

Presented to the Annual General Meeting May 26, 2023



REPORT ON SALARIES AND OTHER REMUNERATION TO LEADING PERSONNEL IN OBSERVE MEDICAL ASA YEAR 2022

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 June 3, 2022 ("**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 2022 on page 77-80 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 2022

The company in 2022

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 Norway, Sweden, Denmark, Finland and the US.

At March 8, 2022, Observe Medical acquired 100% of the shares in Biim Ultrasound AS. Biim has developed and sells a wireless pocketable ultrasound device which has been approved by the FDA since 2018. Biim is headquartered in Narvik, Norway and conducts app development and firmware engineering in Oulu, Finland and has hardware development resources and production facilities in Seattle, U.S. The Biim Acquisition is in line with the Group's core strategy to be a platform for growth both to offer innovative products to the purpose of patient welfare, health economics and data accuracy, and to create a global distributor and partner network for the sale of the Group's proprietary products. Biim is accelerating their commercial strategy with an agreement with Fresenius Medical Care with the intention to deliver + 2,500 wireless pocketable ultrasound devices to dialysis centres in the U.S.

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With the acquisition Observe Medical has further strengthened the portfolio of medtech devices and disposables, mainly within Urine measurement, Ultrasound, Anaesthesiology/ICUs and wound care for use at ICUs and other wards at hospitals as well as towards primary care and homecare settings.

Observe Medical has two proprietary products:

Sippi® is a proprietary, patented, CE marked Digital, Automated Urine Measurement System for urine monitoring, currently in commercialization phase globally and,

Biim ultrasound probe consists of an ultrasound probe and an App for display of the ultrasound image and/or video. The entire system is designed to display anatomy and needle insertions in the range of 0 to 4 cm. The main procedures are IV; PICC (Midline), CVC and dialysis procedures for graft and fistula view during procedures.

Our Nordic medtech portfolio is 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 2022, reference is made to page 4 and 5 of the Company's annual report for 2022 which includes highlights 2022 and key financial numbers.

The guidelines for remuneration that the Company has adopted in 2022

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 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 a company car or receive a fixed car allowance.

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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

2022 have been a truly transformative year for the Company. In March the Company completed the acquisitions of Biim Ultrasound AS and Rune Nystad was appointed as new CEO. The Company completed the delivery of total 265 Biim ultrasound probes to Fresenius Medical Care dialyses educational centres in second quarter of 2022. In first quarter the Company received Medical Device Regulation (MDR) Certification for Sippi® disposable unit, ensuring continued market access in Europe after 2024 for the product. In Q4 the Company signed an exclusivity agreement with Convatec with the intention to acquire the Unometer™ portfolio, the market leading product range for urine meter with an established global reach.

In the Nordic region, the Nordic distribution portfolio had revenues at same level as in 2021 adjusted for the one-off order for delivery of Safety needles to the Covid-19 vaccination program in 2021.

Due to the pandemic and the Ukraine crisis, the world is experiencing challenges both in terms of raw material supply and uncertainty across the globe with impact in the financial markets and causes globally high inflation rates. This situation affects the company both in term of the supply of our products and components, and increased prices for both the products and transportation.

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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 2022, 2021 and 2020.

(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				
Rune Nystad ¹⁾	2022	1 781	118	800	0	67	124	2 890	70/30
Björn Larsson (CEO from December 2019- March 2022)	2022	1 407	486	0	0	-37	415	2 271	100/0
	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) ³⁾	2022	1 636	95	810	0	256	158	2 955	68/32
	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⁾Rune Nystad was appointed as CEO in Observe Medical from March 28, 2022, and amounts included above are remuneration in the period 1 April – 31 December 2022.

²⁾Björn Larsson stepped down from his position as CEO in Observe Medical at March 28, 2022. During the 6 months' notice period Björn Larsson received monthly salary. In addition Björn Larsson receive severance pay equal to 6 months base salary. The severance pay is included in other benefits and is paid in six equal monthly instalments with first payment in October 2022. Amounts in the table is total paid benefits in the period 1 January – 31 December 2022.

³⁾Interim CFO from December 1, 2019 to February 29, 2020. Permanent position as CFO from March 1, 2020.

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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 awardee and unvested	
Rune Nystad	ESOP 2022	11/11/22 – 11/11/23	11/11/22	11/11/23	11/11/23	11/11/23 – 11/11/26	4.5	0	333 333	0	333 333	
		11/11/22 – 11/11/24	11/11/22	11/11/24	11/11/24	11/11/24 – 11/11/26	4.5	0	333 333	0	333 333	
		11/11/22 – 11/11/25	11/11/22	11/11/25	11/11/25	11/11/25 – 11/11/26	4.5	0	333 334	0	333 334	
Total									1 000 000		1 000 000	
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	6.63	95 971	0	95 971	0	
		16/11/21 – 01/03/22	16/11/21	01/03/22	01/03/22	01/03/22 - 01/03/24	6.63	23 992	0	23 992	0	
		16/11/21 – 01/03/23	16/11/21	01/03/23	01/03/23	01/03/23 - 01/03/24	6.63	23 992	0	23 992	0	
Total								143 955		143 955		
Björn Larsson (CEO)	ESOP 2020	09/01/20 – 09/01/21	09/01/20	09/01/21	09/01/21	09/01/21 - 01/07/23	8.88	23 992	0	23 992		
		09/01/20 – 09/01/22	09/01/20	09/01/22	09/01/22	09/01/22 - 01/07/23	8.88	23 992	0	23 992		
		09/01/20 – 09/01/23	09/01/20	09/01/23	09/01/23	09/01/23 - 01/07/23	8.88	20 000	-20 000	0		
Total								67 984	-20 000	47 984		
Total for the Company									1 211 939	-20 000	191 939	1 000 000

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

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Options Rune Nystad

At November 11, 2022 Rune Nystad was granted 1 000 000 options.

The options have been granted with an exercise price of NOK 4.5 per option share. The options will be vested in three tranches, whereby each tranche comprising 1/3 of the options will vest on the first, second and third anniversary of the grant date, respectively.

The options have been granted without consideration and each option will upon exercise give the right to acquire one share in the Company. Any shares acquired upon exercise will be subject to a 12 months' lock-up period from the date received by the option holder, and all options will expire and lapse if not exercised within 11 November 2026.

Options Per Arne Nygård

In 2022, Per Arne Nygård was granted 120,000 options and each option, when exercised, will give the right to acquire one share in Observe Medical ASA. The options are granted without consideration..

The options are granted vest over a 2 year period, with 2/3 on the date of signing of the option agreement, 1/6 after 12 months and 1/6 after 24 months. The 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 option agreement regulates the adjustments in strike price in the event that a rights issue or repair issue is conducted by the Company. If such events the exercise price shall be reduced to reflect the dilutive effect of the share issue.

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 and recalculated to NOK 6.63 on basis of the rights issue in first quarter 2022. 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.

Options Björn Larsson

As part of a long-term incentive plan, Björn Larsson was in January 2020 granted 60 000 options. Each option, when exercised, will give the right to acquire one share in Observe Medical ASA. The options are granted without consideration.

The 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 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.

When entering the option scheme the strike price for the options was NOK 11.09 and calculated as the average price the last 10 trading days before signing of the option agreement. After the rights issue conducted in 2022 the strike price is recalculated to NOK 8.88.

The option agreement regulates the adjustments in the event that a rights issue or repair issue is conducted by the Company. If such events the option scheme shall be adjusted to reflect the dilutive effect of the share issue.

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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 2022 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:

- Expand global sales channels through expanding distribution network
- Successful completion of the Biim Ultrasound acquisition and integration
- Successful completion of the Rights issue in Q1 2022
- Execute on the commercial potential in the agreement with Fresenius Medical Care for the Biim ultrasound probe

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 50% of annual base salary for the members of the executive management team.

For the variable remuneration paid to the executive management team in 2022, the board of directors has emphasized the following important steps in the execution of the company's strategy:

- Successful completion of the Rights Issue
- Successful acquisition and integration of Biim Ultrasound

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Based on these achievements, the board of directors decided to pay 100% of potential variable remuneration to the CFO. No bonus was earned and not paid as of 31. December 2022 based on achievements completed in 2022.

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		2022	2021	2020	2019 4)
Rune Nystad, (CEO) ¹⁾	Total NOK	2 823	N/A	N/A	N/A
	Change NOK	N/A	N/A	N/A	N/A
	Change %	N/A	N/A	N/A	N/A
Per Arne Nygård (CFO) ²⁾	Total NOK	2 700	2 624	1 479	83
	Change NOK	76	1 145	N/A	N/A
	Change %	2.9%	77.4%	N/A	N/A
Björn Larsson, (CEO) ³⁾	Total NOK	2 308	2 948	1 764	54
	Change NOK	-640	1 184	N/A	N/A
	Change %	-21.7%	67.1%	N/A	N/A
Total revenue (Group)	Total NOK	19 521	24 042	2 961	177
	Change NOK	-4 521	21 081	2 784	N/A
	Change %	-18.8%	712%	1 572.9%	N/A
Net Loss (Group)	Total NOK	-50 721	-26 321	-36 868	-16 917
	Change NOK	-24 400	+10 547	-19 951	N/A
	Change %	-92.7%	28.6%	-117.9%	N/A

¹⁾Rune Nystad appointed as CEO in Observe Medical from March 28, 2022.

²⁾Interim CFO from December 1, 2019 to February 29, 2020. Permanent position as CFO from March 1, 2020. that are based on theoretical values.

³⁾Björn Larsson was CEO in Observe Medical from December 16, 2019, to March 28, 2022. Total remuneration in 2022 includes salary in 6 months' notice period and severance pay equal to three months base salary.

Please note that the 'total remuneration' in the table above not includes share option expenses.

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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.

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.

The General meeting of June 3 2022 had no comments or dissenting votes in its advisory vote on the report on salaries and other remuneration to leading personnel in Observe Medical ASA year 2021. The Board of Directors have in 2022 followed the guidelines as adopted in the General meeting for determination of salary and other remuneration to executive personnel in Observe Medical ASA.

Observe Medical ASA

Oslo, 5 May 2023

DocuSigned by:

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Terje Bakken
Chairman



Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S ASSURANCE REPORT ON REMUNERATION REPORT

To the General Meeting of Observe Medical ASA

Opinion

We have performed an assurance engagement to obtain reasonable assurance that Observe Medical ASA's report on salary and other remuneration to directors (the remuneration report) for the financial year ended 31 December 2022 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 in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of 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.

Oslo, 26 May 2023
ERNST & YOUNG AS

The auditor's assurance report is signed electronically

Anja Maan
State Authorised Public Accountant (Norway)