



REPORT ON SALARIES AND OTHER REMUNERATION TO LEADING PERSONNEL IN OBSERVE MEDICAL ASA YEAR 2023

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 26, 2023 ("**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 2023

The Company in 2023

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.

For a brief description of the Company's performance in the financial year 2023, reference is made to page 4 and 5 of the Company's annual report for 2023 which includes highlights 2023 and key financial numbers.

The guidelines for remuneration that the Company has adopted in 2023

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.

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

2023 have been yet a transformative year for the Company. In September 2023, the Company signed an asset transfer agreement with Unomedical A/S and Unomedical s.r.o. as sellers (which are ultimately owned by Convatec Group Plc) (the "ATA"), following the entry of an exclusivity agreement in October 2022. Pursuant to the ATA, Observe Medical AS acquired the trademarks and other intellectual property rights relating to state-of-the-art urine measurement products known as the UnoMeter™ and Abdo-Pressure™ products (the "Transaction"). The Transaction is a significant step forward for Observe Medical as it expands its product portfolio and strengthens its position in the market.

The Unometer™ portfolio holds a strong market share of around 80-90% in Europe's urine measurement segment. Known for its high quality, it's a leading brand in Europe and beyond, selling over 5 million units annually. This acquisition is also expected to expand Observe Medical's reach, by connecting it with over 600 distributors in more than 50 countries, enhancing Observe Medical's current medtech portfolio (including Sippi® and Biim Ultrasound™).

The Company delivered an additional 20 Biim ultrasound probes to Fresenius Medical Care dialyses educational centres in the fourth quarter of 2023 (total of 285 probes). Fresenius is now working with a KPI study to support a final investment decision for full scale implementation in their dialyses clinics. This process is more time-consuming than previously anticipated, and the Company is now in advanced discussions with Fresenius Medical Care about the next steps on the way to a final investment decision. On January 18 ,2024, the Company announced that the net proceeds from the Rights Issue were not sufficient to improve the working capital needs for the continued product development and ramp up of sales activities for the Biim ultrasound probe. The Company has started a project to evaluate various strategic options for the Biim ultrasound probe based on among other the outcome of these discussions and the financial resources available to Observe Medical. Consequently, no assurance can at this stage be given that the Company will pursue continued product development and ramp up of sales activities for this product.

In the Nordic region, the Nordic distribution portfolio had a positive YoY development of 13%.

Due to the aftermath of the pandemic, war in Ukraine and in the middle east, 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.

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 2023, 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⁾	2023	2 324	6	100	0	452	172	3 054	96/4
	2022	1 781	118	800	0	67	124	2 890	70/30
Per Arne Nygård (CFO)	2023	1 640	96	500	0	26	172	2 434	78/22
	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

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.

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.

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

Share options											
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	Share options awarded	Share options vested	Share options awarded and unvested
Rune Nystad (CEO)	ESOP 2022	11.11.22 – 11.11.23	11.11.2022	11.11.2023	11.11.2023	11.11.23 – 11.11.26	4.5	333 333	0	333 333	0
		11.11.22 – 11.11.24	11.11.2022	11.11.2024	11.11.2024	11.11.24 – 11.11.26	4.5	333 333	0	0	333 333
		11.11.22 – 11.11.25	11.11.2022	11.11.2025	11.11.2025	11.11.25 – 11.11.26	4.5	333 334	0	0	333 334
Total								1 000 000	0	333 333	666 667
Per Arne Nygård (CFO)	ESOP 2021	16.11.21 – 16.11.21	16.11.2021	16.11.2021	16.11.2021	16.11.21 – 01.03.24	6.63	95 971	0	95 971	0
		16.11.21 – 01.03.22	16.11.2021	01.03.2022	01.03.2022	01.03.22 – 01.03.24	6.63	23 992	0	23 992	0
		16.11.21 – 01.03.23	16.11.2021	01.03.2023	01.03.2023	01.03.23 – 01.03.24	6.63	23 992	0	23 992	0
Total								143 955	0	143 955	0
Total for the Company								1 143 955	0	477 288	666 667

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.

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.

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 2023 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 Rights issue in Q4 2023
- Successful production set-up and launch of the UnoMeter™ portfolio
- 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 2023, the board of directors has emphasized the following important steps in the execution of the company's strategy:

- Successful acquisition, production set-up and commercialization of UnoMeter™ products
- Successful completion of the Rights Issue

Based on these achievements, the board of directors decided to pay 4% of base salary as potential variable remuneration to the CEO and 30% of base salary as potential variable remuneration to the CFO.

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)

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

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

Year / Annual change		2023	2022	2021	2020
Rune Nystad, (CEO) ¹⁾	Total NOK	2602	2 823	N/A	N/A
	Change NOK	-221	N/A	N/A	N/A
	Change %	-7.8 %	N/A	N/A	N/A
Per Arne Nygård (CFO) ²⁾	Total NOK	2 408	2 699	2 624	1 479
	Change NOK	-294	75	1 145	N/A
	Change %	-10.9 %	2.9 %	77.4 %	N/A
Avg. remuneration on a FTE of the Company *	Total NOK	1 910	2 192	2 624	1 479
	Change NOK	-282	-432	N/A	N/A
	Change %	-12.9 %	-16.5 %	N/A	N/A
Avg. remuneration on a FTE of the Group **	Total NOK	1 333	1 525	N/A	N/A
	Change NOK	-192	N/A	N/A	N/A
	Change %	-12.6 %	N/A	N/A	N/A
Total revenue (Group)	Total NOK	27 942	19 521	24 042	2 961
	Change NOK	8 421	-4 521	21 081	2 784
	Change %	43.1%	-18.8%	712 %	1 572.9%
Net Loss (Group)	Total NOK	-60 345	-50 725	-26 321	-36 868
	Change NOK	-9 620	-24 404	10 547	-19 951
	Change %	-18.9%	-92.7%	28.6%	-117.9%

*Avg. remuneration of 3 employees, **Avg. remuneration of 5 employees in Norwegian companies

Consideration at general meeting.

The General meeting of May 26 2023 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 2022. The Board of Directors have in 2023 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, 3 May, 2024



Terje Bakken

Chair of the Board



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 2023 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. The firm applies International Standard on Quality Management, which requires the firm to design, implement and operate a system of quality management including policies or 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, 3 May 2024
ERNST & YOUNG AS

The auditor's assurance report is signed electronically

Anja Maan
State Authorised Public Accountant (Norway)

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Maan, Anja

Oppdragsansvarlig partner

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