



REPORT ON SALARIES AND OTHER REMUNERATION TO LEADING PERSONNEL IN OBSERVE MEDICAL ASA YEAR 2021

Introduction

This report on salaries and other remuneration to leading personnel (the "**Report**") of Observe Medical ASA (the "**Company**") is based on the guidelines for the determination of salaries and other remuneration of leading personnel in the Company which were approved by the Company's general meeting on May 21, 2021 ("**Guidelines**").

The report is based on the requirements set out in the Norwegian Public Limited Companies Act of 13 June 1997 no. 45 (the "**Companies Act**") section 6-16 and 6-16 b, as well as Regulation on guidelines and report on remuneration for leading personnel of 11 December 2021 No. 2730 (the "**Regulation**"). The report is formulated in line with the European Commission's template for remuneration reports.

Information required by the Norwegian Act relating to Annual Accounts of 17 July 1998 no. 56 ("**Accounting Act**") section 7-31 b is included in the Company's annual report for 2021 on page 78-79 and is included as an appendix 1.

Remuneration to board members is not covered by this Report.

None of the board members are employed by the Company.

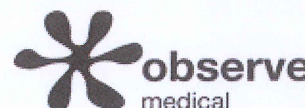
Key figures for the financial year 2021

The company in 2021

Observe Medical is a Nordic medtech company that develops, markets and sells innovative medtech products for the global market. The Company is committed to improving patient welfare and patient outcomes, improving clinical data accuracy and promoting positive health economics. The Company seeks to drive growth by leveraging its expertise in sales and commercialization of its broad portfolio of medical technology products, mainly in urine measurement, ultrasound, anaesthesiology/ICUs, surgery, and wound care, in combination with targeted M&A. The Company is headquartered in Oslo, Norway, with wholly owned subsidiaries in Sweden and Denmark.

Observe Medical has a broad portfolio of medtech devices and disposables, mainly within Urine measurement, Anaesthesiology/ICUs and wound care and aimed at ICUs and other wards at hospitals as well as towards primary care and homecare settings. Observe Medical's main product, Sippi® is a proprietary, patented, CE marked Digital, Automated Urine Measurement System for urine monitoring, currently in commercialization phase globally. Our Nordic medtech portfolio is, except Sippi®, supplied by well-established manufacturers of innovative medical technology and wound care products and mainly distributed in the Swedish market with the potential to expand to the rest of the Nordic region. In the Nordics, our portfolio is sold through our experienced Nordic sales team, including tender management, and in the rest of the world through an expanding distributor network.

For a brief description of the Company's performance in the financial year 2021, reference is made to page 4 and 5 of the Company's annual report for 2021 which includes highlights 2021 and key financial numbers.



The guidelines for remuneration that the Company has adopted in 2021

The main principle for Observe Medical's remuneration policy is that the Senior Executives shall be offered competitive terms when their total remuneration package is taken into account. Such package may consist of elements such as base salary, bonus, investment and option programmes, benefits in kind and pension arrangements. The Company shall seek to offer a remuneration level that is considered competitive and on market terms, compared to the level offered by similar companies, and which contribute to satisfy the Company's need to recruit and keep highly qualified personnel.

The fixed remuneration for senior executives consists of a number of elements. The fixed salary constitutes the main element of the total consideration for senior executives. The salary is determined by taking into account the individual's position, experience and performance, the competitiveness in the market and the Company's salary budget shall be taken into account. In addition, senior executives are offered contribution in kind in the form of cost coverage for reasonable and documented business expenses related to the performance of required functions, including for phone and phone expenses, private broadband, company health services, insurances, car allowance and coverage of travel expenses. Furthermore, senior executives participate in the Company's insurance schemes and defined contribution pension schemes in accordance with mandatory law and market practice.

The Senior Executives may choose between disposing of an electric or hybrid company car, or receive a fixed car allowance.

Senior executives may also receive variable remuneration. Performance-based bonus is based on both the Company's and the senior executives' individual performance. The targets to be reached by the chief executive officer are to be determined by the Company's board, and the chief executive officer will set relevant targets for the other members of the management, based on principles defined by the Company's board.

In order to further align the interests of the Senior Executives by those of the Company, share options in the Company may be granted to the Senior Executives as a part of their total remuneration package. The Company may also implement share purchase programmes. Such alignment of interests is considered important to fulfil the Company's goals and business strategy. The board of directors may grant share options both in connection with individual grants and in connection with implementation of new share option programs or investment programs for the Company's employees, including the Senior Executives, or only to the Senior Executives. Any new options granted shall vest over a period of 0 - 3 year and shall be subject to a 12 to 24 months lock-up period upon issuance, at the board of directors' discretion. Any shares issued or sold under a share purchase program shall be subject to a 12 to 24 months lock-up period upon issuance, at the board of directors' discretion.

The company's performance

During 2021, the commercialization of Sippi® has been a key focus area for the company and specifically the clinical roll-out in the Nordics and in selected European markets. The Group has strong global patent protection for Sippi® proprietary technology and has further strengthen it with new patents in India, China, and Brazil during 2021.

In the Nordic region, the Nordic distribution portfolio had organic growth in sales revenue at 55%, to NOK 24 million, compared to proforma figures from 2020.

The COVID-19 pandemic continued to have a negative impact on the revenue growth of Sippi® in 2021.

The Group had operating revenues of NOK 24,042 thousand in 2021 compared to NOK 2,961 thousand in 2020. The gross result was NOK 9,519 thousand, compared to NOK 986 thousand in 2020. The Nordic distribution portfolio was acquired at the end of October 2020, and the increase in revenues and gross results is due to reported revenues for full year 2021 and further strong organic growth.



In 2021, EBITDA before non-recurring items was negative NOK 28,462 thousand compared to negative NOK 23,711 thousand in 2020. The decrease in EBITDA compared to last year was mainly due to increased average headcount and employee benefit expenses and reflects the Group's strategy to strengthen sales efforts. Non-recurring items at NOK 4,619 thousand in 2021 was expenses in connection with the Biim acquisition and in 2020, NOK 1,212 thousand related to the Sylak AB acquisition.

Depreciation and amortization increased from NOK 3,163 thousand in 2020 to NOK 3,463 thousand in 2021. The increase is mainly related to increased depreciation of lease liabilities due to IFRS 16.

Net finance income was NOK 10,223 thousand and was mainly related to a change in estimated fair value of contingent consideration as a result of the likelihood of discounted milestone payments in the purchase agreement of Observe Medical International AB in 2015. In addition, the net currency gain more than offset the increased interest expenses due to increased interest-bearing debt. In 2020, net finance expenses came in at NOK 8,782 thousand related to the interest of borrowings and change of contingent consideration that more than offset net currency gain.

As a result, the Group had a loss of NOK 26,321 thousand in 2021, compared to a loss of NOK 36,868 thousand in 2020. Earnings per share was negative NOK 1.34, compared to negative NOK 2.22 in 2020.

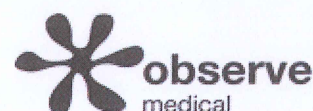
Remuneration to leading personnel

Table 1 below shows total remuneration The Company's leading person have been paid, or have benefited from being paid by the Company in 2021, 2020 and 2019.

(Amounts in NOK thousand)

Table 1									
Name of Director	Financial year	Fixed remuneration		Variable remuneration		Option expenses	Pension expense	Total remuneration	Proportion of fixed and variable remuneration, (excl options and pension expenses)
		Base salary	Other benefits	One-year variable	Multi-year variable				
Björn Larsson (CEO)	2021	1 636	76	751	0	46	485	2 994	70/30
	2020	1 328	168	0	0	152	268	1 916	100/0
	2019	54	0	0	0	0	6	60	100/0
Per Arne Nygård (CFO) ¹⁾	2021	1 588	104	750	0	867	182	3 491	69/31
	2020	1 272	88	0	0	0	119	1 479	100/0
	2019	83	0	0	0	0	0	83	100/0

¹⁾ Interim CFO from December 1, 2019 to February 29, 2020. Permanent position as CFO from March 1, 2020.

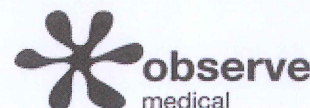


Option-based remuneration to leading personnel in the Company

Table 2 below shows the number of options, warrants and other forms of remuneration related to shares or developments in the Company or other companies within the same group of companies that have been granted or offered, as well as the most important conditions for exercising the options, including subscription price, subscription deadline and any changes of these.

Table 2											
Name and position	Specification of plan	Performance period	Award date	Vesting date	End of holding period	Exercise period	Exercise price of the share and date	Share options held at the beginning of the year	Share options awarded	Share options vested	Share options awarded and unvested
Per Arne Nygård (CFO)	ESOP 2021	16/11/21 – 16/11/21	16/11/21	16/11/21	16/11/21	16/11/21 - 01/03/24	8,29	0	80 000	80 000	
		16/11/21 – 01/03/22	16/11/21	01/03/22	01/03/22	16/11/21 - 01/03/24	8,29	0	20 000	0	20 000
		16/11/21 – 01/03/23	16/11/21	01/03/23	01/03/23	16/11/21 - 01/03/24	8,29	0	20 000	0	20 000
Total								0	120 000	80 000	40 000
Björn Larsson (CEO)	ESOP 2020	09/01/20 – 09/01/20	09/01/20	09/01/20	09/01/20	09/01/20 - 01/01/21	11,09	60 000	0	60 000	
		09/01/20 – 09/01/21	09/01/20	09/01/21	09/01/21	09/01/21 - 01/07/23	11,09	20 000	0	20 000	
		09/01/20 – 09/01/22	09/01/20	09/01/22	09/01/22	09/01/22 - 01/07/23	11,09	20 000	0	0	20 000
		09/01/20 – 09/01/23	09/01/20	09/01/23	09/01/23	09/01/23 - 01/07/23	11,09	20 000	0	0	20 000
Total								120 000	0	80 000	40 000
Total for the Company								120 000	120 000	160 000	80 000

The company have no share options subject to performance conditions or share options subject to holding period.



Options to CEO

As part of a long-term incentive plan, Björn Larsson was granted 60 000 series A options and 60 000 series B options. Each option, when exercised, will give the right to acquire one share in Observe Medical ASA. The options are granted without consideration.

The series A options are granted vest over a 3 year period, with 1/3 after 12 months, 1/3 after 24 months and the last third after 36 months. The series A option shares have a 12 month lock-up period tied to them. Options that have not been exercised will lapse 3.5 years after grant date.

The series B options are granted vest on the date of the option agreement. The series B option shares have a 24 month lock-up period tied to them. Options that have not been exercised will lapse as of January 1 2021.

The strike price for the options is NOK 11.09 and calculated as the average price the last 10 trading days before signing of the option agreement.

Options to CFO

Per Arne Nygård was engaged as interim CFO of the company as a consultant on 10 December 2019, and was permanently employed as CFO of the company effective 1 March 2020. In connection with entering into the employment agreement in 2020, it was agreed that Per Arne Nygård would be granted options on such terms and conditions with respect to vesting period and exercise price, as if they had been awarded on 1 March 2020.

On the basis of the above, the options have been granted with an exercise price of NOK 8.29, which reflects the volume weighted average share trading price of the Company's shares the 10 trading days prior to 1 March 2020. Furthermore, 4/6 of the options vested upon grant, while the remaining 2/6 vest with 50% on 1 March 2022 and 1 March 2023, respectively.

The company's use of access to recover variable remuneration

The Company may not require repayment of variable remuneration, except in the event of obvious errors in the calculation or the payment process.

Total remuneration paid compared to the Guidelines

Total remuneration to leading personnel during 2021 has complied with the Company's Guidelines. The main principle is for the Guidelines to ensure that the Company can retain and recruit qualified and competent senior executives, so that the company's business strategy and, as such, long term interests can be achieved. The board believes that the remuneration paid and outlined in this Report has ensured that the Company is able to retain key personnel and therefore contributed to the Company's long-term results and strategies.

Performance-based remuneration

The Senior Executives may be offered bonuses in addition to their base salary. Such bonus shall be agreed on an individual basis if applicable.

The Company aims to implement its growth strategy, among other things through the commercialization of Sippli®, as well as further growth in the Nordic region for the rest of the product portfolio. The company's most important drivers for growth are innovative products with great market potential, high competence within the various phases of commercialization of medtech products, as well as strong customer and supplier relationships. When determining bonuses for senior executives, the board of directors shall consider fulfilment of the company's growth strategy.

The variable remuneration is earned over a period of one year and the maximum achievable payment is 75% of annual base salary for the CEO and 50% for the other members of the executive management team.

For the variable remuneration paid to the executive management team in 2021, earned in 2020, the board of directors has emphasized the following important steps in the execution of the company's strategy:

- Successful completion of the Rights Issue in 2020
- Successful acquisition and integration of Sylak AB
- Established Observe Medical ASA as a standalone listed company after the listing in November 2019.
- Strengthen clinical evidence for Sippi®
- Established external Advisory Board
- New distributor agreement in Italy

Based on these achievements, and despite the pandemic which occurred from March 2020, the board of directors decided to pay 100% of potential variable remuneration to the executive management team. No bonus was earned and not paid as of 31. December 2021 based on achievements completed in 2021.

Derogations and deviations from the remuneration guidelines and from the procedure for implementation of the guidelines

The Company has not made any exception from the decision-making process when establishing the Guidelines or deviated from the Guidelines due to special circumstances as mentioned in section 4 (4) of the Regulation.

Information on changes in remuneration and company performance

Table 3 below shows the change in remuneration paid to leading personnel since Observe Medical ASA was incorporated on June 13, 2019.

(Amounts in NOK thousand)

Year / Annual change		2021	2020	2019 ¹⁾
Björn Larsson, (CEO) (from December 16, 2019)	Total NOK	2,948	1,764	54
	Change NOK	1,184	N/A	N/A
	Change %	67.1%	N/A	N/A
Per Arne Nygård (CFO) (from December 1, 2019) ²⁾	Total NOK	2,624	1,479	83
	Change NOK	1,145	N/A	N/A
	Change %	77.4%	N/A	N/A
Total revenue (Group)	Total NOK	24,042	2,961	177
	Change NOK	21,081	2,784	N/A
	Change %	712%	1,572.9%	N/A
Net Loss (Group)	Total NOK	-26,321	-36,868	-16,917
	Change NOK	+10,547	-19,951	N/A
	Change %	28.6%	-117.9%	N/A

¹⁾In the period from Observe Medical ASA was incorporated in June 2019 to management team was hired in December 2019 administrative services was hired from Navamedic ASA. Ole Henrik Eriksen, COO in Navamedic ASA, acted as CEO and total invoiced from Navamedic ASA for these services was NOK 130 thousand.

²⁾Interim CFO from December 1, 2019 to February 29, 2020. Permanent position as CFO from March 1, 2020. Please note that the 'total remuneration' in the table above not includes share option expenses that are based on theoretical values.



Observe Medical ASA had only one other employee (employed in December 2021) and no comparative figures have therefore been set for the average salary for other employees.

Consideration at general meeting.

Pursuant to the Companies Act Section 6-16 b (3), this report shall include an explanation on how the result of the general meeting's advisory vote over the report on salary and other remuneration to leading personnel for the previous year has been regarded. However, as the Guidelines was approved by the general meeting on 21 May 2021 and no report was prepared for 2020, cf. Section 7 (2) of the Regulation, this requirement is not relevant for this report.



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To the General Meeting of Observe Medical ASA

Independent auditor's assurance report on report on salary and other remuneration to directors

Opinion

We have performed an assurance engagement to obtain reasonable assurance that Observe Medical ASA report on salary and other remuneration to directors (the remuneration report) for the financial year ended 31 December 2021 has been prepared in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

In our opinion, the remuneration report has been prepared, in all material respects, in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

Board of directors' responsibilities

The board of directors is responsible for the preparation of the remuneration report and that it contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and for such internal control as the board of directors determines is necessary for the preparation of a remuneration report that is free from material misstatements, whether due to fraud or error.

Our independence and quality control

We are independent of the company as required by laws and regulations and the International Ethics Standards Board for Accountants' Code of International Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. Our firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibilities

Our responsibility is to express an opinion on whether the remuneration report contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and that the information in the remuneration report is free from material misstatements. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information".

We obtained an understanding of the remuneration policy approved by the general meeting. Our procedures included obtaining an understanding of the internal control relevant to the preparation of the remuneration report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Further we performed procedures to ensure completeness and accuracy of the information provided in the remuneration report, including whether it contains the information required by the law and accompanying regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodo	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Alesund



KPMG AS

Kjetil Kristoffersen
State Authorised Public Accountant

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