733</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>6 632</b>	<b>14 641</b>	<b>20 349</b>
<b>Non-current liabilities</b>			
Contingent consideration	22 368	12 965	22 368
Non-current interest bearing liabilities	36 127	29 398	35 081
<b>Total non-current liabilities</b>	<b>58 495</b>	<b>42 363</b>	<b>57 449</b>
<b>Current liabilities</b>	<b>8 232</b>	<b>4 239</b>	<b>9 935</b>
<b>Total liabilities</b>	<b>66 726</b>	<b>46 602</b>	<b>67 384</b>
<b>Total equity and liabilities</b>	<b>73 358</b>	<b>61 243</b>	<b>87 733</b>

### Assets

Increased inventories and receivables mainly related to consolidation of Sylak AB from 1 November 2020 and prepayment to supplier for materials for sale in Q2.

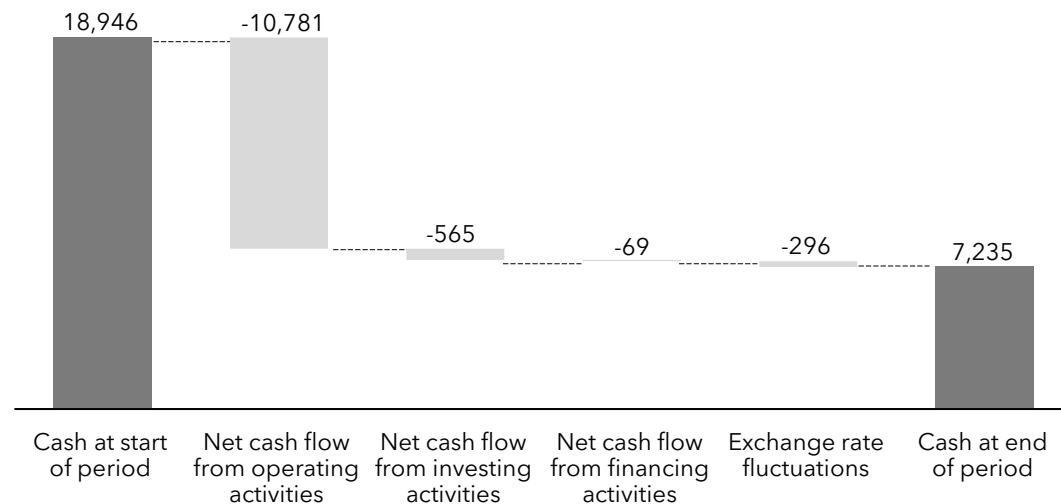
### Equity and liabilities

Decreased equity due to the result and currency effect in the quarter



## Key Figures - Cash Flow Statement Q1 2021

(Amount in TNOK)



Cash flow used in **operating activities** due to:

- Result in the period
- Increased receivables due to prepayment to supplier for materials for sale in Q2.
- Decreased trade payables and other current liabilities more than offset the increased public taxes liabilities.

Cash flow used in **investing activities** is investments in ordinary tangible and intangible assets.

**Cash deposits** end of the period at TNOK 7,235

# **SUMMARY** AND OUTLOOK

CEO Björn Larsson

## Summary & Outlook

### Summary

Continued rollout of Sippi® systems in clinical use, despite restricted customer access during Covid-19

Increased customer interaction generates feedback for commercial improvement

Further strengthened sales operations team

New clinical studies initiated at Nya Karolinska, building on recent dissertation by Dr. Slettengren

Strong performance by Nordic sales team, securing multiple orders for delivery in 2021

### Outlook

Continuous roll-out of Sippi® systems for clinical use

Expanding the distributor network in Europe

Further building the Nordic sales operations

Q&A

Thank **you!**



# Appendix



## Finance calendar

**20 August**  
Presentation of  
Q2 and first half year 2021

**21 May**  
Annual General Meeting

**3 November**  
Presentation of  
Q3 2021

## Experienced management team and board

### Management team



**Björn Larsson**  
Chief Executive Officer



**Per Arne Nygård**  
Chief Financial Officer



**Mikael Löfgren**  
CTO/COO



**Anders Nachtweij**  
Sales Director

### 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)

## Condensed Consolidated Statement of Comprehensive Income

(Amounts in NOK)

	Q1 2021	Q1 2020	FY 2020
Operating revenues	3 109 505	32 220	2 961 334
Cost of materials	2 265 385	59 320	1 975 121
<b>Gross result</b>	<b>844 121</b>	<b>-27 100</b>	<b>986 212</b>
Employee benefit expenses	4 124 031	2 244 393	10 891 324
Other operating expenses	4 734 982	2 138 753	15 018 206
<b>Operating expenses</b>	<b>8 859 012</b>	<b>4 383 146</b>	<b>25 909 530</b>
<b>Operating result before depreciation and amortisation (EBITDA)</b>	<b>-8 014 892</b>	<b>-4 410 246</b>	<b>-24 923 317</b>
Depreciation and amortisation	797 637	778 578	3 163 304
<b>Operating result (EBIT)</b>	<b>-8 812 528</b>	<b>-5 188 824</b>	<b>-28 086 622</b>
<b>Financial income and expenses</b>			
Financial income	4 770 254	5 872 752	3 852 756
Financial expenses	776 525	1 107 872	12 634 604
<b>Net financial items</b>	<b>3 993 729</b>	<b>4 764 880</b>	<b>-8 781 848</b>
<b>Result before tax</b>	<b>-4 818 799</b>	<b>-423 943</b>	<b>-36 868 470</b>
Income tax expense			
<b>Result for the period</b>	<b>-4 818 799</b>	<b>-423 943</b>	<b>-36 868 470</b>
<b>Other comprehensive income that may be reclassified subsequently to profit or loss</b>			
Currency translations differences	-8 910 543	-416 465	1 131 206
<b>Total comprehensive income/loss for the period</b>	<b>-13 729 342</b>	<b>-840 408</b>	<b>-35 737 264</b>

(UNAUDITED FOR THE PERIOD ENDED 31 MARCH 2021)

## Condensed Consolidated Statement of Financial Position

<i>(Amounts in NOK)</i>	At 31 March 2021	At 31 March 2020	At 31 December 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	33 932 687	33 430 414	36 268 318
Intangible assets	19 520 998	22 641 708	20 965 076
Tangible assets	1 189 344	252 440	702 757
<b>Total non-current assets</b>	<b>54 643 029</b>	<b>56 324 563</b>	<b>57 936 151</b>
<b>Current assets</b>			
Trade receivables	1 601 768	0	1 460 179
Inventories	6 273 579	3 861 879	7 661 072
Other receivables and prepaid expenses	3 604 383	596 181	1 729 950
Bank deposits	7 235 431	459 967	18 945 476
<b>Total current assets</b>	<b>18 715 161</b>	<b>4 918 027</b>	<b>29 796 676</b>
<b>Total assets</b>	<b>73 358 188</b>	<b>61 242 590</b>	<b>87 732 826</b>

(UNAUDITED FOR THE PERIOD ENDED 31 MARCH 2021)

## Condensed Consolidated Statement of Financial Positions

<i>(Amounts in NOK)</i>	At 31 March 2021	At 31 March 2020	At 31 December 2020
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>6 631 933</b>	<b>14 640 759</b>	<b>20 349 125</b>
<b>Non-current liabilities</b>			
Non-current lease liabilities	609 660	44 928	260 356
Contingent consideration	22 367 995	12 965 226	22 367 995
Non-current interest bearing liabilities	35 517 054	29 352 855	34 820 640
<b>Total non-current liabilities</b>	<b>58 494 709</b>	<b>42 363 009</b>	<b>57 448 990</b>
<b>Current liabilities</b>			
Trade payables	2 667 311	2 623 641	3 842 906
VAT and other public taxes and duties payable	2 618 167	471 896	2 348 302
Interest bearing current liabilities	0	0	0
Current lease liabilities	310 192	151 521	135 912
Other current liabilities	2 635 874	991 764	3 607 590
<b>Total current liabilities</b>	<b>8 231 545</b>	<b>4 238 822</b>	<b>9 934 710</b>
<b>Total liabilities</b>	<b>66 726 254</b>	<b>46 601 831</b>	<b>67 383 701</b>
<b>Total equity and liabilities</b>	<b>73 358 188</b>	<b>61 242 590</b>	<b>87 732 826</b>

(UNAUDITED FOR THE PERIOD ENDED 31 MARCH 2021)

## Cash Flow Statement

<i>(Amounts in NOK)</i>	<b>Q1 2021</b>	<b>Q1 2020</b>	<b>FY 2020</b>
<b>Cash flow from operating activities</b>			
Result before tax	-4 818 799	-423 943	-36 868 470
Depreciation and impairment	797 637	778 578	3 163 304
Change in net finance, no cash effect	-4 065 382	-5 047 036	8 683 650
Change in inventories	894 130	-1 102 746	-1 844 015
Change in trade receivables and other receivables	-2 187 199	123 187	-829 286
Change trade account payables and other current liabilities	-1 400 930	1 263 483	6 053 473
<b>Net cash flow from operating activities</b>	<b>-10 780 544</b>	<b>-4 408 477</b>	<b>-21 641 344</b>
<b>Cash flow used in investing activities</b>			
Net cash effect of business combination			-6 838 103
Purchase / disposal of tangible and intangible assets	-565 072	-404 442	-1 238 513
<b>Net cash flow used in investing activities</b>	<b>-565 072</b>	<b>-404 442</b>	<b>-8 076 616</b>
<b>Cash flow from financing activities</b>			
Change in net interest bearing debt		3 939 657	6 901 271
Net proceeds from share issue		858 000	41 392 194
Repayment share capital			
Payments of lease liabilities	-68 515	-45 778	-124 232
<b>Net cash flow from financing activities</b>	<b>-68 515</b>	<b>4 751 879</b>	<b>48 169 232</b>
<b>Exchange rate fluctuations</b>	<b>-295 914</b>	<b>35 799</b>	<b>8 998</b>
Change in cash	-11 710 045	-25 241	18 460 269
Bank deposits start of period	18 945 476	485 208	485 207
<b>Bank deposits end of period</b>	<b>7 235 432</b>	<b>459 967</b>	<b>18 945 475</b>

## Top 20 Shareholders

Rank	Name	Number of shares	% of top 20	% of total	Country
1	NAVAMEDICA ASA	4 222 727	25,14 %	21,54 %	Norway
2	INGERØ REITEN INVESTMENT COMPANY	3 939 394	23,45 %	20,09 %	Norway
3	RO, LARS	1 500 051	8,93 %	7,65 %	Norway
4	UBS Switzerland AG	1 417 522	8,44 %	7,23 %	Switzerland
5	ARTAL AS	1 007 807	6,00 %	5,14 %	Norway
6	ALPINE CAPITAL AS	685 770	4,08 %	3,50 %	Norway
7	NORDA ASA	664 570	3,96 %	3,39 %	Norway
8	SOLEGLAD INVEST AS	586 668	3,49 %	2,99 %	Norway
9	TRANBERGKOLLEN INVEST AS	500 000	2,98 %	2,55 %	Norway
10	LEIKERANE AS	373 439	2,22 %	1,90 %	Norway
11	LAPAS AS	348 326	2,07 %	1,78 %	Norway
12	GINNY INVEST AS	255 030	1,52 %	1,30 %	Norway
13	PHILIP HOLDING AS	245 000	1,46 %	1,25 %	Norway
14	KRAEBER Verwaltung GMBH	214 850	1,28 %	1,10 %	Germany
15	MP PENSJON PK	187 684	1,12 %	0,96 %	Norway
16	CAM AS	181 000	1,08 %	0,92 %	Norway
17	Nordnet Bank AB	132 881	0,79 %	0,68 %	Sweden
18	ABC INVEST AS	120 000	0,71 %	0,61 %	Norway
19	PETTERSEN, GUNERIUS	109 313	0,65 %	0,56 %	Norway
20	EILERAAS, KARL ANSKAR	104 490	0,62 %	0,53 %	Norway
<b>Total number owned by top 20</b>		<b>16 796 522</b>	<b>100,00 %</b>	<b>85,67 %</b>	
<b>Total number of shares</b>		<b>19 605 457</b>			

Total number of shareholders: 1101

## 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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