

Observe Medical

Q4 and full year 2022

17 February 2023

Rune Nystad, Chief Executive Officer

Per Arne Nygård, Chief Financial Officer

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Observe Medical

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



Patient
welfare



Health
economics



Data
accuracy

Current offering



Sippi®



Biim



Nordic

2022 in review: Truly transformative

Biim acquisition

Acquired a unique ultrasound device and access to the large kidney care market in the US

Jan

Apr

Q2-Q4

Oct

Dec

Organisation

New Chief Executive Officer, new Chief Technology officer and new Chief Commercial Officer in place

Ferrari L.

Exclusive agreement signed to acquire Ferrari L., a manufacturer of medical equipment and technology in the heart of Italy's medtech cluster.

Sippi®

Received Medical Device Regulation (MDR) Certification, ensuring continued market access in Europe after 2024

Unometer™

Exclusive agreement signed to acquire #1 product range for urine meters with an established global reach

Achievements

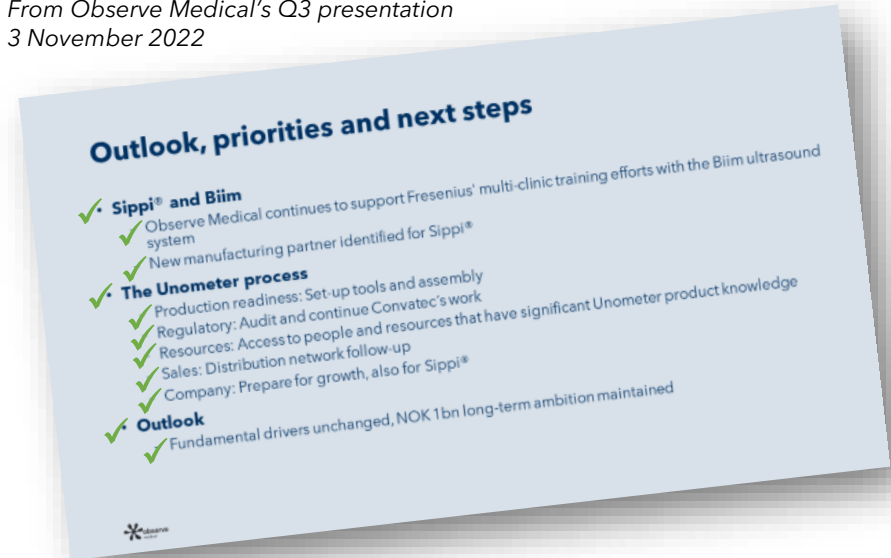
Since last time ...

Outlook and ambition reconfirmed, strategy in place

Executing according to plan

- **Build** organisation, strengthen team, preparing for increased volume and worldwide sales
- **Build** order backlog, secure revenue streams, confirming orders with distributors for Unometer Safety Plus, AbdoPressure and Sippi
- **Build** cost-efficient manufacturing and distribution, securing profitability. Production readiness with tooling, suppliers and equipment vendors started. COGS on target with Ferrari alignment
- **Build** financial strength for growth, funding process ongoing

*From Observe Medical's Q3 presentation
3 November 2022*



Broad experience, proven track record



Rune Nystad
Chief Executive Officer

20+ years of experience from global medtech and industrial technology from the Nordics, US, Germany, Ireland and Hong Kong, including **Boston Scientific**. Co-founder of **Biim Ultrasound**



Per Arne Nygård
Chief Financial Officer

20+ years of experience from finance and accounting in various sectors with leadership roles in several publicly listed companies, such as **Veidekke** and **Multiconsult**



Carsten Bøgh
Chief Technology Officer

20+ years experience from industrial and global medtech. Previous experience from senior roles at **Fresenius** and **Oticon**



Jørgen Mann Nilsen
Chief Commercial Officer

20+ years experience from the medtech industry. Previous experience from senior roles in market leading organizations such as **Unomedical**, **Gefinge Group**, **Smith&Nephew** and **Fresenius**



Jenny Wennerberg
QA & RA Director

20+ years experience from medtech and healthcare. Has held several quality mgmt. and product development positions

Strategy and outlook

Unique ultrasound probe with large untapped growth potential in dialysis centres worldwide



The product

Ultrasound made-simple

An intuitive and low complexity device

Pocketable and optimized form factors

Tailor-made concept for nurses and other clinical staff

Focus on cost efficiency supporting an affordable product

Fresenius partnership opens extensive growth opportunities

Fresenius Kabi is a global healthcare company specializing in lifesaving medicines and technologies for infusion, transfusion and clinical nutrition

The partnership may lead to further opportunities with Fresenius, including co-development projects and initiatives

The wide network of clinics Biim can access through Fresenius is of significant value



~150

Countries



4,151

Dialysis centres globally



2,683

Dialysis centres in the US

Biim: Status and next steps



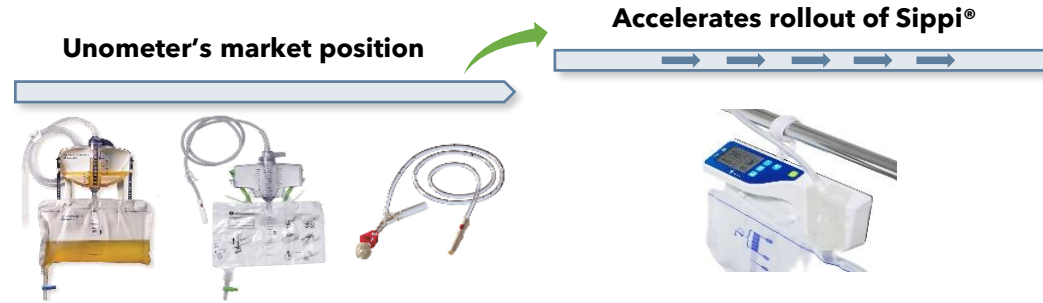
- Progress according to plan, we continue to support the world's largest dialysis company with training and education across 265 clinics
- Following a significant reorganisation, Fresenius has re-confirmed that Biim will be central to their dialysis offering



- Site visits
- Continued support for full IT platform integration
- Assessing broader worldwide dialysis usage



Becoming Europe's leading urine measurement system provider



Strong market position with approx. 80-90% market share in Europe

Market leading products and brand in Europe and beyond

More than 5 million units sold annually to more than 600 distributors across over 50 countries

Revenues of NOK ~180m in 2021 and margins of around 20-30%

The acquisition of the Unometer portfolio is expected to:

- Significantly expand existing client base through extensive Unometer distribution network
- Accelerate the commercial roll-out of Sippi®
- Commercial pathway for Biim in Europe
- Improve market insight

Unometer™ transaction highlights

Market leading products and brand

Becomes Europe's #1 urine measurement provider, supporting adoption of new products

Extending distribution network

Access to more than 600 distributors across 50+ countries will accelerate commercialisation of existing product portfolio

Revenue fast-track
NOK ~180m in revenues with a gross margin of 20-30%

Transaction expected to complete in Q1 2023

Unometer, Abdopressure and Sippi



- Good progress with the technology transfer from Convatec
- Production set-up has started. Ready to start production of tools used to make components
- Worldwide sales channels established, 30-40 distributors in place. Brand name and demand confirmed
- LOI's in progress



- To complete production set-up and initiate production
- Finalise and sign contracts for 2023 volumes
- Introduction of Sippi in parallel into the same sales channels



Setting up production in Italy's medtech cluster



Operative production facility for medical and surgical equipment

Capacity to produce both existing products and OM's total portfolio

Located in Verona, Italy

Ferrari L.

transaction highlights

Value chain control

Production facility with optimal location in Verona, a Central European medtech cluster, allowing greater value chain control and minimizing risk

Reduced COGS

Major COGS reduction for both existing and new products driven by centralised in-house production, achieving gross margin uplift

Capacity utilisation

Facility with untapped production capacity, facilitating longer-term growth initiatives and additional new products

Key financials

Income statement

Q4 and full year 2022

Amounts in NOK thousand (excl. earnings per share)	Q4 2022	Q4 2021	FY 2022	FY 2021
Operating revenues	4 132	3 591	19 521	24 042
Gross result	-980	1 071	5 177	9 519
Operating expenses	14 662	10 619	50 352	37 981
EBITDA before non-recurring items	-15 642	-9 548	-45 175	-28 462
Non-recurring items	906	4 539	3 079	4 619
EBITDA	-16 548	-14 087	-48 253	-33 081
Depreciation and amortisation	2 363	999	10 891	3 463
EBIT	-18 911	-15 086	-59 144	-36 543
Net finance	96	212	8 424	10 223
Result before tax	-18 815	-14 874	-50 721	-26 321
Income tax expenses	24	0	76	0
Result	-18 839	-14 874	-50 797	-26 321
Earnings per share (NOK per share)	-0.35	-0.76	-1.08	-1.34

Q4 2022

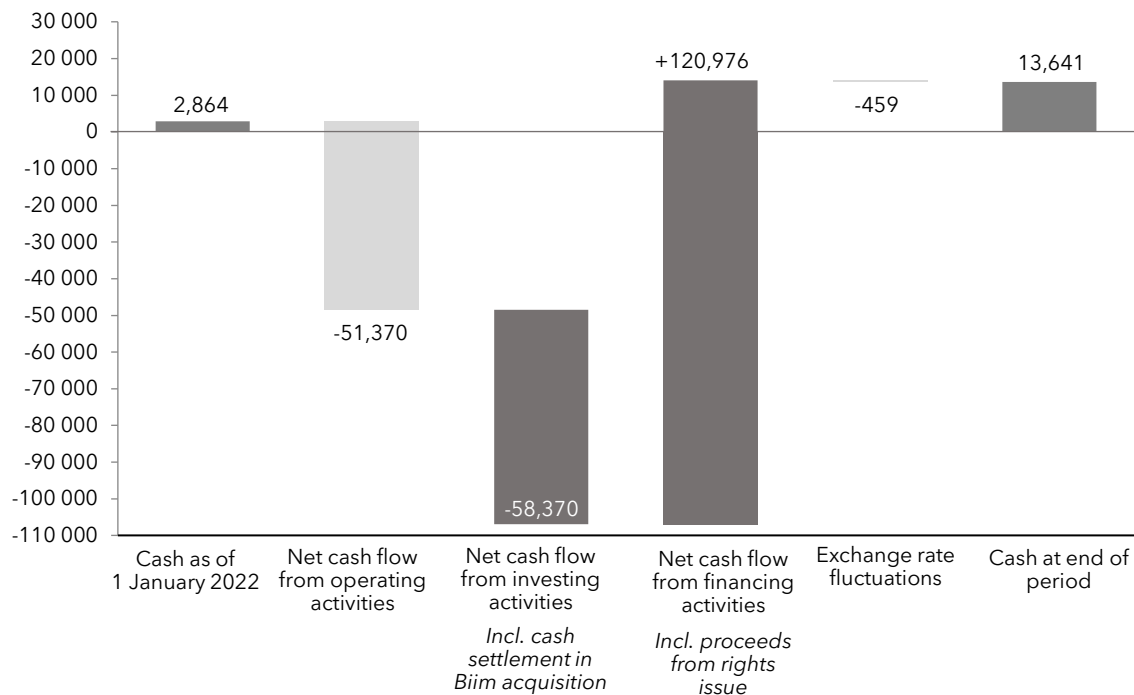
- **Operating revenues** at MNOK 4.1 reflecting a increase of sales in the Nordic portfolio
- **Gross result** impacted by inventory write-down of Sippi disposable units with expiry date in 2024. Gross result excl. write-down MNOK 1.36 (32.9%)
- **EBITDA** reduced YoY, mainly due to an increase in operating expenses related to consolidation of Biim Ultrasound from March 2022 and strengthening of the organisation
- **Result** of MNOK -18.8

FY 2022

- **Operating revenues** at MNOK 19.5. Covid related revenues from Safety needles sales in 2021 more than offset revenues from Biim ultrasound probe sales in 2022
- **EBITDA** reduced as operating expenses increased with the consolidation of Biim Ultrasound
- **Non-recurring items** in 2022 are related to transaction costs and one-off costs related changes in the organisation
- **Result** of MNOK -50.8 reflects increased depreciation and amortisation resulting from the Biim acquisition

Financial Position - Year End 2022

Amounts in NOK thousand



Cashflow

- Cash flow used in **operating activities** mainly related to the result before tax in 2022
- 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 deducted for repaid interest-bearing debt
- **Cash** at end of the period at TNOK 13,641

Financial position - Key figures

- **Total assets** at MNOK 215.4
- **Net interest-bearing debt** at MNOK 37.7
- **Equity** at MNOK 138.3
- **Equity ratio** at 64.2%

Funding and Summery

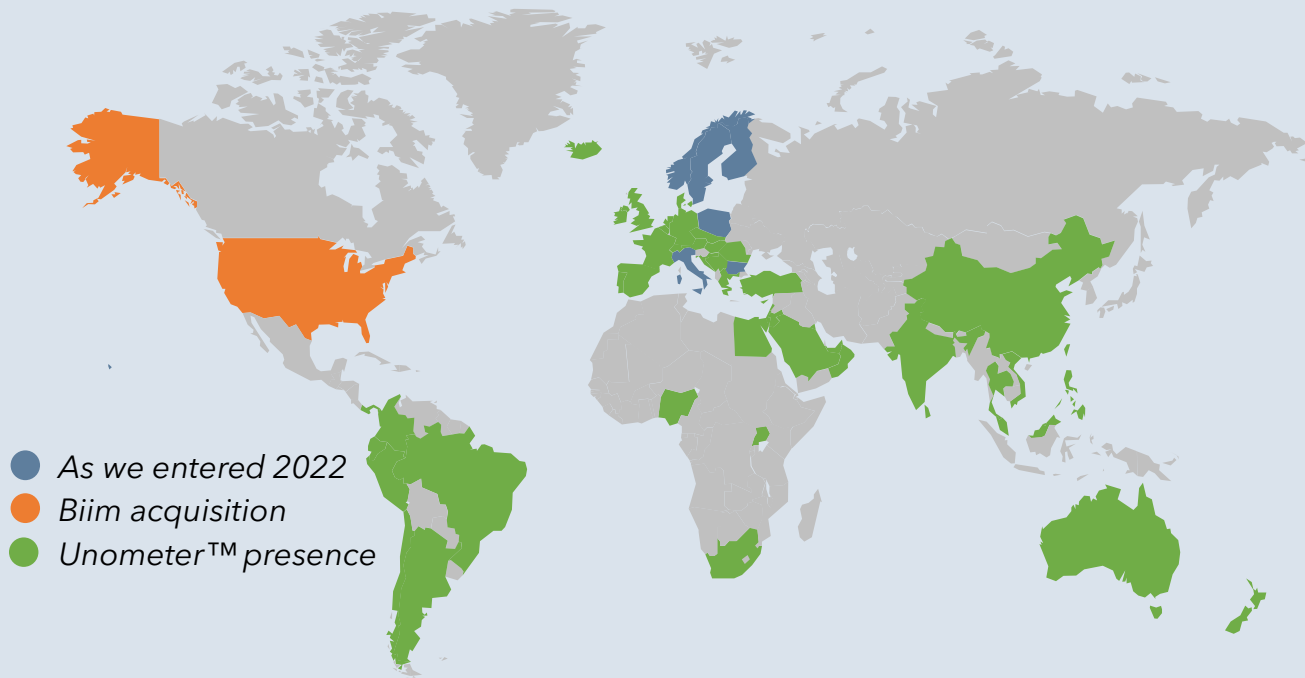
Update on financing

- In December 2022, Observe Medical described a contemplated two-step funding process to finance further growth (see insert)
- The company is currently assessing feedback from the market, which will form the basis for a revised financing structure, process and timing
- No final decisions, agreements or commitments have been made in this regard



From Observe Medical's presentation at DNB Healthcare Conference in December 2022 and as described in NewsWeb announcement dated 14 December 2022

A leading provider with global reach



600+
distributors

50+
countries

NOK 200-250 mill
run rate

Preferred provider of
ultrasound probes in the
US and Europe

Global leading provider
of urine measurement
products

On steady course
towards **NOK 1 bn** in
annual revenues



Q&A



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Q4 and FY 2022 Financials

Appendix

Consolidated Statement of Comprehensive Income

<i>(Amounts in NOK thousand)</i>	Q4 2022	Q4 2021	FY 2022	FY 2021
Operating revenues	4 132	3 591	19 521	24 042
Cost of materials	5 113	2 519	14 344	14 524
Gross result	-980	1 071	5 177	9 519
Employee benefit expenses	8 372	4 678	28 521	19 013
Other operating expenses	7 195	10 480	24 909	23 586
Operating expenses	15 567	15 158	53 431	42 599
Operating result before depreciation and amortisation (EBITDA)	-16 548	-14 087	-48 253	-33 081
Depreciation and amortisation	2 363	999	10 891	3 463
Operating result (EBIT)	-18 911	-15 086	-59 144	-36 543
Financial income and expenses				
Financial income	1 743	-3 640	19 012	15 711
Financial expenses	1 647	-3 852	10 588	5 488
Net financial items	96	212	8 424	10 223
Result before tax	-18 815	-14 874	-50 721	-26 321
Income tax expense	24	0	76	0
Result for the period	-18 839	-14 874	-50 797	-26 321
Earnings per share (NOK per share)	-0.35	-0.76	-1.08	-1.34

Statement of financial position

<i>Amounts in NOK thousand</i>	At 31 December 2022	At 31 December 2021
ASSETS		
Non-current assets		
Goodwill	99 961	33 870
Intangible assets	82 767	21 328
Tangible assets	3 710	1 381
Total non-current assets	186 439	56 579
Current assets		
Trade receivables	4 731	1 348
Inventories	8 117	7 013
Other receivables and prepaid expenses	2 443	3 933
Bank deposits	13 641	2 864
Total current assets	28 932	15 158
Total assets	215 371	71 737

Statement of financial position

<i>Amounts in NOK thousand</i>	At 31 December 2022	At 31 December 2021
EQUITY AND LIABILITIES		
Total equity	138 310	-14 122
Non-current liabilities		
Non-current lease liabilities	669	550
Contingent consideration	3 365	13 031
Non-current interest bearing liabilities	5 134	0
Total non-current liabilities	9 168	13 581
Current liabilities		
Trade payables	8 611	6 163
VAT and other public taxes and duties payables	6 124	3 747
Interest bearing current liabilities	40 615	54 521
Current lease liabilities	1 528	443
Other current liabilities	11 015	7 405
Total current liabilities	67 893	72 278
Total liabilities	77 061	85 860
Total equity and liabilities	215 371	71 737

Cash flow statement

<i>Amounts in NOK thousand</i>	Q4 2022	Q4 2021	FY 2022	FY 2021
Cash flow from operating activities				
Result before tax	-18 815	-14 393	-50 721	-26 321
Tax paid	303	-192	-142	-192
Depreciation and impairment	2 363	999	10 891	3 463
Gain(-)/Loss(+) from sale of fixed assets	-6	-6	-320	-6
Change in net finance, no cash effect	3 956	4 138	-6 628	-6 144
Change in inventories	2 032	81	-294	145
Change in trade receivables and other receivables	-4 255	571	-1 908	-2 103
Change trade account payables and other current liabilities	7 306	6 634	-2 247	9 031
Net cash flow from operating activities	-7 116	-2 166	-51 370	-22 126
Cash flow used in investing activities				
Disposal of tangible and intangible assets	559		559	
Purchase of tangible and intangible assets	-1 966	-3 337	-4 927	-4 886
Net cash effect of business combination	0		-54 002	0
Net cash flow used in investing activities	-1 407	-3 337	-58 370	-4 886
Cash flow from financing activities				
Change in net interest bearing debt	-56	6 509	-33 266	10 000
Net proceeds from share issue	0	0	155 597	6 509
Payments of lease liabilities	-396	-69	-1 354	-429
Net cash flow from financing activities	-452	6 440	120 976	16 079
Exchange rate fluctuations	-2 160	-4 956	-460	-5 149
Change in cash	-11 135	-4 019	10 777	-16 081
Bank deposits start of period	24 776	6 884	2 864	18 945
Bank deposits end of period	13 641	2 864	13 641	2 864

Equity

	Share capital	Share premium	Other paid-in equity	Total paid-in capital	Retained earnings	Translation differences	Total
<i>(Amounts in NOK thousand)</i>							
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					287		287
Net loss of the period					-50 797		-50 797
Translation differences						-2 503	-2 503
Balance at December 31, 2022	13 907	283 700	11 800	309 408	-159 201	-11 896	138 310

Equity ratio

(Amounts in TNOK)

	At 31 December 2022	At 31 December 2021
Equity	138 310	-14 122
Total assets	215 371	71 737
Equity ratio	64.2 %	-19.7 %

Net interest-bearing debt

<i>(Amounts in TNOK)</i>	At 31 December 2022	At 31 December 2021
Current and Non-current lease liability	2 197	993
Non-current interest bearing liabilities	5 134	0
Contingent consideration	3 365	13 031
Interest bearing current liabilities	40 615	54 521
Total interest bearing debt	51 311	68 545
Bank deposits	13 641	2 864
Net interest bearing debt	37 670	65 681

Top 20 shareholders

Rank	Name	Number of shares	% of top 20	% of total	Country
1	INGERØ REITEN INVESTMENT COMPANY AS	9 653 680	29.42 %	18.05 %	Norway
2	NAVAMEDIC ASA	4 222 727	12.87 %	7.89 %	Norway
3	RO, LARS	3 208 233	9.78 %	6.00 %	Norway
4	JPB AS	2 830 209	8.62 %	5.29 %	Norway
5	ELI AS	2 178 078	6.64 %	4.07 %	Norway
6	MP PENSJON PK	1 676 188	5.11 %	3.13 %	Norway
7	UBS Switzerland AG	1 460 413	4.45 %	2.73 %	Switzerland
8	BJØRNTVEDT, VEGARD	809 962	2.47 %	1.51 %	Norway
9	LAPAS AS	805 185	2.45 %	1.51 %	Norway
10	NORDNET LIVSFORSIKRING AS	762 244	2.32 %	1.42 %	Norway
11	SILVERCOIN INDUSTRIES AS	624 464	1.90 %	1.17 %	Norway
12	Nordnet Bank AB	608 922	1.86 %	1.14 %	Sweden
13	SOLEGLAD INVEST AS	586 668	1.79 %	1.10 %	Norway
14	TAJ HOLDING AS	500 847	1.53 %	0.94 %	Norway
15	GINNY INVEST AS	500 000	1.52 %	0.93 %	Norway
16	PETTERSEN, GUNERIUS	500 000	1.52 %	0.93 %	Norway
17	TRANBERGKOLLEN INVEST AS	500 000	1.52 %	0.93 %	Norway
18	SKÅLVOLD EIENDOM AS	493 938	1.51 %	0.92 %	Norway
19	BRØDRENE KARLSEN HOLDING AS	479 868	1.46 %	0.90 %	Norway
20	KUBERA AS	416 813	1.27 %	0.78 %	Norway
Total number owned by top 20		32 818 439	100.00 %	61.35 %	
Total number of shares		53 491 656			

Total number of shareholders: 2 055

** 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.

Net interest-bearing debt (NIBD)

The aggregate interest-bearing debt less cash and cash equivalents of the Group in accordance with the Accounting Principles and as shown in the Issuer's consolidated Financial Report.



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