



OBSERVE MEDICAL

Business update | Financial report Q4 2021

29 March 2022

Presenting team



Rune Nystad
Chief Executive Officer
Observe Medical

20+ years of experience from global medtech and industrial technology from the Nordics, US, Germany, Ireland and Hong Kong, including Boston Scientific



Per Arne Nygård
Chief Financial Officer
Observe Medical

20+ years of experience from finance and accounting in various sectors with leadership roles in several publicly listed corporates

Nordic medtech company with global reach



Commercializing proprietary innovative medtech products on a global market
International distributor and partner network and Nordic direct sales operations
Solid platform for further organic growth and through targeted M&A



Patient welfare



Health economics



Data accuracy

Recent achievements and the road ahead

Achievements in Q1

- Successful acquisition of Biim Ultrasound
- Financial headroom for accelerated growth
- Biim roll-out to Fresenius clinics according to plan
- Sippi launch progress in Poland
- Agreed FDA pathway towards launch of Sippi in the US
- Additional surgery products range for Nordic distribution

Immediate priorities

- Support Fresenius in Biim roll-out to all clinics in US
- Accelerate commercial roll-out of Sippi in Europe and US
- Integrate and extract operational synergies

Financial Highlights

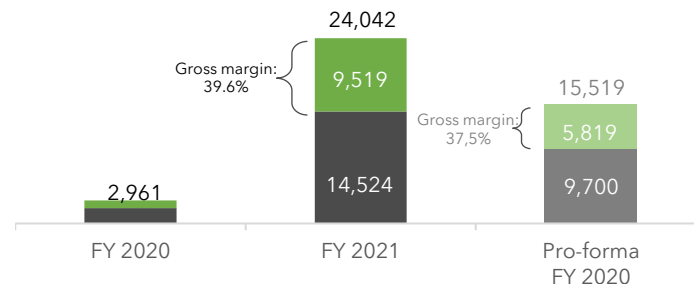
Strong sales performance FY 2021

- FY revenue growth +55% Y-O-Y*, driven by strong sales growth for the Nordic distribution portfolio
- Gross margin increased from 37.5% FY 2020 to 39.6% FY 2021

High activity within operations and M&A

- Increased operating expenses, mainly due to increased headcount and Nordic sales operations included full year
- EBITDA before non-recurring items NOK -28.5 million
- Result at NOK -26.3 million

Revenue and gross results FY 2021*



<i>Amounts in NOK thousand</i>	FY 2021	FY 2020
Operating revenues	24 042	2 961
Gross result	9 519	986
Gross margin	39.6 %	33.3 %
Operating expenses	37 981	24 698
EBITDA before non-recurring items	-28 462	-23 711
Non-recurring items**	4 619	1 212
EBITDA	-33 081	-24 923
Result	-26 321	-36 868

Acquisition of Biim Ultrasound

- Expanded product portfolio
 - Observe Medical now has two commercial products on the market
- Complementary distribution networks and market insight
 - Pre-existing agreement with Fresenius
 - Extracting operational synergies



*Ultrasound made-simple. An intuitive and low complexity device.
Tailor-made concept for nurses and other clinical staff*

Successful roll-out with Fresenius in the US

- We continue to deliver ... 202 Biim probes already delivered. Final 58 probes delivered in April
- Completing the planned initial delivery of Biim probes to 260 educational dialysis clinics
- Fresenius has signalled interest for use of ultrasound in more applications
- Successful adoption in US clinics could open door for Biim probe to Fresenius global network of clinics
- Dialysis leader Fresenius is setting a new standard in its segment with this initiative
- Other health care companies are showing interest for Biim, ongoing processes and new initiatives with several other companies



Sippi

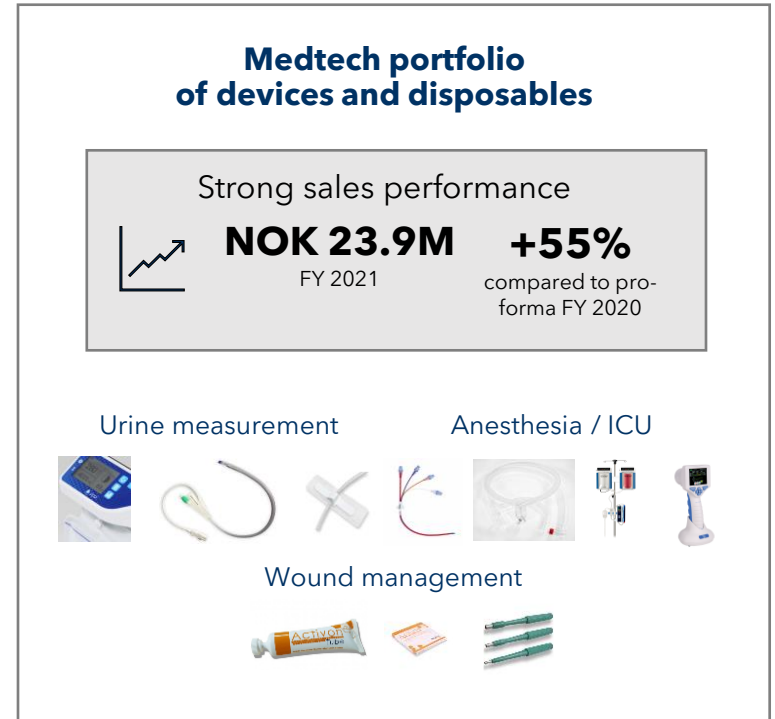
- Targeting named top distributors in Europe, also combining Sippi and Biim
- Regulatory pathway with FDA defined, enabling-Sippi system US release in Q4 2022 and market entry with selected partner by Q1 2023
- Successful pre-launch concluded in Poland, now committed to full launch. New commercial order received for delivery in April, further hospitals targeted
- Study data evaluated at Karolinska, indicating potential for early indication of increased risk of acute kidney injury (AKI)



Sippi® solves one of the last manual monitoring procedures in the ICU

The Nordic sales and distribution portfolio

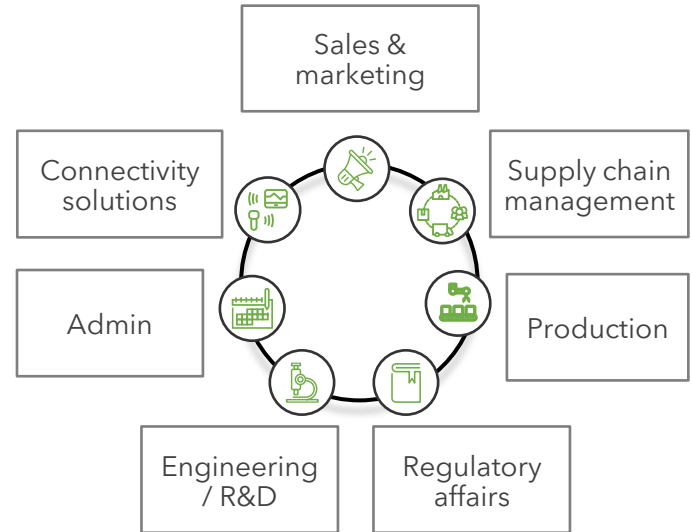
- Entering 2022 with strong tail winds in sales
- Structured, disciplined approach to expansion, building Nordic cross-functional team with field sales resources by country
- Preparing for Biim introduction when EU approved



Commercial priorities for topline growth

Streamlining, centralizing, cross-utilizing

- Initiate regulatory approval processes for Biim in Europe and Sippi in US
- Increase sales of Sippi through Biim distribution network
- Exploring additional opportunities with existing partners and distributors



Summary and outlook

- Successfully completed the acquisition of Biim Ultrasound, starting our global journey
- Biim roll-out according to plan in the US
- Continued Sippi roll-out in the EU and US readiness
- Strong performance in our Nordic direct sales team

Target

for the short term

- 2022 Sales: **NOK 50 mill**

Ambition

for the long term

- Sales of **NOK 500 mill** per year for Sippi®
- Sales of **NOK 500 mill** per year for Biim
- Sales of **NOK 100 mill** per year for Nordic distribution portfolio, excluding Sippi® and Biim
- EBIT margin of 30%+



**Nordic medtech company
with global reach**

Q4 and FY'21 financials

Appendix

Key figures

Profit and loss statement

Amount in TNOK

	Q4 2021	Q4 2020	FY 2021	FY 2020
Operating revenues	3 591	2 920	24 042	2 961
Gross result	1 071	1 071	9 519	986
Operating expenses	10 619	9 357	37 981	24 698
EBITDA before non-recurring items	-9 548	-8 286	-28 462	-23 711
Non-recurring items*	4 539	1 212	4 619	1 212
EBITDA	-14 087	-9 498	-33 081	-24 923
Depreciation and amortisation	999	779	3 463	3 163
EBIT	-15 086	-10 277	-36 543	-28 087
Net finance	212	-10 169	10 223	-8 782
Result	-14 874	-20 446	-26 321	-36 868
Earnings per share (NOK per share)	-0,76	-1,04	-1,34	-2,22

* Non-recurring items is related to M&A expenses in 2021, Biim Ultrasound AS acquisition, and in 2020, Sylak AB acquisition.

Q4 2021

- Increased operating revenues Q4 2021 compared to last year. The Nordic sales operations was included from November 2020.
- Operating expenses before non-recurring items increased compared to same period last year mainly due to increased employee benefit expenses
- Net finance income of TNOK 212 due to currency gain more than offset interest on interest bearing liabilities
- Result of negative TNOK 14,874 compared to negative TNOK 20,446 in the same period last year

Key figures

Statement of financial position

Amount in TNOK

	At 31 December 2021	At 31 December 2020
ASSETS		
Non-current assets		
Goodwill	33 870	36 268
Intangible assets and tangible assets	22 709	21 668
Total non-current assets	56 579	57 936
Current assets		
Receivables and inventories	12 294	10 851
Bank deposits	2 864	18 945
Total current assets	15 158	29 797
Total assets	71 737	87 733

- **Non-current assets** consist of:
 - Goodwill,
 - intangible assets related to Sippi® and,
 - Tangible assets consist of ordinary office equipment and right of use assets related to lease agreements
- Increased **receivables and inventories** due to increased prepaid expenses related to the Rights issue. Expenses related to the Rights issue will be an equity transaction when completed in Q1 2022.
- **Bank deposits** at 31 December 2021, were TNOK 2,864

Key figures

Statement of financial position

Amount in TNOK

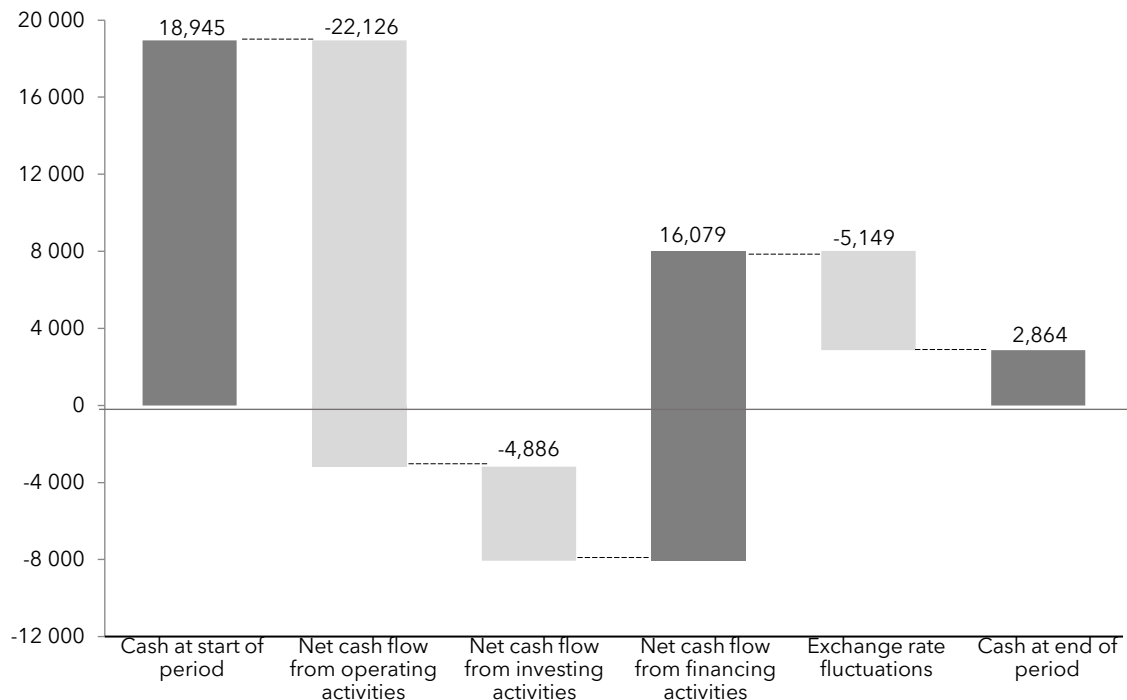
	At 31 December 2021	At 31 December 2020
EQUITY AND LIABILITIES		
Total equity	-14 122	20 349
Non-current liabilities		
Contingent consideration	13 031	22 368
Non-current interest bearing liabilities	550	35 081
Total non-current liabilities	13 581	57 449
Current liabilities		
Interest bearing current liabilities	54 521	0
Other current liabilities	17 757	9 935
Total current liabilities	72 278	9 935
Total liabilities	85 860	67 384
Total equity and liabilities	71 737	87 733

- **Equity** of TNOK -14,122 at 31 December 2021.
- Decreased **non-current interest bearing liabilities** due to reclassification of the loan from Navamedic ASA to current interest bearing liabilities and reduction of contingent consideration liability
- **Current interest-bearing liabilities** consist of:
 - loan agreement with Navamedic ASA, TNOK 37,606
 - Loan agreement with Ingerø Reiten Investment Company, TNOK 10,405
 - Overdraft facility at Danske Bank, TNOK 6,509

Key figures

Cash flow statement FY 2021

Amount in TNOK



- Cash flow used in **operating activities** mainly related to the EBIT result FY 2021 affected by increased headcount, the Biim acquisition transaction expenses, in addition to higher activity within sales and business development
- Cash flow used in **investing activities** is mainly related to investment in Sippi®
- Cash flow from **financing activities** is mainly related to the loan agreement of TNOK 10,000 from Ingerø Reiten Investment Company and drawn on overdraft facility at TNOK 6,509 in Danske Bank
- **Cash deposits** end of the period at TNOK 2,864

Cash flow statement

Amount in NOK	Q4 2021	Q4 2020	FY 2021	FY 2020
Cash flow from operating activities				
Result before tax	-14 392 746	-20 445 731	-26 320 591	-36 868 470
Tax paid	-192 248		-192 248	
Depreciation and impairment	999 352	779 059	3 462 541	3 163 304
Gain(-)/ loss from sale of fixed asset	-5 540		-5 540	
Change in net finance, no cash effect	4 138 399	10 239 116	-6 143 987	8 683 650
Change in inventories	81 107	377 457	145 395	-1 844 015
Change in trade receivables and other receivables	570 916	-949 633	-2 102 888	-829 286
Change trade account payables and other current liabilities	6 645 761	5 060 839	9 031 080	6 053 473
Net cash flow from operating activities	-2 166 115	-4 938 893	-22 126 238	-21 641 344
Cash flow used in investing activities				
Net cash effect of business combination		-6 838 103		-6 838 103
Purchase / disposal of tangible and intangible assets	-3 337 499	-673 014	-4 885 827	-1 238 513
Net cash flow used in investing activities	-3 337 499	-7 511 117	-4 885 827	-8 076 616
Cash flow from financing activities				
Change in net interest bearing debt	6 508 870		16 508 870	6 901 271
Net proceeds from share issue				41 392 194
Payments of lease liabilities	-68 829	-9 143	-429 478	-124 232
Net cash flow from financing activities	6 440 041	-9 143	16 079 392	48 169 232
Exchange rate fluctuations	-4 955 944	-25 139	-5 148 761	8 998
Change in cash	-4 019 517	-12 484 293	-16 081 433	18 460 269
Bank deposits start of period	6 883 560	31 429 769	18 945 475	485 207
Bank deposits end of period	2 864 044	18 945 476	2 864 044	18 945 475

Top 20 shareholders

Rank	Name	Number of shares	% of top 20	% of total	Country
1	INGERØ REITEN INVESTMENT COMPANY A	9 653 680	24,46 %	18,05 %	Norway
2	NAVAMEDIC ASA	4 222 727	10,70 %	7,89 %	Norway
3	JPB AS	2 830 209	7,17 %	5,29 %	Norway
4	ELI AS	2 411 890	6,11 %	4,51 %	Norway
5	NORDA ASA	2 342 699	5,94 %	4,38 %	Norway
6	RO, LARS	2 306 032	5,84 %	4,31 %	Norway
7	ABN AMRO Global Custody Services	1 937 155	4,91 %	3,62 %	The Netherlands
8	MP PENSJON PK	1 701 188	4,31 %	3,18 %	Norway
9	DnB NOR Bank ASA	1 679 525	4,26 %	3,14 %	Norway
10	ALPINE CAPITAL AS	1 499 689	3,80 %	2,80 %	Norway
11	UBS Switzerland AG	1 425 652	3,61 %	2,67 %	Switzerland
12	Nordnet Bank AB	1 204 461	3,05 %	2,25 %	Sweden
13	ARTAL AS	1 187 475	3,01 %	2,22 %	Norway
14	CARNEGIE AS	1 046 350	2,65 %	1,96 %	Germany
15	DnB NOR MARKETS, AKSJEHAND/ANALYSE	1 046 350	2,65 %	1,96 %	Norway
16	LAPAS AS	805 185	2,04 %	1,51 %	Norway
17	SOLEGLAD INVEST AS	586 668	1,49 %	1,10 %	Sweden
18	SILVERCOIN INDUSTRIES AS	574 464	1,46 %	1,07 %	Norway
19	TAJ HOLDING AS	500 847	1,27 %	0,94 %	Norway
20	Avanza Bank AB	500 759	1,27 %	0,94 %	Sweden
Total number owned by top 20		39 463 005	100,00 %	73,77 %	
Total number of shares		53 491 656			

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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