

Q2 and Half Year 2022 Results

25 August 2022

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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

Fundamental drivers



Health economics



Patient welfare



Data accuracy

Long-term ambition

To become a

NOK 1 billion

company

What will take us there?

THE FUNDAMENT OF OUR BUSINESS AND VALUE CREATION

1

Significant growth targets supported by a powerful and scalable medtech platform

With two proprietary products on the market - Biim and Sippi®

2

Portfolio with synergy opportunities, which allows for accelerated commercial roll-out

Complementary distribution networks and market insights to accelerate US entry for Sippi® and EU re-entry for Biim

3

Proven clinical benefits for patients and professionals

Medtech portfolio improving patient welfare with highly positive health economics and improved data accuracy

4

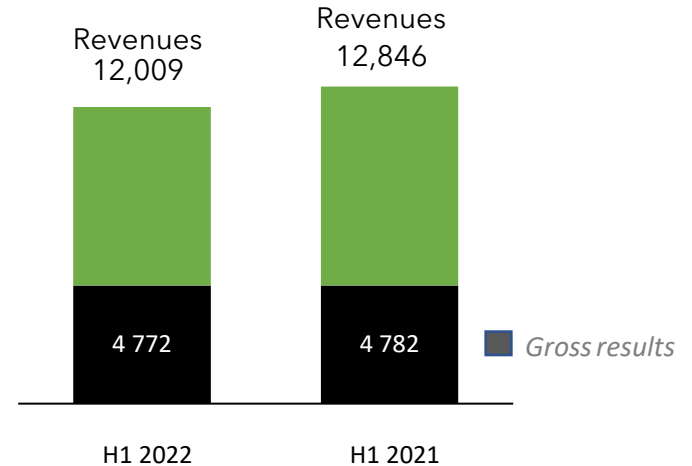
Deep management bench with extensive international medtech experience

Combined management team consisting of industry experts with complementary skill sets

Financial Highlights first half year of 2022

- Gross margin improved to 39.7% (up 2.5pp) driven by increased sale of proprietary products
- Total revenues at NOK 12 million, of which revenues from sales of Biim ultrasound probe was NOK 5 million

Revenue and gross results*



* Biim Ultrasound included as of 1 March 2022
Amounts in NOK thousand

Biim: Fresenius partnership on track

- A total of 260 Biim probes have been delivered to Fresenius educational centres
- Biim roll-out with Fresenius continues as planned across educational centres throughout the USA
 - Strong engagement with Fresenius c-level team to ensure implementation and success
- Additional distribution to clinics in Costa Rica and Hawaii
- Ongoing production of educational videos to further drive adoption amongst another 2 500 centres



*Ultrasound made-simple. An intuitive and low complexity device.
Tailor-made concept for nurses and other medical staff.
Screen shot from Fresenius educational video*

Biim: Strong engagement with Fresenius in roll-out

Example educational video to further drive adoption



Sippi®: Preparation for scale-up underway

- New production and manufacturing partner confirmed in Italy
 - Previous supplier closed down production in Belarus
- Increased interest in Sippi® internationally
 - Supporting efficiency in the ICU and the growing nursing gap
- Sippi® Disposable Unit achieved MDR certification in Europe
- Prepared a regulatory pathway in the US



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

Nordic sales and distribution platform: additional contracts signed

- Four contracts signed this year with an estimated potential total annual volume of NOK 5.5 million, including:
 - Anaesthesia tubes in Stockholm, Uppsala, Mora, Örebro in Sweden
 - Increased volume expected to be delivered towards the end of the year
 - Anti-bacterial medical honey used to reduce the use of antibiotics in wound care in hospitals in Uppsala, Mora, Örebro in Sweden
- Five ongoing tenders with an estimated total value of NOK 3 million

Medtech portfolio of devices and disposables

35 active contracts with regional
health authorities in Sweden

H1 2022 revenue
NOK **6.7** million

Urine measurement



Anesthesia / ICU

Wound management



Q2 2022 financials

Financial Highlights first half year 2022

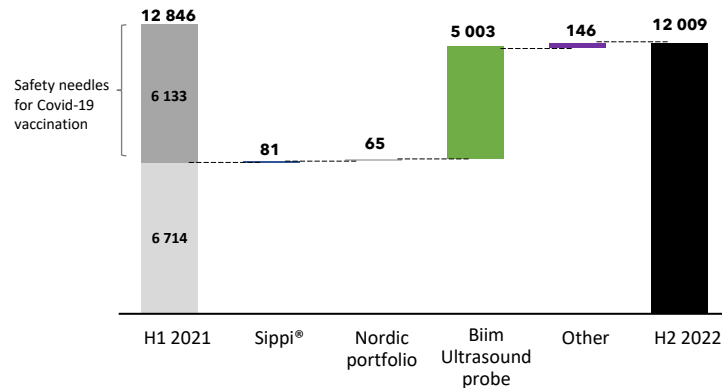
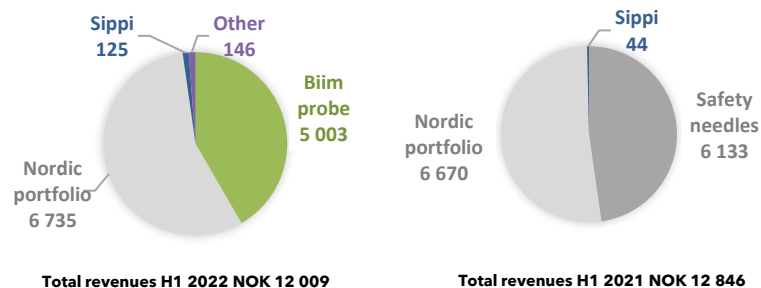
Sales performance

- Total revenues of NOK 12 million first half year 2022
- Revenues from sales of Biim ultrasound probe at NOK 5 million
- Revenues from Nordic portfolio in line with same period last year, excluding revenues from Safety needles order in 2021
- Gross margin improved to 39.7% (up 2.5pp) driven by increased sale of proprietary products

High activity in the first half year 2022

- Successfully completed acquisition of Biim Ultrasound
- Rights Issue of NOK 180 million completed and significantly strengthened the equity and cash balance
- Repaid current interest-bearing debt

Revenue split H1 2021 vs H1 2022* (Amounts in NOK thousand)



* Biim Ultrasound included as of 1 March 2022

Key figures

Profit and loss statement

Amounts in NOK thousand
(excl. earnings per share)

	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Operating revenues	4 296	9 737	12 009	12 846	24 042
Gross result	1 405	3 938	4 772	4 782	9 519
Operating expenses	12 804	8 710	23 579	17 569	37 981
EBITDA before non-recurring items	-11 399	-4 772	-18 807	-12 787	-28 462
Non-recurring expenses	1 576		2 173		4 619
EBITDA	-12 974	-4 772	-20 980	-12 787	-33 081
Depreciation and amortisation	3 404	819	5 116	1 616	3 463
EBIT	-16 378	-5 591	-26 096	-14 403	-36 543
Net finance	8 238	6 926	8 947	10 920	10 223
Result before tax	-8 140	1 335	-17 149	-3 484	-26 321
Earnings per share (NOK per share)	-0.15	0.07	-0.42	-0.18	-1.34

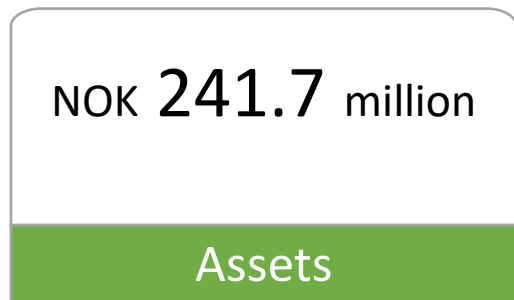
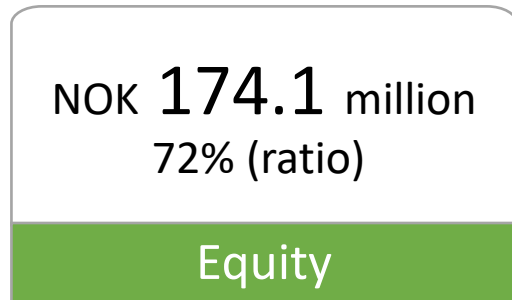
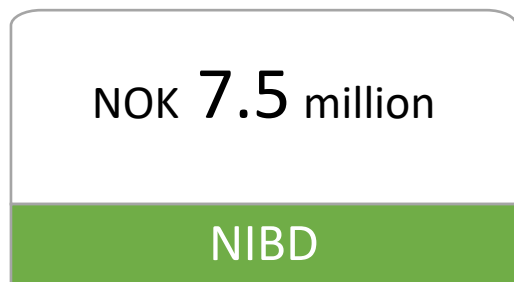
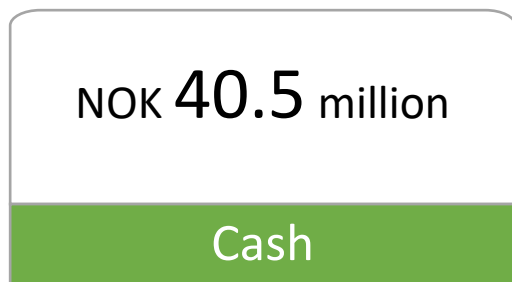
- *Biim Ultrasound's Profit and loss statement included in the Group's consolidated Profit and loss as of 1 March 2022*
- *Non-recurring items is related to M&A expenses in 2021 and 2022 in connection with the Biim Ultrasound AS acquisition and provision for severance pay to former CEO*

- **Revenues** first half year positive impacted by revenues from Biim mainly in Q1, second quarter 2021 driven by major order for delivery of safety needles for Covid-19 vaccination
- **Operating expenses** before non-recurring items increased compared to same period last year mainly due to increased headcount in addition that Biim is included from 1 March.
- **Increased depreciation and amortization** mainly related to Biim
- **Result first half year** of negative TNOK 17,149 compared to negative TNOK 3,484 in the same period last year

Key figures

Financial position

Amounts in NOK million

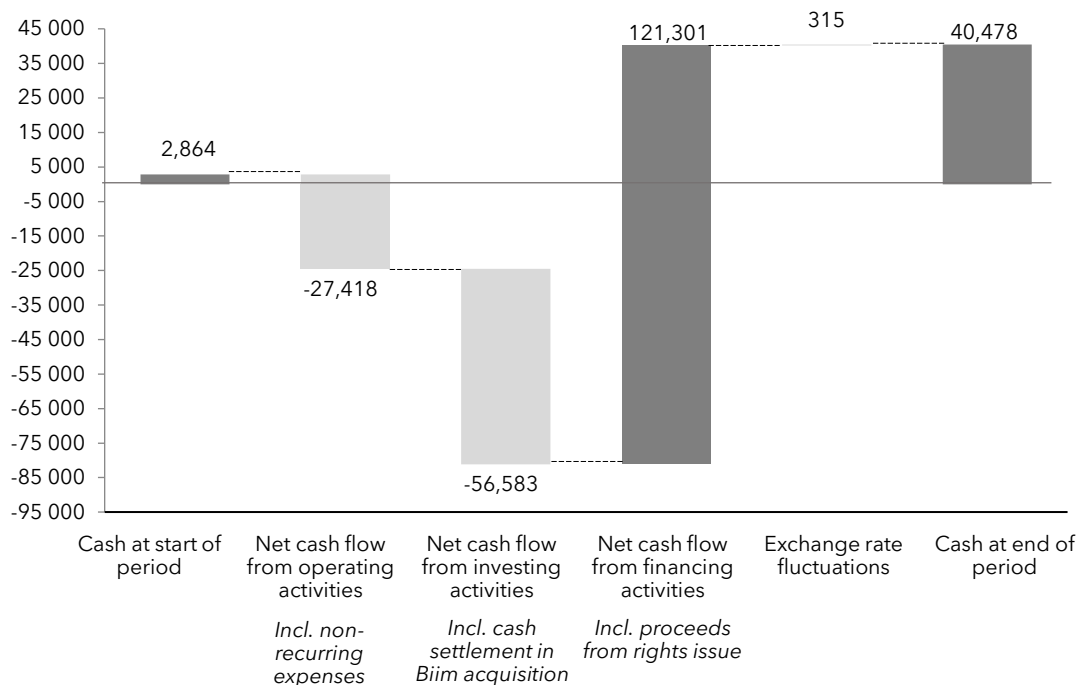


- **Cash of NOK 40.5 million**, impacted by
 - Net proceeds from Rights Issue
 - Cash settlement Biim Ultrasound acquisition
 - Repayment interest-bearing debt
 - Cash used in operating activities
- **Net interest-bearing debt, NOK 7.5 million**
 - Loan from Navamedic ASA and innovation loan in Finland
 - Contingent Consideration
 - IFRS 16 liabilities
- **Total assets of NOK 241.7 million**
- **Equity of NOK 174.1 million**
 - Equity ratio of 72%

Key figures

Cash flow statement for the first half year 2022

Amounts in NOK thousand



- Cash flow used in **operating activities** mainly related to the EBIT result H1 2022 impacted by the Biim acquisition and decreased result from the Nordic portfolio
- Cash flow used in **investing activities** is mainly related to cash settlement for the Biim Ultrasound acquisition
- Cash flow from **financing activities** is mainly related to net proceeds from the Rights Issue and repaid interest-bearing debt
- **Cash deposits** end of the period at TNOK 40,478

Concluding remarks and outlook

- **Status**

- Biim probes now available across all Fresenius educational clinics - the leading provider of kidney care services in the US
- New manufacturing partner secured for Sippi
- Blueprint for combined organisation in place

- **Current, immediate priorities**

- Move towards second wave of Biim roll-out in the US
- Reinforced marketing efforts for Sippi with a new manufacturing partner in Italy and new supply chain
- Build organisation, chase operational synergies
- Identify and explore M&A opportunities

- **Outlook**

- Sales will roll into 2023, now expecting NOK 20-25 million total revenues in 2022
- Fundamental drivers unchanged, NOK 1bn long-term ambition maintained

Q&A



Q2 and First Half Year 2022 financials

Appendix

Consolidated Statement of Comprehensive Income

(Amounts in NOK thousand)

	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Operating revenues	4 296	9 737	12 009	12 846	24 042
Cost of materials	2 891	5 799	7 237	8 064	14 524
Gross result	1 405	3 938	4 772	4 782	9 519
Employee benefit expenses	8 089	4 297	13 915	8 421	19 013
Other operating expenses	6 290	4 413	11 837	9 148	23 586
Operating expenses	14 379	8 710	25 752	17 569	42 599
Operating result before depreciation and amortisation (EBITDA)	-12 974	-4 772	-20 980	-12 787	-33 081
Depreciation and amortisation	3 404	819	5 116	1 616	3 463
Operating result (EBIT)	-16 378	-5 591	-26 096	-14 403	-36 543
Financial income and expenses					
Financial income	11 611	8 381	14 046	13 151	9 858
Financial expenses	3 373	1 455	5 099	2 231	-365
Net financial items	8 238	6 926	8 947	10 920	10 223
Result before tax	-8 140	1 335	-17 149	-3 484	-26 321
Income tax expense	24	0	24	0	0
Result for the period	-8 164	1 335	-17 173	-3 484	-26 321
Other comprehensive income that may be reclassified subsequently to profit or loss					
Currency translations differences	4 392	3 822	-271	-5 089	-9 064
Total comprehensive income/loss for the period	-3 772	5 157	-17 444	-8 573	-35 385
Earnings per share (NOK per share)	-0.15	0.07	-0.42	-0.18	-1.34

Statement of financial position

<i>(Amounts in NOK thousand)</i>	At 30 June 2022	At 30 June 2021	At 31 December 2021
ASSETS			
Non-current assets			
Goodwill	86 697	34 965	33 870
Intangible assets	99 753	20 265	21 328
Tangible assets	3 656	1 849	1 381
Total non-current assets	190 106	57 080	56 579
Current assets			
Trade receivables	1 439	1 307	1 348
Inventories	8 585	6 511	7 013
Other receivables and prepaid expenses	1 054	2 996	3 933
Bank deposits	40 478	14 032	2 864
Total current assets	51 556	24 846	15 158
Total assets	241 662	81 925	71 737

Statement of financial position

<i>(Amounts in NOK thousand)</i>	At 30 June 2022	At 30 June 2021	At 31 December 2021
EQUITY AND LIABILITIES			
Total equity	174 064	11 800	-14 122
Non-current liabilities			
Non-current lease liabilities	1 307	1 033	550
Contingent consideration	1 616	12 509	13 031
Non-current interest bearing liabilities	43 557	36 213	0
Total non-current liabilities	46 480	49 756	13 581
Current liabilities			
Trade payables	1 712	3 004	6 163
VAT and other public taxes and duties payables	7 387	4 464	3 747
Interest bearing current liabilities	0	10 002	54 521
Current lease liabilities	1 534	567	443
Other current liabilities	10 486	2 334	7 405
Total current liabilities	21 119	20 370	72 278
Total liabilities	67 598	70 125	85 860
Total equity and liabilities	241 662	81 925	71 737

Consolidated Statement of Comprehensive Income

<i>Amounts in NOK thousand</i>	Share capital	Share premium	Other paid-in equity	Total paid-in capital	Retained earnings	Translation differences	Total
Balance at January 1, 2021	5 097	87 065	11 800	103 963	-83 284	-330	20 349
Share issue							0
Share options					23		23
Net loss of the period					-3 484		-3484
Translation differences						-5089	-5089
Balance at June 30, 2021	5 097	87 065	11 800	103 963	-86 745	-5 419	11 800
Balance at January 1, 2021	5 097	87 065	11 800	103 963	-83 284	-330	20 349
Share issue							0
Share options					913		913
Net loss of the period					-26 321		-26 321
Translation differences						-9 064	-9 064
Balance at December 31, 2021	5 097	87 065	11 800	103 963	-108 692	-9 394	-14 122
Rights issue	6 686	148 911		155 597			155 597
Consideration shares	2 125	47 724		49 849			49 849
Share options					185		185
Net loss of the period					-17 173		-17 173
Translation differences						-271	-271
Balance at June 30, 2022	13 907	283 700	11 800	309 408	-125 680	-9 665	174 064

Cash flow statement

(Amounts in NOK thousand)

	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Cash flow from operating activities					
Result before tax	-8 142	1 335	-17 149	-3 484	-26 321
Tax paid	-206	0	-120	0	-192
Depreciation and amortisation	3 403	819	5 116	1 616	3 463
Gain(-)/Loss(+) from sale of fixed assets	0	0	0	0	-6
Change in net finance, no cash effect	-11 732	-7 087	-11 418	-11 152	-6 144
Change in inventories	-2 074	-20	-2 647	875	145
Change in trade receivables and other receivables	3 837	918	3 013	-1 270	-2 103
Change trade account payables and other current liabilities	-2 728	1 699	-4 214	298	9 031
Net cash flow from operating activities	-17 641	-2 335	-27 418	-13 116	-22 126
Cash flow used in investing activities					
Purchase / disposal of tangible and intangible assets	-866	-864	-2 264	-1 429	-4 886
Net cash effect of business combination	-5 058	0	-54 319	0	0
Net cash flow used in investing activities	-5 924	-864	-56 583	-1 429	-4 886
Cash flow from financing activities					
Change in net interest bearing debt	-10 405	10 000	-33 664	10 000	10 000
Net proceeds from share issue	0	0	155 597	0	6 509
Repayment share capital	0	0	0	0	0
Payments of lease liabilities	677	-135	-632	-204	-429
Net cash flow from financing activities	-9 728	9 865	121 301	9 796	16 079
Exchange rate fluctuations	2 780	131	315	-165	-5 149
Change in cash	-30 514	6 796	37 614	-4 914	-16 081
Bank deposits start of period	70 992	7 235	2 864	18 945	18 945
Bank deposits end of period	40 478	14 032	40 478	14 032	2 864

Top 20 shareholders

Rank	Name	Number of shares	% of top 20	% of total	Country
1	INGERØ REITEN INVESTMENT COMPANY AS	9 653 680	27.63 %	18.05 %	Norway
2	NAVAMEDIC ASA	4 222 727	12.09 %	7.89 %	Norway
3	JPB AS	2 830 209	8.10 %	5.29 %	Norway
4	RO, LARS	2 673 762	7.65 %	5.00 %	Norway
5	ELI AS*	2 178 078	6.23 %	4.07 %	Norway
6	NORDA ASA	1 938 921	5.55 %	3.62 %	Norway
7	MP PENJON PK	1 701 188	4.87 %	3.18 %	Norway
8	DNB BANK ASA	1 465 755	4.20 %	2.74 %	Norway
9	UBS Switzerland AG	1 433 047	4.10 %	2.68 %	Switzerland
10	NORDNET LIVSFORSIKRING AS	969 603	2.78 %	1.81 %	Norway
11	ALPINE CAPITAL AS	835 708	2.39 %	1.56 %	Norway
12	LAPAS AS	805 185	2.30 %	1.51 %	Norway
13	ABN AMRO Global Custody Services	664 060	1.90 %	1.24 %	The Netherlands
14	SOLEGLAD INVEST AS	586 668	1.68 %	1.10 %	Norway
15	SILVERCOIN INDUSTRIES AS	574 464	1.64 %	1.07 %	Norway
16	TAJ HOLDING AS	500 847	1.43 %	0.94 %	Norway
17	TRANBERGKOLLEN INVEST AS	500 000	1.43 %	0.93 %	Norway
18	BRØDRENE KARLSEN HOLDING AS	479 868	1.37 %	0.90 %	Norway
19	Nordnet Bank AB	468 995	1.34 %	0.88 %	Sweden
20	ARTAL AS	456 500	1.31 %	0.85 %	Norway
Total number owned by top 20		34 939 265	100.00 %	65.32 %	
Total number of shares		53 491 656			

Total number of shareholders: 2 061

* ELI AS owns 1,744,260 shares in Observe Medical ASA. In addition, ELI AS keep 433,818 shares owned by other former owners of Biim Ultrasound shares pending transfer to their VPS accounts.

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 before non-recurring items

EBITDA of the Company before any extraordinary or unusual one-time non-recurring expenses or other charges as reflected in the Company's audited consolidated financial statements for the year

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.

