



OBSERVE MEDICAL

Q2 and H1 presentation 2021

CEO Björn Larsson / CFO Per Arne Nygård

Oslo, August 20, 2021



Nordic based medtech company with global reach

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

Sales through Nordic direct sales operations and international distributor and partner network

Commercializing proprietary innovative medtech products on a global market

The first product: Sippi® automated and wireless connected digital urine meter for ICUs and wards

Strong global market opportunity – accentuated by Covid-19



Sales channels

Nordic direct sales operations

Home market for Sippi®

Synergistic products and customers to Sippi®, enabling Sippi® customer access in the Nordics

Strong sales growth and market opportunity

International sales operations

Expanding distributor network in Europe

Highlights 2021



Revenues of MNOK 12.8
through strong sales for
Nordic portfolio



New distributor agreement
signed for Sippi® launch in
Poland and Romania



New clinical study started by Nya
Karolinska Hospital – broadening
Sippi® scope of use



Health Economics work strongly
support Sippi® value
proposition



Global patent protection
strengthened and expanded



More direct customer
interactions possible



Sippi® – the first
automated digital
urine meter with
biofilm control





The burden of current clinical practice

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



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

Sippi® addresses the clinical challenges

Only automated, digital urine meter with wireless data transfer (Sipplink®) and which detects (Sippsense®) and hinders (Sippcoat®) bacterial biofilm formation - that can lead to urinary infections.



Improved quality of patient data



Reduced time spent by staff and improved ease of use



Hindering risk factors for hospital acquired infections

Addressing a significant market with strong volume growth and value opportunity for Sippi®

Current market

CURRENT MARKET POTENTIAL

4 bn NOK

~0,5M

Sippi® base units

+30M

Sippi® disposable
units/bags per year

- ~400.000 ICU beds
- ~ 24M annually admitted patients to ICU

Market growth and Sippi® value potential accentuated by market trends and Covid pandemic

ICU -RELATED CAPABILITIES VOLUME GROWTH


+20-30%

- 10-15% expected increase in number of ICU beds and annual patient admissions
- Expected increase of ICU contingency capacity
- Increased number of intermediary wards/ beds

SIPPI® VALUE FURTHER ACCENTUATED



- **Automation necessary to meet ICU increased demand** - due to shortage of staff
- **Digital patient data monitoring** to improve clinical data for decisions
- **Remote patient monitoring** - to reduce staff exposure
- **Infection control** - to avoid hospital acquired infections, as CAUTI

Sippi® implementation in hospitals

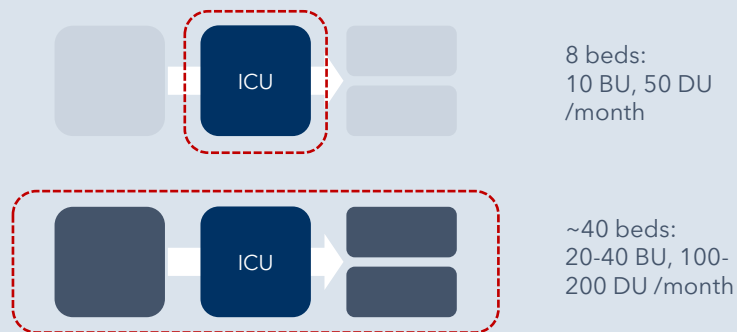
Start with ICU, with subsequent back-/forward integration

Actual example: Thoracic ICU in university hospital, Sweden*

Patient flow through hospital departments



Sippi® follows patient - use and volumes through implementation phases**



Nya Karolinska Hospital has started a new clinical study with Sippi® including Acute Kidney Injury

* Acute Kidney Injury (AKI)

AKI is when the kidneys suddenly stop working properly. It ranges from minor loss of kidney function to complete kidney failure. AKI normally happens as complication of another serious illness.

AKI is a common complication in critically ill patients

- Associated with 3-5 times increased mortality (death)
- Found in 10-15% of all patients admitted to hospitals and approx. 60% of all ICU patients



New clinical study aims to broaden Sippi® clinical scope of use, including Acute Kidney Injury (AKI)

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

Prof. Jan van Der Linden MD
Nya Karolinska Sjukhuset, Stockholm, Sweden

Building on previous research:

"[Sippi®] ... a new capacitance-based automatic urinometer (AU) facilitates continuous measurement, **which may help to predict and diagnose acute kidney injury (AKI) ...**"

Dr. Slettengren
dissertation, Jan 2021



DEPARTMENT OF MOLECULAR MEDICINE AND
BIOMEDICINE
Karolinska Institutet, Stockholm, Sweden

EVALUATION OF AN AUTOMATIC URINOMETER
FOR CONTINUOUS MEASUREMENT OF URINE FLOW
IN PATIENTS WITH ACUTE KIDNEY INJURY
DUE TO PROLONGED SURGICAL TREATMENT
AND BACTERIAL INFECTION

Mats Slettengren



Stockholm 2021




Sippi® pricing roadmap and ambitions

From initial rollout towards value-based pricing



Sippi® pricing roadmap and ambitions

Transforming clinical evidence to economic value

	Cost of clinical problem	Impact of Sippi®	Sippi® value supporting evidence
 Reducing infection risk factors	2.5 million hospital acquired infections in EU annually - 200,000 patients die*	Limiting risk due to less direct patient contact by personnel	Indirect published data <i>Slettengren et al (2)</i>
	CAUTI is #1 hospital acquired infection, cost ~ 13,000 USD / patient** , ~440,000 cases / year in USA	Hindering risk factors for infections (SippSense®, SippCoat)	Indirect published data <i>Slettengren et al (3)</i>
 Improved data for clinical decisions	Suboptimal measurement accuracy - risk of wrong clinical decisions	Improved measurement accuracy	Indirect published data <i>Slettengren et al (1)</i>
	AKI in +50% of all ICU patients, 3-5x increased mortality, each case Up to 90,000 USD / patient	Detecting Acute Kidney Injury earlier	AKI study driven by Nya Karolinska, started Aug'21
 Time and efficiency gains	Time consuming manual recording of urine output on hourly basis	Improved ergonomics	
	~300 staff hours / bed and year (up to ~20,000 USD / bed and year)*	Reduced time spent by staff	Survey ease of use and time analysis ICU <i>Slettengren et al (2)</i>



*Source: Monocle Market Research, May 2020 **Source: "European strategic action plan on antibiotic resistance", 10 June 2011

(1) M. Slettengren, H. Wetterfall, A. Eklund & J. van der Linden (2019) A Pilot Evaluation of a Capacitance-Based Automatic Urinometer in a Pediatric Intensive Care Setting

(2) A. Eklund, M. Slettengren & Jan van der Linden (2015) Performance and user evaluation of a novel capacitance-based automatic urinometer compared with a manual standard urinometer after elective cardiac surgery

(3) M. Slettengren et al (2020) Making medical devices safer - impact of plastic and silicon oil on microbial biofilm formation

Sippi® pricing roadmap and ambitions

From initial rollout towards value-based pricing



Strong Nordic portfolio sales and increased ambition

Further strengthening direct sales access for Sippi®

Sales channels

Nordic direct sales operations

Home market for Sippi®

Synergistic products and customers to Sippi®, enabling Sippi® customer access in the Nordics

Strong sales growth and market opportunity

International sales operations

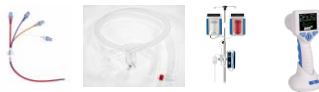
Expanding distributor network in Europe

Medtech portfolio of devices and disposables within

Urine measurement



Anesthesia / ICU



Wound management



Increased ambition



NOK 100M

annual revenues*

+40%

gross margin

Strong sales performance



NOK +12.8M

H1 2021

+60%

compared to H1 2020

Signed distribution agreement for Sippi® launch in Poland and Romania - and first order placed

Distribution agreement

signed in June, during visit to Skamex in Poland, including visits to key hospitals

Skamex is a leading distributor of medical equipment in Poland with established collaborations with leading clinical centers

Launch activities planned and first order placed

- First order placed
- Launch planned Q4-21
- Pre-launch activities already taking place
- New visit planned in Sept-21

Market size¹

Poland and Romania in total approx. 6,800 ICU beds
(Poland ~3,800, Romania ~3,000)



Poland is the key market

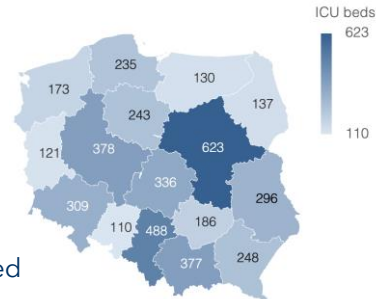
- ~3,800 ICU beds
- ~115,000 admissions annually
- Disposable bag market ~175,000



Romania is a significant market

- ~3,000 ICU beds, though less developed

Geographical distribution of ICU beds in Poland



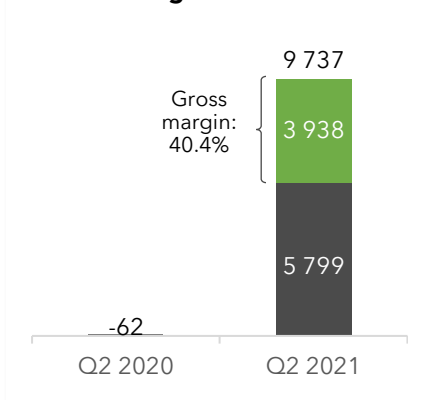
FINANCIAL REVIEW

CFO Per Arne Nygård

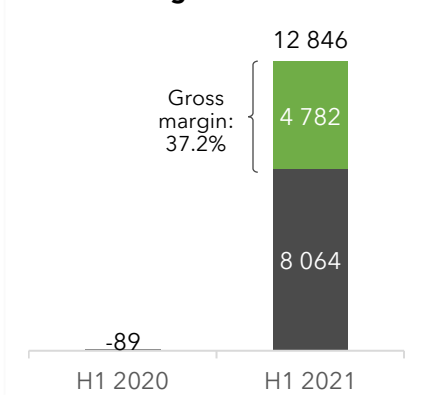
Revenue and Gross Results Q2 and first half year 2021

(Amounts in TNOK)

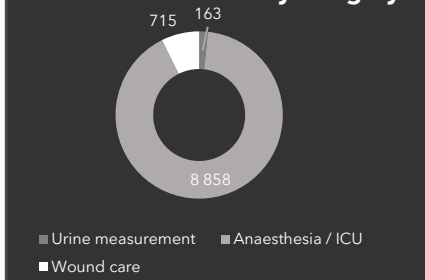
Revenue and gross results Q2



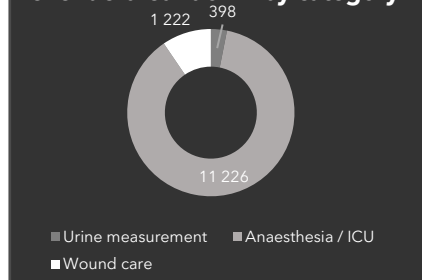
Revenue and gross results H1



Revenue breakdown by category



Revenue breakdown by category



Q2 Revenues and Gross Result

- Total revenues at TNOK 9 737, driven by strong sales growth in the Nordic portfolio
- Gross result at TNOK 3 938 and gross margin at 40.4% in the quarter

H1 Revenues and Gross Result

- Total revenues at TNOK 12 846, driven by strong second quarter
- Gross result at TNOK 4 782 and year to date gross margin at 37.2%

Key Figures - Profit and Loss Statement

<i>Amounts in NOK thousand (excl. earnings per share)</i>	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
Operating revenues	9 737	0	12 846	32	2 961
Gross result	3 938	-62	4 782	-89	986
Operating expenses	8 710	6 193	17 569	10 576	25 910
EBITDA	-4 772	-6 255	-12 787	-10 665	-24 923
Depreciation and amortisation	819	818	1 616	1 597	3 163
EBIT	-5 591	-7 073	-14 403	-12 262	-28 087
Net finance	6 926	-3 070	10 920	1 695	-8 782
Result	1 335	-10 143	-3 484	-10 567	-36 868
Earnings per share (NOK per share)	0,07	-0,66	-0,18	-0,69	-2,22

Q2 2021

- Significantly increased operating revenues and gross result in Q2 2021 compared to last year. The positive change due to acquisition of the Nordic sales operations in Q4 2020 and further growth in the Nordic portfolio sales
- Improved EBIT compared to Q2 last year, due to improved gross result that more than offset higher employee benefit expenses and increased other operating expenses due to increased headcount
- Net finance income due to currency gain and change in contingent consideration
- Result of TNOK 1,335 (negative TNOK 10,143) and earnings per share of NOK 0.07 (negative NOK 0.66)

Key Figures - Statement of Financial Position

(Amounts in TNOK)	At 30 June 2021	At 30 June 2020	At 31 December 2020
ASSETS			
Non-current assets			
Goodwill	34 965	33 405	36 268
Intangible assets	20 265	21 976	20 965
Tangible assets	1 849	82	703
Total non-current assets	57 080	55 463	57 936
Current assets			
Trade receivables	1 307	0	1 460
Inventories	6 511	4 228	7 661
Other receivables and prepaid expenses	2 996	703	1 730
Bank deposits	14 032	965	18 945
Total current assets	24 846	5 896	29 797
Total assets	81 925	61 360	87 733

Non-current assets mainly consist of goodwill and intangible assets related to Sippi®.

Tangible assets consist of ordinary office equipment and Right of use assets related to lease agreements.

At 30 June 2021, the Group had TNOK 14,032 in bank deposits.

Key Figures - Statement of Financial Position

(Amounts in TNOK)	At 30 June 2021	At 30 June 2020	At 31 December 2020
EQUITY AND LIABILITIES			
Total equity	11 800	5 899	20 349
Non-current liabilities			
Non-current lease liabilities	1 033	34	260
Contingent consideration	12 509	13 532	22 368
Non-current interest bearing liabilities	36 213	33 509	34 821
Total non-current liabilities	49 756	47 075	57 449
Current liabilities			
Trade payables	3 004	1 484	3 843
VAT and other public taxes and duties payables	4 464	1 843	2 348
Interest bearing current liabilities	10 002	3 000	0
Current lease liabilities	567	0	136
Other current liabilities	2 334	2 059	3 608
Total current liabilities	20 370	8 386	9 935
Total liabilities	70 125	55 461	67 384
Total equity and liabilities	81 925	61 360	87 733

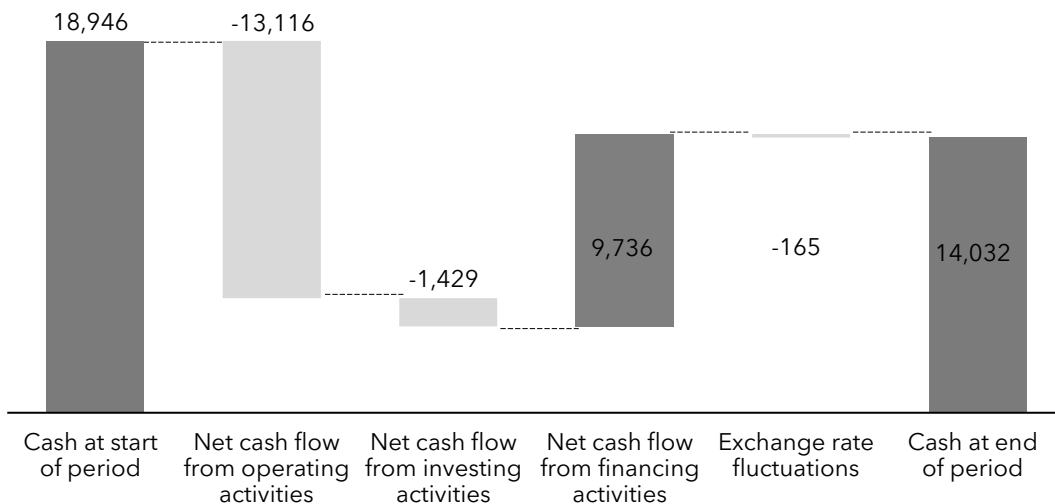
Equity ratio at 14.4%

Decreased contingent considerations due to the Covid-19 situation which causes delays in the estimated revenue from sale of Sippi®.

Increased current interest-bearing liabilities related to new loan agreement of TNOK 10,000 from Ingerø Reiten Investment Company.

Key Figures - Cash Flow Statement H1 2021

(Amount in TNOK)



Cash flow used in **operating activities** mainly related to the result in the period affected by increased headcount and higher activity within sales and business development

Cash flow used in **investing activities** is mainly related to investment in a new logistics IT-system and investments in Sippi®

Cash flow from **financing activities** is mainly related to the new loan agreement of TNOK 10,000

Cash deposits end of the period at TNOK 14,032

SUMMARY AND OUTLOOK

CEO Björn Larsson

Summary & outlook



New distributor agreement

Agreement for Sippi® launch in Poland and Romania – and first order placed



New clinical study started by Nya Karolinska Hospital

Study broadening Sippi® scope of use – including Acute Kidney Injury (AKI)



Health economics

Health Economics work strongly support Sippi® value proposition



Sippi® patent

Expanded and strengthened global patent protection



Revenues of MNOK 12.8

Strong sales performance for the Nordic portfolio H1 2021



Covid-19

More direct customer interactions possible due to Covid-19 vaccination program

Outlook

Continuous roll-out of Sippi® systems for clinical use

Building evidence towards value-based pricing

Expanding the distributor network in Europe

Further building the Nordic sales operations

Q&A

Thank **you!**



Appendix



Finance calendar 2021

20 August
Presentation of
Q2 and first half year 2021

3 November
Presentation of
Q3 2021

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



Sanna Rydberg
Board Member



Kathrine Gamborg Andreassen
Board Member



Thomas Grünfeld
Board Member

(UNAUDITED FOR THE PERIOD ENDED 30 JUNE)

Condensed Consolidated Statement of Comprehensive Income

(Amounts in NOK)

	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
Operating revenues	9 736 699	0	12 846 204	32 220	2 961 334
Cost of materials	5 798 629	61 945	8 064 013	121 265	1 975 121
Gross result	3 938 070	-61 945	4 782 191	-89 045	986 212
Employee benefit expenses	4 297 144	3 533 757	8 421 175	5 778 150	10 891 324
Other operating expenses	4 413 029	2 659 495	9 148 010	4 798 248	15 018 206
Operating expenses	8 710 173	6 193 253	17 569 185	10 576 399	25 909 530
Operating result before depreciation and amortisation (EBITDA)	-4 772 103	-6 255 198	-12 786 994	-10 665 444	-24 923 317
Depreciation and amortisation	818 738	818 297	1 616 375	1 596 875	3 163 304
Operating result (EBIT)	-5 590 841	-7 073 494	-14 403 369	-12 262 318	-28 086 622
Financial income and expenses					
Financial income	8 380 675		13 150 929	4 280 772	3 852 756
Financial expenses	1 454 604	3 069 597	2 231 128	2 585 488	12 634 604
Net financial items	6 926 071	-3 069 597	10 919 800	1 695 284	-8 781 848
Result before tax	1 335 230	-10 143 091	-3 483 569	-10 567 034	-36 868 470
Income tax expense					
Result for the period	1 335 230	-10 143 091	-3 483 569	-10 567 034	-36 868 470

(UNAUDITED FOR THE PERIOD ENDED 30 JUNE 2021)

Condensed Consolidated Statement of Financial Position

(Amounts in TNOK)

	At 30 June 2021	At 30 June 2020	At 31 December 2020
ASSETS			
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Goodwill	34 965	33 405	36 268
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(UNAUDITED FOR THE PERIOD ENDED 30 JUNE 2021)

Cash Flow Statement

(Amounts in NOK)

	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
Cash flow from operating activities					
Result before tax	1 335 230	-10 143 091	-3 483 569	-10 567 034	-36 868 470
Depreciation and impairment	818 738	818 297	1 616 375	1 596 875	3 163 304
Change in net finance, no cash effect	-7 086 552	3 043 153	-11 151 934	-2 003 883	8 683 650
Change in inventories	-19 508	-368 425	874 622	-1 471 171	-1 844 015
Change in trade receivables and other receivables	917 608	-108 446	-1 269 591	14 741	-829 286
Change trade account payables and other current liabilities	1 699 242	1 320 812	298 311	2 584 295	6 053 473
Net cash flow from operating activities	-2 335 242	-5 437 700	-13 115 786	-9 846 177	-21 641 344
Cash flow used in investing activities					
Net cash effect of business combination					-6 838 103
Purchase / disposal of tangible and intangible assets	-863 914	30 382	-1 428 986	-374 060	-1 238 513
Net cash flow used in investing activities	-863 914	30 382	-1 428 986	-374 060	-8 076 616
Cash flow from financing activities					
Change in net interest bearing debt	10 000 000	5 961 613	10 000 000	9 901 270	6 901 271
Net proceeds from share issue				858 000	41 392 194
Repayment share capital					
Payments of lease liabilities	-135 131	-43 143	-203 646	-88 921	-124 232
Net cash flow from financing activities	9 864 869	5 918 470	9 796 354	10 670 349	48 169 232
Exchange rate fluctuations	130 567	-5 700	-165 347	30 099	8 998
Change in cash	6 796 280	505 452	-4 913 765	480 211	18 460 269
Bank deposits start of period	7 235 432	459 967	18 945 476	485 207	485 207
Bank deposits end of period	14 031 711	965 419	14 031 711	965 418	18 945 475

Top 20 Shareholders

	Name	Number of shares	% of top 20	% of total	Country
1	NAVAMEDIC ASA	4 222 727	25,17 %	21,54 %	Norway
2	INGERØ REITEN INVESTMENT COMPANY A	3 939 394	23,48 %	20,09 %	Norway
3	RO, LARS	1 501 051	8,95 %	7,66 %	Norway
4	UBS Switzerland AG	1 417 522	8,45 %	7,23 %	Switzerland
5	ARTAL AS	1 089 457	6,49 %	5,56 %	Norway
6	ALPINE CAPITAL AS	709 925	4,23 %	3,62 %	Norway
7	SOLEGLAD INVEST AS	586 668	3,50 %	2,99 %	Norway
8	NORDA ASA	511 632	3,05 %	2,61 %	Norway
9	TRANBERGKOLLEN INVEST AS	500 000	2,98 %	2,55 %	Norway
10	LEIKERANE AS	373 439	2,23 %	1,90 %	Norway
11	LAPAS AS	348 326	2,08 %	1,78 %	Norway
12	GINNY INVEST AS	270 030	1,61 %	1,38 %	Norway
13	PHILIP HOLDING AS	260 000	1,55 %	1,33 %	Norway
14	KRAEBER Verwaltung GMBH	214 850	1,28 %	1,10 %	Germany
15	CAM AS	181 000	1,08 %	0,92 %	Norway
16	MP PENSJON PK	180 629	1,08 %	0,92 %	Norway
17	Nordnet Bank AB	132 857	0,79 %	0,68 %	Sweden
18	ABC INVEST AS	120 000	0,72 %	0,61 %	Norway
19	PETTERSEN, GUNERIUS	115 013	0,69 %	0,59 %	Norway
20	EILERAAS, KARL ANSKAR	104 490	0,62 %	0,53 %	Norway
Total number owned by top 20		16 779 010	100,00 %	85,58 %	
Total number of shares		19 605 457			

Total number of shareholders: 1130

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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